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Certificates of Deposit and Unclaimed Property



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Certificates of Deposit and Unclaimed Property

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Certificates of deposit (CDs) have unique characteristics and challenges for abandoned and unclaimed property reporting. This is due to their long-term nature, automatic renewal provisions, and complex, state-specific dormancy triggers that can potentially conflict with customer activity. Unlike checking or savings accounts, CDs are intentionally structured to have a period of inactivity, deliberately being left alone to mature, whereas, checking accounts are designed to be used regularly.

In our experience working with banks and credit unions, we have seen CDs as a common property type with challenges. The following key aspects make tracking and reporting CDs difficult and different from other property types:

- **Automatic Renewal Provisions:** Many CDs are set up to automatically renew, meaning they could roll over multiple times without owner interaction, as the customer directed this at the time of opening. If a CD is automatically renewed, it does not stop the running of the dormancy period, unless the owner provides updated written direction for renewal.

- **Maturity Timing:** State laws, regulations, or requirements vary on whether the dormancy period begins at the initial maturity date or final maturity date. Many states allow a CD to mature twice before it is considered abandoned, the initial maturity and one automatic rollover. Differing jurisdictional approaches create complex tracking requirements.
 - For example, for North Carolina the dormancy period for some CDs is ten years.
- **Owner "Activity":** Automatic transactions, such as interest crediting or automatic renewals, normally do not constitute owner-initiated activity, yet without careful tracking they can mask transactions that reset the dormancy clock.
 - To avoid unnecessary, premature reporting, financial institutions are advised to send notices to owners before the first maturity date and to link CD accounts with other active accounts held by the same customer to identify active, yet silent, ownership, while linkage is not always an option, it can be helpful in finding owners.
- **Conflicting Dormancy Triggers:** While many states have a dormancy period of 3 or 5 years, several factors need to be examined to determine which trigger to use such as: the last activity date, the maturity date, the second maturity date, and the date of death. Comparisons need to be made and directions such as the earlier date of three years after maturity or three years after the date of the owner's last indication of interest in the property. Requirements could also specify a shorter dormancy due to death with the date of death being the dormancy aging trigger date.
- **Long-Term Instrument:** Because CDs can have terms of seven years or more, and then automatically renew, they can remain dormant for over a decade. This increases the likelihood of losing

contact with the owner if contact information changes and is not updated, causing obstacles to locating the owner.

- **Operational Complexities:** Updating activity from other owner generated activity to link with tracking the activity of the CD. If a bank is acquired, care to preserve historical records of CDs is important to avoid impacted CDs from having lost or incorrect data and customers from becoming lost.
- **Ontime Escheatment Risk:** If a bank or credit union does not effectively manage the maturity cycle and renewals, there is a risk of turning over a CD to the state before or after when it should be escheated. Ultimately, avoiding reporting and remitting property early could result in loss of interest and early withdrawal fees for a customer, whereas late reporting could result in penalties and/or interest to the financial institution.



As CDs have distinctive attributes leading to challenges for unclaimed property, communicating early and often with CD owners can help alleviate difficulties. Holders need not wait until the required due diligence window to communicate. Sending out notices or contacting owners in advance of the required deadline elicits more responses as more owners are reactivated and reconnected with their property, thus avoiding the need for annual escheatment for active customers.

Linking Assets Inc. offers a menu of unclaimed property compliance services. We offer reengagement and account retention alternatives for financial institutions to reconnect with accountholders and customers/members, reactivate accounts, and reunify rightful owners with their property. Our strategies, programs, and campaigns are tailored to your needs

and have been proven to help you reengage your customers and reduce escheatment.



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