



Farmers & Merchants Bank

June 28, 2006

Federal Housing Finance Board
Public Comments: Excess Stock Restitution & Retained Earnings
1625 Eye Street, NW
Washington, D.C. 20006

Subject: Formal Objection to Proposed Rule Changes

Dear Sir/Madam:

Farmers & Merchants Bank is a small full service commercial bank operating in four Rural West Tennessee Counties. The bank has been in business since 1916 and tries to understand and aggressively meet the needs of its clients.

The Federal Home Loan Bank of Cincinnati has been a vital partner to this bank for many years enabling us to meet the seasonal needs of our borrowing clientele at reasonable rates. This aids agricultural segment to remain competitive and ultimately helps every consumer in America.

It would appear that the proposed rule change would result in the following negatives:

1. Deterioration in the Strong Financial Position of the FHLB of Cincinnati
2. Dismantles the Provisions of the Cincinnati Banks approved capital plan.
3. Will hurt smaller banks like F&M who depend upon the dividend stream provided from the initial investment.
4. Lessen monies available to provide affordable housing

The FHLB of Cincinnati has been a high quality, top performing service provider of ours for over two decades. For the above reasons we urge no rule changes.

Sincerely,

George L. Atwood
Chairman & CEO

J. Barry Cary
President & Chief Operating Officer

Cc: Honorable John Tanner
8th District Congressman
1226 Longworth House Office Bldg
Washington, DC 20515-4208