

 **CITIZENS & NORTHERN CORPORATION**

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Stock Symbol: CZNC Email: cnemail@cnbankpa.com

July 18, 2008

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW.,
Washington, DC 20552,

Attention: OTS-2008-0004.

Ladies and Gentlemen:

Citizens & Northern Corporation, through its operating subsidiaries, Citizens & Northern Bank and First State Bank, began offering an overdraft payment program within the past twelve months for the purpose of adopting a more uniform methodology for existing practices and in response to competitor services. Prior to program implementation we offered alternative overdraft protection options and we continue to offer these services today, as we find these options valued by our customers as a means to manage their funds. Our discretionary program was crafted in full observance of the best practices outlined in the interagency guidance issued in 2005 including the right to "opt out" of the program. Our customers are our lifeline and we actively promote our managers refunding fees in the rate instances where the customer seems to be confused by this service.

While we stand firm in our belief there is nothing unfair or deceptive in our programs, we acknowledge that some customers may benefit from additional disclosures. However, we question the cost benefit of some elements of the current proposal. Specifically we find the following items objectionable:

1. The qualifying criteria for our overdraft program are applied uniformly for all account holders and we clearly disclose the right to "opt out". The requirement for adoption of a standardized form and language and the costs of continually providing this information on a periodic basis is unjustified.
2. The proposal for the allowance of a partial "opt out" for debit card and ATM card transactions is technically infeasible within our current operating environment. This would require our core processing system to support two account balances, one to support card activity that would not include a discretionary limit, and another for check and ACH items that would include a discretionary limit. Most banks would be subject to having their core software provider develop this functionality. The varying timeline for providers would undoubtedly put many banks at a competitive disadvantage if the proposal was enacted before the functionality was available. Banks in this position would have no alternative but to unilaterally remove any discretionary limit for all card activity for all account holders. This provides absolutely no benefit to the consumer at a great deal of cost to the bank.
3. The proposal also addresses "holds" on debit card transactions. Current rules governing this topic in the payment card industry are extremely difficult to understand even for those

employed by financial institutions. The proposition of programmatically addressing the various processing permutations would be a nightmare. The prospect of clear disclosure is unimaginable. Once again the cost benefit is a negative factor.

The proposal also requests comment on payment clearance processing. We oppose any regulation within this area. Different processing models within the industry lend themselves to varying processing efficiencies. Dictating a single approach for all financial institutions would wipe out these gains and would be detrimental to the well being of many institutions. Likewise, permitting consumers to choose a payment order would create a compliance burden and only increase processing costs.

We thank you for the consideration of our concerns.

Sincerely,

Craig G. Litchfield
Chairman, President & CEO

PUBLIC SUBMISSION

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General Comment

Please see the attached document.

Attachments

OTS-2008-0004-DRAFT-0054.1: Comment on FR Doc # E8-10247