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**Memorandum # 2019-13**

To: Finance Officers of Local Governments, Boards of Education, Public Authorities and Certified Public Accountants

From: Sharon Edmundson, MPA, CPA, Director Fiscal Management Section

Subject: Collateralization of Public Deposits and Pooling Bank List

Date: June 30, 2019

On page three of this memo you will find the most current Pooling Bank list of the financial institutions using the pooling method of collateralization of public funds. **As of June 30, 2019, there are no changes to the Pooling Bank list since the last LGC-203 report cycle.** The State Treasurer Financial Operations Division monitors compliance with collateralization requirements for these institutions. The list is updated every quarter and can be found on the DST website here: <https://www.nctreasurer.com/fod/Resources/PoolingBankList.pdf>. Any depository (and their branches) not included on this list is considered to be using the dedicated method of collateralization for which the finance officer has the responsibility of monitoring the pledged collateral covering the uninsured deposits.

**IMPORTANT**

**Please review the list carefully to determine the method currently being utilized by each of your official depositories.**

When a financial institution utilizes the dedicated method of collateralization, the finance officer should determine that the **market values** of the pledged securities are at least 100% of the amount required to be collateralized at all times throughout the year and that the securities are eligible for pledging as specified by the North Carolina Administrative Code, Title 20, Chapter 7. **It is imperative that the market values of the pledged securities are checked not only at the time of the deposit of public funds, but on a continuing basis when funds exceed the federal deposit insurance limit.** Continual checking of the unit's pledged collateral is essential due to the volatility of the pledged securities' market value and the fluctuation of the unit's bank balances. **Any time that the deposits are under collateralized, the unit is not in compliance with the requirements of NC G.S. 159-31.**

For eligible mortgage-backed securities that are pledged as collateral, the calculation of market values is more difficult due to their declining principal balances. The calculation of the market values of such securities should be based on the outstanding principal value, not the original face value. Therefore, it is important to require the depository to provide a) the original face value b) the current outstanding principal and c) the current market value.

There are mandatory procedures concerning collateralization that must be followed when banking with dedicated method financial institutions. Please note that some of the forms have been re-named. They are as follows:

1. There must be a signed Escrow Agent Agreement (COLL-94B) with a third-party escrow agent for each dedicated method depository that holds uninsured deposits. However, if the escrow agent is the Federal Reserve Bank, an escrow agreement is not required since it is governed by federal regulations. The escrow agreement (federal regulations in the case of the Federal Reserve Bank) must require timely confirmations of pledged collateral.
2. A file of all Request for Pledge and/or Release Form (COLL-95) per depository must be maintained by the finance officer. There should be no releases or substitutions of collateral securities resulting in a decrease of the market value of pledged securities without the approval of the finance officer.
3. The depository is required to report to each public depositor the total par and market values of securities pledged at the end of each calendar quarter. Annually, as of June 30, the depository is to file with each public depositor an Annual/Quarterly/Monthly Report on Collateral (COLL-98). This report is a detailed listing of collateral securities pledged at each escrow bank for that public depositor. This report may be requested by the public depositor to be filed more frequently.

Without exception, if governmental units utilizing the dedicated method of collateralization do not adhere to these procedures, public funds may not be properly collateralized and consequently may be at risk.

For additional detailed information regarding “*Collateralization of Public Deposits in North Carolina*” including collateral forms and a link to the 20 NCAC 07N.C. Administrative Code with guidance on collateralization of public deposits in North Carolina, go to the link on the NC State Treasurer’s website at <https://www.nctreasurer.com/fod/Pages/Collateralization.aspx>.

If you have any questions on collateral requirements for your governmental unit or need assistance, please call or email Becky Dzingeleski at (919) 814-4287 - [Becky.Dzingeleski@nctreasurer.com](mailto:Becky.Dzingeleski@nctreasurer.com)

