MIDSOUTH

BANK

November 13, 2008

Mr. Robert E. Feldman
Federal Deposit Insurance Corporation
550 17th Street North West
Washington, DC 20429

Re: Notice of Proposed Rulemaking (RIN 3064-AD35)

Dear Mr. Feldman:

MidSouth Bank appreciates the opportunity to comment on the Federal Deposit Insurance Corporation ("FDIC") Notice of Proposed Rulemaking proposing changes to the FDIC's deposit insurance assessment regulation. In particular, we would like to respond to the request for comments on a couple of specific issues.

First, we would like to respond as to whether deposits received through a network on a reciprocal basis that meet the statutory definition of brokered deposits should be excluded from the definition of brokered deposits for purposes of the adjusted brokered deposit ratio or the brokered deposit adjustment.

We are a community bank headquartered in Murfreesboro, TN, and we have $260.8 million in assets and six banking offices as of September 30, 2008. Our bank has served the people of Rutherford County, Tennessee for nearly five years, offering a full range of products and services, including the Certificate of Deposit Account Registry Service ("CDARS"), which meets the description of a reciprocal placement service in your proposal. Because CDARS deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits, we strongly believe that CDARS Reciprocal deposits should be excluded from the definition of brokered deposit for the purposes of this proposal.

CDARS CD interest rates are set locally, as opposed to brokered deposits that are set based on a broad national or regional market. Brokered deposits rarely renew or roll over, while CDARS deposits have extremely high reinvestment rates. Our customers renew their CDARS deposits nearly all of the time. This is high by any standard and for our bank is actually better than the rollover rate in traditional CD products. In addition, our customers do not seek out our bank's CDARS program due to high rates, but it provides the safety and peace of mind of knowing that their deposits are fully insured. In addition, they find it more convenient to maintain a single banking relationship with us rather than going to multiple banks only to obtain deposit insurance protection.

Since CDARS deposits do not exhibit the characteristics of traditional brokered deposits, CDARS deposits should not be treated like brokered deposits for purposes of the proposed assessment regulation. For banks, separately reporting CDARS deposits on the Call Report would be relatively simple. Such reporting could be achieved by simply adding fields to the Call Report to report the information separately.

In addition, we strongly urge the FDIC to support legislation explicitly exempting CDARS Reciprocal deposits from the definition of brokered deposit in the FDI Act definition, which would conclusively settle any uncertainty as to the status of CDARS. In addition, via the CDARS program we have been able to bring Public funds back into the communities that we serve for local lending purposes. With the increased FDIC coverage, local county and city governments which had previously sent funds out of area to managed funds have been returning those funds to their local community. We have been able to deploy those funds in the communities from which they come to create jobs, provide working capital for small business owners and other opportunities to help fund the growth of our local communities.

The other issue to which we would like to respond deals with the treatment of brokered deposits as higher risk instruments by assessing an adjusted brokered deposit ratio in addition to the base FDIC assessments. As a community bank, we face daily pricing pressures in our markets from regional banks that are faced with liquidity crises. Those regional banks have begun offering special deposit rates that are 150 to 200 basis points higher than the local market to raise their funding levels. From a competitive perspective, we cannot afford to pay those kinds of rates and manage an acceptable interest margin; therefore, we have turned to the brokered deposit market to augment our traditional funding sources at rates that are much more acceptable. Simply stated, buying brokered deposits is a cost-effective funding source that is less expensive than many other funding options. Brokered deposits are also important sources of liquidity to community banks in this economic environment and should not be needlessly discouraged.

We also feel that the 10% brokered deposit threshold and the 20% growth threshold are low, especially in a community bank that is still relatively young in its existence and has potential for growth in a market that sincerely wants a true community bank. We believe that the 10% brokered deposit threshold will discourage reasonable use of brokered deposits because banks and examiners will perceive that to be a cap rather than a guideline. Banks reporting more than 10% brokered deposits will be viewed with suspicion by rating agencies and the financial press. To avoid this stigma, banks will look to other, more expensive, sources of funds.

We strongly urge the FDIC to exempt brokered deposits from additional assessment adjustments. We believe that the FDIC should not impose premiums on brokered deposits except as individual bank use warrants an increase. Our bank has a little more than 6% of its total deposits in traditional brokered deposits, but we need the flexibility to use brokered deposits to fund future growth and to help control our interest costs without being punished for responsibly using that funding source. Brokered deposits, specifically DTC brokered deposits that we have purchased, are not eligible for early withdrawal (except in the rare cases of death or incompetence). That lessens the concern that those customers would choose to make a "run on the bank," which has happened in the recent past and adversely impacted insured financial institutions, adding to the probability of their failure.

Thank you for your consideration. We appreciate the opportunity to comment on this proposal.

Sincerely,

Kevin D. Busbey
Senior Vice President & Chief Financial Officer