BancorpSouth

November 12, 2008

Mr. Robert E. Feldman
Executive Secretary, Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

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RECEIVED
OFFICE OF EXECUTIVE SECRETARY

Re: RIN 3064-AD35 Notice of Proposed Rulemaking on Risk-Based Assessments (Proposed Amendment to 12 CFR Part 327)

Dear Mr. Feldman:

I am writing on behalf of BancorpSouth, Inc. to comment on the Federal Deposit Insurance Corporation's notice of proposed rulemaking published in the *Federal Register* on October 16, 2008 with respect to increases in deposit insurance premiums. In particular, I am concerned about the proposal to increase premiums on collateralized Federal Home Loan Bank advances. I appreciate the opportunity to address my concerns on this issue.

FHLB advances are a reliable and stable source of funding, and one that BancorpSouth employs effectively and without heightened exposure for the FDIC. The proposed regulation oversimplifies and mischaracterizes the FDIC's potential exposure by assuming inferior credit quality of the loans pledged to back the advances if advances are more than 15% of domestic deposits. In doing so, the additional premium raises costs of funding and penalizes BancorpSouth for its proper and effective use of a historically viable source of funding, despite our practice of collateralizing FHLB advances with high-quality assets.

The degree to which an FHLB advance exposes the FDIC to credit risk depends primarily on the credit quality of the loans pledged under the advance, yet credit quality is not captured or even suggested by the proposed formula. FHLB advances have historically been more stable than many other sources of funds, and BancorpSouth has effectively used such advances to prudently manage interest rate risk. The additional premium is a theoretical charge for exposure to risk, but secured liabilities such as FHLB advances are not, themselves and without reference to the quality of the underlying assets, an accurate proxy of a bank's risk. Put simply, the proposal is an over-generalization, and is therefore unjustly punitive to banks that have not taken unsound credit risks. The proposal is also poorly timed given the current state of credit markets.

BancorpSouth, Inc.
2488140.4 P.O. Box 789 • Tupelo, MS 38802-0789 • 662-680-2000 • FAX 662-680-2382

Because FHLB advances are typically priced below the cost of local deposits, their use helps us to maximize our bank's net interest margin. For the period from June 30, 2007 to September 30, 2008, if BancorpSouth Bank had issued CDs at average local market rates rather than using FHLB advances, it would have cost us an estimated additional $5.5 million. As you can see, the savings from using FHLB advances are significant. Given the pricing advantage and relative stability in comparison with less stable retained deposits, we believe that the responsible use of FHLB advances is in the long-term best interests of BancorpSouth Bank.

For these reasons, we urge the FDIC not to penalize FHLB borrowings with the proposed premium increase. At a minimum, we request that the components of the proposed rule applicable to FHLB advances be deferred during this period of relative illiquidity in the capital markets for further review and research. If you have any questions or need additional information, please contact me at 662-680-2422.

Sincerely,

Aubrey B Patterson

Aubrey B. Patterson, Jr.
Chairman and Chief Executive Officer
BancorpSouth, Inc. and BancorpSouth Bank

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