



Memorandum # 2019-05

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: December 31, 2018

On page three of this memo you will find an updated Pooling Bank list of the financial institutions using the Pooling Method of collateralization of public funds. **There have been 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 occurrence of under collateralization is considered as non-compliance with 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 more detailed information, the complete regulations, procedures, and the respective N.C. Administrative Code can be found in a document called ***Collateralization of Public Deposits in NC, revised April 2013***. It can be downloaded from the State Treasurer's website at <https://www.nctreasurer.com/fod/Pages/Collateralization.aspx>. The appropriate collateralization forms also are available from the same web page. If the collateralization booklet or forms are needed and cannot be retrieved from the web, please contact us.

If you have any questions or need assistance, please call
Becky Dzingeleski at (919) 814-4287 - 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

Name of Institution	Home Office	Name of Institution	Home Office
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 ⁴	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 ⁶	Memphis, TN	Regions Bank	Birmingham, AL
Carolina Alliance Bank ¹⁰	Spartanburg, SC	Roxboro Savings Bank	Roxboro
Carolina Trust Bank	Lincolnton	Select Bank & Trust ¹¹	Dunn
Carter Bank & Trust	Martinsville, VA	Skyline National Bank ²⁰	Independence, VA
Coastal Bank & Trust	Jacksonville, NC	Sound Bank	Morehead City
CresCom Bank ¹⁴	Charleston, SC	South State Bank ¹	Orangeburg, SC
Entegra Bank ¹²	Franklin	Southern Bank & Trust ⁵	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 ¹⁷	Southern Pines	TD Bank, NA	Cherry Hill, NJ
First Carolina Bank ⁹	Rocky Mount	Touchstone Bank ³	McKenney, VA
First Citizens Bank & Trust ⁸	Raleigh	Towne Bank	Suffolk, VA
First Community Bank ¹⁴	Bluefield, VA	Union Bank ¹⁸	Oxford
First National Bank ¹⁶	Hermitage, PA	United Community Bank ¹⁹	Blairsville, GA
First Tennessee Bank ^{6, 13}	Memphis, TN	Uwharrie Bank ⁷	Albemarle
Highlands Union Bank	Abingdon, VA	Wake Forest Federal S & L	Wake Forest
Home Trust Bank ²	Asheville	Wells Fargo Bank, N.A.	Charlotte
KS Bank	Smithfield	West Town Bank & Trust	North Riverside, IL
Life Store Bank	West Jefferson	Xenith Bank ¹⁵	Richmond, VA
Lumbee Guaranty Bank	Pembroke		

Notes about the Pooling Method Financial Institutions listed here are on the following page –

Notes to Pooling Method Financial Institutions listing:

New merger & name change this report cycle

- ¹ Park Sterling Bank was bought by South State Bank (11.2017) and will change their name to South State Bank on 4.20.2018
- ² 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
- ³ Citizens Community Bank is now (newly added) Touchstone Bank
- ⁴ 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.
- ⁵ Heritage Bank merged with Southern Bank & Trust Co
- ⁶ 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
- ⁷ Bank of Stanly, Cabarrus Bank and Anson Bank all merged with Uwharrie Bank
- ⁸ Mountain 1st Bank & Trust merged with First Citizens Bank & Trust Company
- ⁹ First Carolina State Bank changed name to First Carolina Bank
- ¹⁰ Forest Commercial Bank merged with Carolina Alliance Bank - Spartanburg, SC
- ¹¹ New Century Bank (Dunn) merged with Select Bank & Trust - Greenville
- ¹² Macon Bank changed name to Entegra Bank
- ¹³ Trust Atlantic merged with First Tennessee Bank
- ¹⁴ First Community and First South Bank merged with CresCom Bank
- ¹⁵ Bank of Hampton Roads was bought out by Xenith Bank- Richmond, Virginia
- ¹⁶ First National Bank acquired Yadkin Bank as of 3/13/2017
- ¹⁷ First Bank acquired Carolina Bank (3/3/2017) & Asheville Savings Bank (March 2018)
- ¹⁸ The Little Bank is now Union Bank
- ¹⁹ Four Oaks Bank was bought by United Community Bank (11.2017) and will change their name to United Community Bank on 4/15/2018.
- ²⁰ Great State Bank was bought by Skyline National Bank