**POOLING METHOD FINANCIAL INSTITUTIONS**

<https://www.nctreasurer.com/fod/Resources/PoolingBankList.pdf>

**Refer to Notes on the next page of this document for footnote references**

<b>Name of Institution</b>	<b>Home Office</b>	<b>Name of Institution</b>	<b>Home Office</b>
American National Bank & Trust	Danville, VA	M & F Bank (Mechanics and Farmers Bank)	Durham
Aquesta Bank	Cornelius	North State Bank	Raleigh
Bank of America, N.A.	Charlotte	Paragon Bank	Raleigh
Bank of Tennessee	Johnson City, TN	Peoples Bank	Newton
Bank of the OZK <sup>4</sup>	Little Rock, AR	Pinnacle Bank	Nashville, TN
Benchmark Community Bank	Kenbridge, VA	PNC Bank	Pittsburgh, PA
Branch Banking & Trust	Winston-Salem	Providence Bank	Rocky Mount
Capital Bank <sup>6</sup>	Memphis, TN	Regions Bank	Birmingham, AL
Carolina Alliance Bank <sup>10</sup>	Spartanburg, SC	Roxboro Savings Bank	Roxboro
Carolina Trust Bank	Lincolnton	Select Bank & Trust <sup>11</sup>	Dunn
Carter Bank & Trust	Martinsville, VA	Skyline National Bank <sup>20</sup>	Independence, VA
Coastal Bank & Trust	Jacksonville, NC	Sound Bank	Morehead City
CresCom Bank <sup>14</sup>	Charleston, SC	South State Bank <sup>1</sup>	Orangeburg, SC
Entegra Bank <sup>12</sup>	Franklin	Southern Bank & Trust <sup>5</sup>	Mount Olive
F & M Bank (Farmers & Merchants Bank)	Salisbury	Southern First Bank	Greenville, SC
Fidelity Bank	Fuquay-Varina	SunTrust Bank	Atlanta, GA
Fifth Third Bank	Cincinnati, OH	Surrey Bank	Mount Airy
First Bank <sup>17</sup>	Southern Pines	TD Bank, NA	Cherry Hill, NJ
First Carolina Bank <sup>9</sup>	Rocky Mount	Touchstone Bank <sup>3</sup>	McKenney, VA
First Citizens Bank & Trust <sup>8</sup>	Raleigh	Towne Bank	Suffolk, VA
First Community Bank <sup>14</sup>	Bluefield, VA	Union Bank <sup>18</sup>	Oxford
First National Bank <sup>16</sup>	Hermitage, PA	United Community Bank <sup>19</sup>	Blairsville, GA
First Tennessee Bank <sup>6, 13</sup>	Memphis, TN	Uwharrie Bank <sup>7</sup>	Albemarle
Highlands Union Bank	Abingdon, VA	Wake Forest Federal S & L	Wake Forest
Home Trust Bank <sup>2</sup>	Asheville	Wells Fargo Bank, N.A.	Charlotte
KS Bank	Smithfield	West Town Bank & Trust	North Riverside, IL
Life Store Bank	West Jefferson	Xenith Bank <sup>15</sup>	Richmond, VA
Lumbee Guaranty Bank	Pembroke		

**Notes to Pooling Method Financial Institutions listing:**

- <sup>1</sup> Park Sterling Bank was bought by South State Bank (11.2017) and will change their name to South State Bank on 4.20.2018
- <sup>2</sup> Cherryville Federal Savings, Home Savings Bank, Industrial Federal Bank, Rutherford County Bank, Shelby Savings Bank, Tryon Federal Bank are all owned by / in partnership with Home Trust Bank of Asheville
- <sup>3</sup> Citizens Community Bank is now (newly added) Touchstone Bank
- <sup>4</sup> First National Bank of Shelby and Bank of Carolina merged with Bank of the Ozarks. Bank of the Ozarks changed their name to Bank of OZK.
- <sup>5</sup> Heritage Bank merged with Southern Bank & Trust Co
- <sup>6</sup> Capital Bank was added back to the Pooling Bank list this cycle. Capital Bank is now owned by First Tennessee Bank but will continue to operate as Capital Bank in NC
- <sup>7</sup> Bank of Stanly, Cabarrus Bank and Anson Bank all merged with Uwharrie Bank
- <sup>8</sup> Mountain 1<sup>st</sup> Bank & Trust merged with First Citizens Bank & Trust Company
- <sup>9</sup> First Carolina State Bank changed name to First Carolina Bank
- <sup>10</sup> Forest Commercial Bank merged with Carolina Alliance Bank - Spartanburg, SC
- <sup>11</sup> New Century Bank (Dunn) merged with Select Bank & Trust - Greenville
- <sup>12</sup> Macon Bank changed name to Entegra Bank
- <sup>13</sup> Trust Atlantic merged with First Tennessee Bank
- <sup>14</sup> First Community and First South Bank merged with CresCom Bank
- <sup>15</sup> Bank of Hampton Roads was bought out by Xenith Bank- Richmond, Virginia
- <sup>16</sup> First National Bank acquired Yadkin Bank as of 3/13/2017
- <sup>17</sup> First Bank acquired Carolina Bank (3/3/2017) & Asheville Savings Bank (March 2018)
- <sup>18</sup> The Little Bank is now Union Bank
- <sup>19</sup> Four Oaks Bank was bought by United Community Bank (11.2017) and will change their name to United Community Bank on 4/15/2018.
- <sup>20</sup> Great State Bank was bought by Skyline National Bank