



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

JANET COWELL
TREASURER

T. VANCE HOLLOMAN
DEPUTY TREASURER

TO: Housing Authority Finance Officers

FROM: Sharon Edmundson, Director Fiscal Management Section

SUBJECT: Semiannual Report of Deposits and Investments (LGC-203) – December 31, 2009

DATE: January 5, 2010

*******SPECIAL INSTRUCTIONS FOR HOUSING AUTHORITIES*******

Please note that all housing authorities are required to utilize the Dedicated Method of collateralization of deposits. This can be accomplished through the use of any financial institution in North Carolina regardless of whether they normally use the Pooling Method or the Dedicated Method for securing deposits. **In order to comply with applicable HUD regulations**, it is necessary that escrow agreements be executed with each financial institution holding housing authority deposits if the total account balance is likely to exceed the \$250,000 FDIC insurance limits at any time during the fiscal year. The signed escrow agreement is a must in order to protect the uninsured deposits of the authority by providing that the pledged assets transferred by the financial institution to the escrow agent (in the name of the housing authority) would be available to fully cover any uninsured deposits (up to the amount of collateral) in the case of failure by the financial institution. The housing authority finance officer is responsible for:

- 1) Regularly reviewing the adequacy of the collateral held by the escrow agent, and
- 2) Requiring additional collateral transfers by the financial institution when account balances exceed the FDIC insurance limits (\$250,000) plus the market value of the available collateral.

The complete regulations, procedures, and the respective N.C. Administrative Code can be found in a document called *Collateralization of Public Deposits in North Carolina, June 2009*. It can be downloaded from the State Treasurer's web site at <http://www.nctreasurer.com> under Financial Operations. The appropriate forms are also available from the same web page.

Therefore, all housing authority units that maintain any official depository account that exceeds the \$250,000 FDIC insurance limit at any time must complete all questions in Section VIII, including the market value information (as of December 31, 2009) of the collateral securities being held by the escrow agent pursuant to the required escrow agreement. Please attach confirmations of pledged collateral as of December 31, 2009 from these financial institutions. For those custodial arrangements that provide for the collateral securities to be held by Federal Reserve Bank branches, please indicate in Section VIII the location of the Federal Reserve Branch that is holding the collateral securities and complete the remaining information requested in Section VIII.

Should you have any questions about completing these reports, please contact Tabitha Mbaka at (919) 807-2383 or by e-mail at Tabitha.mbaka@nctreasurer.com.