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

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**Memorandum # 2014-23**

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

From: Sharon Edmundson, Director Fiscal Management Section

Subject: Collateralization of Public Deposits and Pooling Bank List

Date: June 30, 2014

On page three of this memo you will find an updated list as of June 30, 2014 of the financial institutions using the Pooling Method of collateralization of public funds. The State Treasurer monitors compliance with collateralization requirements for these institutions. 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.**

For situations where 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.** This 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.

In addition, there are mandatory procedures concerning collateralization that must be followed when dealing with Dedicated Method financial institutions. They are as follows:

1. There must be a signed escrow agreement (INV-94) 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 pledges of collateral (INV-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 INV-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> under Divisions / Financial Operations / Collateralization of Public Deposits. 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, you may contact this office. If you have any questions or need assistance, please call Becky Dzingeski at (919) 807-2396 or email at [becky.dzingeski@nctreasurer.com](mailto:becky.dzingeski@nctreasurer.com) or Sara Shippee at (919) 807-2356 or email at [sara.shippee@nctreasurer.com](mailto:sara.shippee@nctreasurer.com).

<b><i>POOLING METHOD FINANCIAL INSTITUTIONS (Updated as of June 30, 2014)</i></b>			
<b><i>Refer to Notes on Page 2 of this document for footnote references</i></b>			
<b><i>Name of Institution</i></b>	<b><i>Home Office</i></b>	<b><i>Name of Institution</i></b>	<b><i>Home Office</i></b>
American National Bank & Trust	Danville, VA	KS Bank	Smithfield
Aquesta Bank	Cornelius	Life Store Bank	West Jefferson
Asheville Savings Bank	Asheville	Lumbee Guaranty Bank	Pembroke
Bank of America, N.A.	Charlotte	Macon Bank	Franklin
Bank of Hampton Roads <sup>5</sup> (formerly Gateway)	Norfolk, VA	Mechanics and Farmers Bank	Durham
Bank of North Carolina <sup>4</sup>	Thomasville	Newbridge Bank <sup>7</sup>	Greensboro
Bank of Tennessee	Johnson City, TN	New Century Bank <sup>15</sup>	Dunn
Bank of the Carolinas	Mocksville	North State Bank	Raleigh
Bank of the Ozarks <sup>8</sup>	Little Rock, AR	Oldtown Bank	Waynesville
Branch Banking & Trust	Winston-Salem	Paragon Commercial Bank	Raleigh
Capital Bank	Raleigh	Park Sterling Bank	Greenwood, SC
Cardinal State Bank <sup>2</sup>	Durham	Peoples Bank	Newton
Carolina Alliance Bank <sup>14</sup>	Spartanburg, SC	Piedmont Bank <sup>2</sup>	Statesville
Carolina Bank	Greensboro	PNC Bank (formerly RBC Bank (USA)) <sup>1</sup>	Pittsburgh, PA
Carter Bank & Trust	Martinsville, VA	Providence Bank	Rocky Mount
Cherryville Federal Savings <sup>3</sup>	Cherryville	Regions Bank	Birmingham, AL
Citizens Community Bank	South Hill, VA	Roxboro Savings Bank	Roxboro
Community One Bank, N.A. <sup>10</sup>	Asheboro	Rutherford County Bank <sup>3</sup>	Forest City
Farmers & Merchants Bank	Salisbury	Select Bank & Trust <sup>15</sup>	Greenville
Fidelity Bank	Fuquay-Varina	Shelby Savings Bank <sup>3</sup>	Shelby
Fifth Third Bancorp	Cincinnati, OH	Sound Banking Company	Morehead City
First Bank	Troy	South State Bank <sup>1</sup>	Orangeburg, SC
First Carolina Bank <sup>13</sup>	Rocky Mount	Southern Bank & Trust Co. <sup>9</sup>	Mount Olive
First Citizens Bank & Trust Company <sup>12</sup>	Raleigh	SunTrust Bank	Atlanta, GA
First Community Bank (formerly Wacama)	Bluefield, VA	TD Bank	Cherry Hill, NJ
First South Bank	Washington	Towne Bank	Suffolk, VA
First Tennessee Bank	Memphis, TN	Trust Atlantic Bank	Raleigh
Four Oaks Bank & Trust	Four Oaks	Tryon Federal Bank <sup>3</sup>	Tryon
Great State Bank	Wilkesboro	Union Bank & Trust	Oxford
High Country Bank <sup>2</sup>	Boone	United Community Bank	Blairsville, GA
High Point Bank & Trust	High Point	Uwharrie Bank <sup>11</sup>	Albemarle
Highlands Union Bank	Abingdon, VA	Vantage South Bank <sup>16</sup>	Raleigh
Home Savings Bank <sup>3</sup>	Eden	Wake Forest Federal Savings & Loan	Wake Forest
HomeTrust Bank <sup>3</sup>	Asheville	Wells Fargo Bank NA (formerly Wachovia)	Charlotte
Industrial Federal bank <sup>3</sup>	Lexington	Yadkin Bank <sup>6, 16</sup>	Elkin

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

- <sup>1</sup> North Carolina Bank & Trust (NCBT) changed name to South State Bank**
  - <sup>2</sup> Cardinal State Bank, High Country Bank and Piedmont Bank are owned by Yadkin Valley Bank (now known as Yadkin Bank) but do business under these names**
  - <sup>3</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>4</sup> Home Savings Bank of Albemarle merged with Bank of North Carolina - Thomasville**
  - <sup>5</sup> Gateway Bank is owned by Hampton Roads Bancshares in Norfolk, Virginia**
  - <sup>6</sup> Yadkin Valley Bank change name to Yadkin Bank**
  - <sup>7</sup> Security Savings Bank and Capstone Bank merged with Newbridge Bank - Greensboro**
  - <sup>8</sup> First National Bank of Shelby merged with Bank of the Ozarks**
  - <sup>9</sup> Heritage Bank merged with Southern Bank & Trust Co**
  - <sup>10</sup> Bank of Granite merged with Community One Bank N.A.**
  - <sup>11</sup> Bank of Stanly, Cabarrus Bank and Anson Bank all merged with Uwharrie Bank**
  - <sup>12</sup> Mountain 1<sup>st</sup> Bank & Trust merged with First Citizens Bank & Trust Company in January 2014**
  - <sup>13</sup> First Carolina State Bank changed name to First Carolina Bank**
  - <sup>14</sup> Forest Commercial Bank merged with Carolina Alliance Bank – Spartanburg, SC**
- Please note that 2 additional mergers will happen later in 2014:**
- <sup>15</sup> New Century Bank (Dunn) will merge with Select Bank & Trust-Greenville**
  - <sup>16</sup> Vantage South Bank will merge with Yadkin Bank-Elkin**