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August 4, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal
Reserve System
20th St. & Constitution Ave., NW.
Washington, DC 20551
Regs.comments@federalreserve.gov

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

Re: BOARD Docket No. R-1314; OTS Docket No. OTS-2008-0004;
Unfair or Deceptive Acts or Practices; 73 Federal Register 28904;
May 19, 2008 (UDAP Proposal)

Dear Sirs and Madams;

The American Bankers Association has informed First National Bank of Chester County of a proposed rule by the Federal Reserve Board, the Office of Thrift Supervision, and the National Credit Union Administration covering Unfair or Deceptive Acts or Practices involving overdraft protection service fees. We would like to provide comments on this rule.

We concur with the ABA in their assertion that the banking industry has acted in the best interests of its customers and the payments system by making overdraft accommodation available. We believe that banks have exercised discretion in covering overdrafts for customers. This accommodation is made at the bank's risk-based discretion- there is no contract involved.

Our customers receive real value when the bank stands behind their payment. The customer clearly understands the rules and costs of overdrawing their account in advance, and is given an opportunity to "opt out" of this extra protection. Our customers are pleased knowing that their financial reputation has been maintained when a check is paid, even with the fee of an overdraft charge. Any returned item charge from the payee is also avoided. Checks returned for insufficient funds may result in adverse credit report information, or legal action. Customers understand that it is their responsibility to balance their accounts and fees provide an incentive to do such.

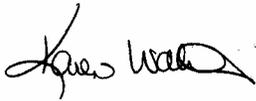
We offer other ways for our customers to maintain an overdraft “cushion.” They may link their checking accounts to an overdraft line of credit, or a savings account. We offer all of our customers the opportunity to utilize our free on-line banking service and electronic bill payment to enable them to monitor their account balance and activity daily. We have recently changed the posting of our items to one of a sequential order, allowing the paper check items to be processed in the order that they were written. We are also in the process of introducing a program that will provide a source of financial counseling to customers who have had issues in the past or are currently repeat users of the overdraft privilege. In addition, we are always available to work with customers who could benefit from alternatives for managing their transaction activity.

We are also complying with recent regulations to calculate and disclose the amount of overdrafts that a customer is paying or has paid in overdraft fees for the year; again allowing them to see exactly the dollar amount this service has cost them.

Our technology will not allow us to differentiate debit card transactions from ACH or check at the customer level – meaning that all we can really offer to the customer is an all or nothing choice, so the complicated options proposed would not be realistic in our core environment. Along with this, our technology will not allow us to differentiate debit card Point-of-Sale transactions from debit card recurring payment transactions covering items such as cell phone bills, other utility obligations, or insurance premium payments. This means that a partial opt-out for debit cards will be too broad for many customers because an inadvertent overdraft caused by a recurring debit card payment would not be paid for someone who exercised a “partial opt-out”.

Providing overdraft accommodation is not an injury but a benefit to our customers and may be reasonably avoided by customers exercising normal care. Our accommodation programs are successful because the benefits to the customer outweigh the disadvantages and they are sustainable because people want the bank to recognize that when they inadvertently overdraw their account they can be trusted to make it right. Our customers clearly count on this service and we would be doing them a disservice by taking it away.

Sincerely,



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