BANK FIRST, N.A., KELLY DVORAK

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-C56

Subject

Docket No. R-1896, RIN 7100-AH27

Submitter Information

Organization Name: Bank First, N.A.

Organization Type: Company

Name: Kelly Dvorak

Submitted Date: 11/03/2026

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To Whom It May Concern:

Please see the attached letter in support of the proposed modernization of Reg O.

Thank you,
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BankFirst

November 3, 2026

ELECTRONIC SUBMISSION ONLY

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Docket No. R-1896 and RIN 7100-AH27

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

To Whom It May Concern:

Bank First, N.A. ("Bank First"), appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's ("Board") proposal to update, restate, and reorganize Regulation O ("Reg O"). Bank First is a national bank headquartered in Manitowoc, Wisconsin, with approximately $6 billion in assets and 38 banking locations in Wisconsin and Illinois. As a relationship-based community bank, Bank First regularly extends credit to local businesses, agricultural borrowers, consumers, and real estate owners, including directors, executive officers, principal shareholders, and their related interests when the credit is appropriate and offered on non-preferential terms.

Bank First supports the central purpose of Reg O: preventing preferential insider lending and protecting banks from undue risk. At the same time, the regulation's outdated dollar thresholds and complex interpretive framework impose substantial administrative burdens on ordinary, well underwritten transactions that present no meaningful self-dealing concern. Bank First therefore strongly supports the Board's modernization effort, particularly the proposed threshold increases, automatic indexing, and clarification of transition loans. We respectfully offer the following comments to help ensure the final rule provides meaningful relief without creating new uncertainty or unnecessary compliance costs.

Dollar-Based Thresholds

Bank First strongly supports increasing each of the five dollar-based thresholds in the proposal: the credit card exception from $15,000 to $60,000; the interest-bearing overdraft plan exception from $5,000 to $20,000; the inadvertent overdraft exception from $1,000 to $4,000; the limit for extensions of credit to executive officers for other purposes from $100,000 to $400,000; and the prior board approval and public disclosure thresholds from $500,000 to $2 million.

The existing thresholds no longer reflect the size of routine commercial, agricultural, and real estate transactions. In today's market, a credit exceeding $500,000 may be an ordinary, conservatively underwritten relationship made on the same terms available to comparable non-insider borrowers. Requiring prior approval by a majority of the full board for these credits can delay closings, add documentation, consume board and staff time, and divert attention from transactions that present greater risk. Raising the thresholds will allow boards to focus on material insider exposures while preserving Reg O's substantive safeguards, including market terms, creditworthiness, aggregate lending limits, and prohibitions on preferential treatment.

Bank First also supports the proposed increases in the dollar components of the prior approval formula and the executive officer 'other purpose' exception while retaining the existing capital-based tests. The Board should consider whether additional relief is warranted for well-capitalized and well managed community banks, including higher thresholds or alternative percentage tests that are better scaled with an institution's capital and lending activity.

Indexing

Bank First strongly supports indexing the dollar-based thresholds to nominal gross domestic product and adjusting them automatically every five years. The current limits remained static for decades and became obsolete. A predictable indexing mechanism will preserve the practical value of the thresholds and reduce the need for periodic rulemaking merely to restore their original economic significance.

To make indexing operationally workable, the Board should publish each adjustment well in advance of its effective date, make adjustments effective at the beginning of a calendar quarter, use rounded amounts that can be readily incorporated into policies and systems, and publish a consolidated table showing the then current thresholds and the calculation supporting each adjustment. The Board should also coordinate with the FDIC and the OCC so that insured institutions apply the same thresholds on the same effective date.

Overdrafts

Bank First supports increasing the exceptions for inadvertent overdrafts and interest-bearing overdraft plans. The final rule should retain the current exclusion for inadvertent overdrafts from the definition of 'extension of credit'. Small, unintentional, and promptly repaid overdrafts do not warrant the reporting, financial statement, and other requirements applicable to extensions of credit to executive officers. Removing the exclusion would create a

disproportionate compliance burden without materially advancing the rule's safety and soundness purpose.

Home Mortgage Exception for Executive Officers
Bank First supports clear standards, but the proposed three-month occupancy requirement and categorical bar on renting or leasing any portion of the property may be more restrictive than necessary. An executive officer may plainly occupy a residence while renting a spare room or one unit of a duplex. The final rule should preserve reasonable flexibility and focus on whether the property is genuinely used as the officer's residence, rather than treating any incidental rental use as disqualifying.

