STATE BANK OF SOUTHERN UTAH, DAVID EBERHARD

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

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Submitter Information

Organization Name: State Bank of Southern Utah

Organization Type: Company

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Please see the attached Comment Letter.

STATE BANK
OF SOUTHERN UTAH

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November 4, 2026

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

To the Board of Governors:

I appreciate the opportunity to comment on the proposed amendments to Regulation O. State Bank of Southern Utah is a community bank with headquarters and locations in Southwestern Utah with assets of about $2.7 billion. I strongly support the proposal and believe many of the changes are long overdue. The proposed revisions appropriately modernize the regulation, reduce unnecessary burden, and provide greater clarity for banks while maintaining the underlying safeguards against insider abuse.

Threshold Adjustments and Indexing

I fully support the proposed increases to the various dollar thresholds in Regulation O. The existing thresholds have not kept pace with economic growth and inflation and no longer reflect the practical realities of banking today. The executive officer lending limit has not been increased since 1983. A $100,000 loan in 1983 is approximately equivalent to about $350,000 today based on CPI data. The proposed increase to $400,000 largely restores the original economic significance of the limitation. The proposed adjustments appropriately restore the thresholds to their intended level of significance and reduce unnecessary regulatory burden, particularly for community banks.

I also support the proposed methodology of indexing these thresholds based on nominal GDP. The proposed approach is transparent, objective, and provides a reasonable mechanism to prevent the thresholds from again becoming outdated. The five-year adjustment cycle appears appropriate and balances the need for periodic updates with operational simplicity.

Question 36

I support the proposed clarification that an extension of credit includes an increase in amount, extension of maturity, or adjustment to an interest rate term or other material term of an existing credit relationship. The proposal provides a clear understanding of what is expected and should reduce uncertainty regarding when a modification constitutes a new extension of credit.

Question 37

I support elimination of the inadvertent overdraft exception from the definition of "extension of credit" while retaining the separate overdraft protection provisions applicable to executive

officers and directors. The proposal simplifies the regulation and aligns it more closely with modern banking practices.

Question 41

I would appreciate clarification regarding the treatment of guarantees under proposed Section 215.3(a)(5). The proposal language states that an extension of credit includes: “an acquisition…of a note or other obligation…upon which an insider is liable as maker, drawer, endorser, guarantor, or surety.” The proposal does not expressly address whether a guarantor’s exposure should be the full amount of the note, or the insider’s maximum contractual liability under a limited guarantee.

A common situation in community banking involves an insider who guarantees a company obligation but whose exposure is limited to his or her ownership percentage. For example, an insider may own 20 percent of a borrowing entity and be liable under a guarantee only to the extent of that 20 percent ownership interest.

Clarification is requested regarding limited guarantees. Where an insider’s liability as guarantor is contractually limited to a specified amount or percentage of a borrower’s obligation, the amount attributed to the insider for Regulation O purposes should be the greater of (i) the insider’s maximum contractual liability under the guarantee or (ii) the insider’s ownership percentage multiplied by the outstanding balance of the obligation. Such an approach would recognize legitimate limited guarantees while preventing structures designed to reduce Regulation O exposure below the insider’s economic interest in the borrowing entity. This treatment would be consistent with the actual credit exposure of the insider and the legal lending limit principles that recognize limited guarantees.

Questions 51-56

I support the proposal to modernize the definition of executive officer. The titles of Cashier and Secretary are largely outdated and no longer reliably identify individuals who participate in major policymaking functions. Their removal is appropriate.

I also support the continued focus on actual policymaking authority rather than job titles. In practice, a board of directors is in the best position to determine which individuals participate in major policymaking decisions and should therefore be treated as executive officers for Regulation O purposes.

Accordingly, I would support allowing a board of directors, through formal resolution, to specifically identify those individuals who are considered executive officers for Regulation O purposes and to exclude positions that do not participate in major policymaking functions. Consistent with the proposal, the Chairman should be permitted to be excluded where the Board has determined by resolution that the individual does not participate in major policymaking functions.

Thank you for considering these comments.

Respectfully submitted,

David Eberhard, Chief Financial Officer
State Bank of Southern Utah