

THE FIRST NATIONAL BANK OF BEMIDJI, DAWN CARPENTER

Proposal and Comment Information

Title: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies (Reg O and Y), R-1896

Comment ID: FR-2026-0028-01-C47

Submitter Information

Organization Name: The First National Bank of Bemidji

Organization Type: Company

Name: Dawn Carpenter

Submitted Date: 10/28/2026

Please see attached comments.

RE: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies; Docket No. 1896, RIN 7100-AH27



October 28, 2026

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies; Docket No. 1896, RIN 7100-AH27

Dear Secretary McDonough:

The First National Bank of Bemidji appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's proposed amendments to Regulation O. We support the proposed changes, which would reduce administrative burdens and increase dollar-based thresholds to better reflect current borrowing needs and economic conditions. Regulation O serves an important purpose in preventing preferential treatment of bank insiders and protecting financial institutions from undue risk. However, the existing dollar-based thresholds have not kept pace with inflation, making them increasingly restrictive and less reflective of today's lending environment.

These limitations are particularly significant for rural community banks, which often have a limited pool of individuals willing to serve on their Board of Directors. Serving on the board of a community bank should not place an otherwise qualified borrower at a disadvantage when seeking credit. Nor should board service require an individual to obtain financing from a competing institution, particularly in rural communities where credit providers may be limited. These concerns extend to all bank insiders as defined under Regulation O.

The First National Bank of Bemidji strongly supports the Board's efforts to provide meaningful regulatory relief in this area and endorses the proposed increases to each of the dollar-based thresholds. We also encourage the Board to establish a process for periodically adjusting these thresholds to account for inflation and changing economic conditions, regardless of the methodology ultimately selected. Regular adjustments would help ensure that the thresholds remain relevant and effective over time.

Additionally, while we support the Board's proposal to modernize the limit on extensions of credit to executive officers for the purposes other than residence or education, we respectfully submit that raising the fixed ceiling from \$100,000 to \$400,00 does not resolve all underlying issues. The section of the rule specifically related to credit to executive officers, as implemented, goes beyond parity and provides an executive officer with less access to credit than an ordinary customer. Restrictions designed to prevent favorable treatment should not impose unfavorable treatment, particularly at

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community banks. The treatment of home equity credit illustrates the problem with particular clarity. The executive officer rule permits a bank to extend first-lien residential mortgage credit to an executive officer without a fixed dollar limit, subject to the bank's ordinary underwriting. Yet a home equity line of credit secured by the same primary residence, supported by the same collateral and repaid from the same income falls within the general-purpose limit and competes with every other consumer obligation the officer may have. This treatment becomes especially punitive in today's rate environment. An executive officer who obtained a first mortgage at a lower rate cannot access the equity in his or her home through the institution he or she serves without refinancing that mortgage and surrendering the rate, which is a choice no ordinary customer would be required to make. We recommend where the bank holds the first lien on the executive officer's primary residence, any additional extension of credit secured by the same residence where the combined exposure technically stays in the first position (additional liens with no intervening lien held by any other party) be permitted in an amount limited only by the bank's standard underwriting criteria and the rule's individual and aggregated insider limits.

We appreciate the Federal Reserve's commitment to modernizing Regulation O and recognizing the practical challenges faced by community banks. Community banks play a vital role in supporting local businesses, families, and economic development. The proposed amendments would provide meaningful regulatory relief while preserving the regulation's fundamental safeguards and bring its requirements more in line with current economic realities.

Thank you for your consideration of these comments.

Sincerely,



Dawn Carpenter
Internal Audit Officer

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