Definition of Extension of Credit
The proposal would treat certain modifications, including an interest rate adjustment, maturity extension, or other material term change, as a new extension of credit. Bank First requests that the final rule clarify that scheduled or automatic adjustments, and modifications that do not increase the bank's credit risk or confer a preferential benefit on the insider, are not new extensions of credit. The Board should define 'material terms' and provide practical examples. Without these clarifications, routine servicing or risk-reducing modifications could trigger unnecessary repeat board approvals.

Transition Loans
Bank First supports codifying that a loan made before a borrower becomes an insider need not be unwound or modified, provided the loan is counted toward the applicable limits going forward. This clarification is particularly important for community banks, where established customers and local business leaders may later be asked to serve as directors or executive officers. The final rule should tie the exclusion for loans made 'in contemplation' of insider status to objective criteria, such as the bank's documented knowledge of a pending nomination or hire, rather than a subjective inquiry into intent. Existing credit files should be sufficient to document transition loans.

Spouses, Trusts, Estates, and Related Interests
The proposed attribution rule for spousal credit requires clarification for Wisconsin and other marital or community property states. Because income earned during marriage may constitute marital property, it may be difficult to determine when repayment is 'not predicated on' the insider's income. Bank First supports a safe harbor under which the condition is satisfied when the bank documents that the spouse qualified based on the spouse's own income, assets, credit history, and repayment capacity. The additional conditions applicable to a spouse's related interests should likewise be satisfiable through a written borrower certification reasonably relied upon by the bank.

Bank First supports increasing the beneficial interest threshold for trusts and estates from 10 percent to 25 percent. Presumptions that a trustee controls a trust or an executor controls

companies or shares held by an estate should remain rebuttable, and the final rule should confirm that governing trust and estate instruments may constitute sufficient rebuttal evidence.

The proposed 'alter ego' standard for the related interest of an executive officer is highly fact dependent and could yield inconsistent conclusions among institutions and examiners. The Board should establish a clear safe harbor for an entity with documented independent repayment capacity, such as operating cash flow, business assets, or support from third-party guarantors.

Correspondent Lending Restrictions

Bank First supports codifying the statutory correspondent lending restrictions and the proposed safe harbors for survey and borrower-inquiry methods. The final rule should confirm that a bank may rely in good faith on survey responses and borrower answers without independent verification and may incorporate the inquiry into existing loan application or insider certification forms. The definition of 'correspondent account' should be limited to accounts used for payment or other transaction services so that ordinary deposits placed for liquidity or investment purposes are not swept into the recordkeeping requirement.

Disclosure Simplification

Bank First supports raising the public disclosure threshold to $2 million, simplifying the definitions used for disclosure, clarifying the treatment of principal shareholders, and excluding operating subsidiaries from the definition of affiliate. Where a bank and its holding company have overlapping boards, the final rule should permit a single annual report to satisfy the requirements for both organizations with respect to extensions of credit secured by bank or holding company shares.

Community Bank Burden, Interagency Coordination, and Implementation

The proposed threshold and indexing changes will reduce burden. Other provisions, however, including spousal and trust attribution, modification standards, residence conditions, correspondent account recordkeeping, and the executive officer related interest analysis, may require revisions to policies, procedures, forms, systems, training, and existing insider reviews. The Board should weigh these implementation costs and adopt clear definitions and safe harbors wherever possible.

Uniformity among the Board, the FDIC, and the OCC is essential. Differences in thresholds, definitions, interpretations, or effective dates would create avoidable complexity for institutions subject to different primary federal regulators. Bank First urges the agencies to finalize coordinated rules with identical thresholds and a common effective date.

The higher thresholds should take effect on the final rule's effective date. For provisions that impose new requirements, banks should receive a transition period of at least twelve months,

and extensions of credit made in compliance with the current rule should be grandfathered. Because the proposal would substantially reorganize and renumber Reg O, the Board should publish a redline mapping current provisions to the final rule and identify which existing staff interpretations remain effective or are superseded.

Conclusion

Bank First appreciates the Board's effort to modernize Reg O. The proposed threshold increases, indexing mechanism, transition loan treatment, and disclosure simplifications will better align the regulation with modern banking while preserving its core protections against preferential insider lending. With the clarifications, safe harbors, interagency coordination, and implementation period described above, the final rule can provide meaningful regulatory relief and greater certainty for community banks.

Thank you for considering our comments.

Respectfully,



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