

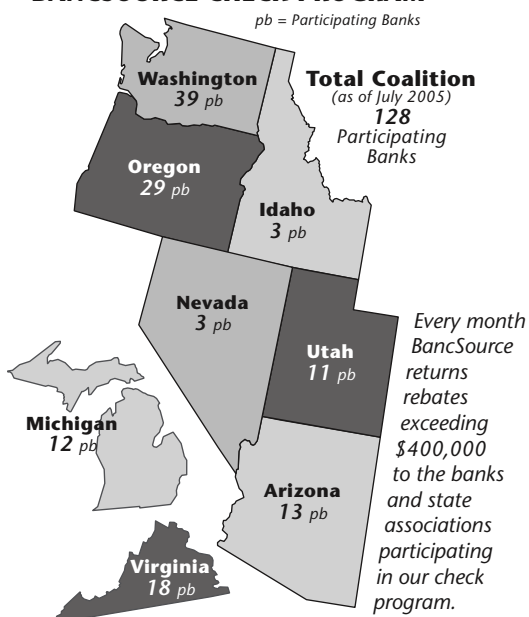
## Check Program Highlights

### Welcome New Participants!

We are proud to announce that the following banks have recently joined our BancSource check program coalition:

- **Northwest Bank** •  
Lake Oswego, Oregon
- **Gold Canyon Bank** •  
Gold Canyon, Arizona
- **Pinnacle Bank** •  
Scottsdale, Arizona
- **Hillsdale County National Bank** •  
Hillsdale, Michigan
- **Farmers Bank of Appomattox** •  
Appomattox, Virginia
- **Smith River Community Bank** •  
Martinsdale, Virginia
- **Freedom Bank** •  
Vienna, Virginia

### BANCOURCE CHECK PROGRAM



## Complying With Expedited Funds Availability – Without Losing Your Shirt

By Edward F. Donohue, a litigation partner with the San Francisco office of Long & Levit, LLP, and one of BancInsure's primary attorneys in the West

Many bankers view Regulation CC with apprehension because of the risks associated with complying with the regulation before good funds can be confirmed. However, the regulation has a number of built in safeguards designed to limit a bank's exposure as an involuntary lender to kitters, forgers, and counterfeiters.

### A. What Are Low Risk and Local Checks?

Your tellers and other operations personnel need orientation on which checks genuinely qualify for one and two day availability. Kitters and other bad guys often hedge their bets that a depository bank will not differentiate. Thus, they often deposit items known to clear more slowly, precisely to give themselves more lead time.

Generally only Treasury checks, cashier's checks, and checks issued by your state qualify for next day availability; checks deposited in banks in your own Federal Reserve check-processing region are subject to the two-day hold schedule. Next day items are easy to identify from the face of the check. Local checks can be identified from the check's MICR-encoding. Other items may be held up to five banking days. And all items can be held longer under certain circumstances (see sections C and D below).

### B. How Do I Protect Myself in the Case of Low Risk Checks?

A depository bank that sits back and relies on the loss minimizing features of Regulation CC to avoid loss can die the slow death of a thousand cuts in the form of altered and counterfeit cashier's checks and government checks of \$5,000 or less.

Cashier's checks and teller's checks are not three-party items. As a result, the opportunities to obtain definitive confirmation on the bona fides of the item are better. Once the check is endorsed, it is just you and your sister bank. If you cannot get a straight answer from a confused teller 3,000 miles away as to the validity of the item, pull the trigger and hold the item. You have enough doubt to put you squarely within the discretionary hold provisions described below.

### C. The \$5,000 Cutoff

Even in the case of low risk and local checks it is important to keep in mind that the maximum exposure on one day availability can be limited to \$5,000, inclusive of all checks deposited in one account (or in multiple accounts sharing at least one depositor) on that banking day. This limitation makes it difficult to sustain a sizeable kite or other fraudulent scheme but only if the bank makes use of it. In view of the time limitations on settlement and return applicable to payor banks, the depository bank can generally place a longer hold on all items within a day or two of the first uncollectible item. A bank that avails itself of the \$5,000 limit with respect to any customers who do not thoroughly satisfy the bank's "know your

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# Geologix Flood Determinations Frequently Asked Questions

In 2003, BancSource selected Geologix as our endorsed provider for flood determination services. Since that time, several Oregon banks have teamed up with Geologix, all reporting a very successful business partnership.

Several questions crop up regularly concerning Geologix services. The following FAQs provide answers to some of the most routine questions:

**1. Does Geologix “Re-certify” their Life of Loan certificates? Is there a charge?**

Yes, Geologix will recertify a LOL certificate up to 7 years from the original purchase date. No, this is free of charge!

**2. Does Geologix provide HMDA information on their certificates?**

Yes, HMDA information is provided on all certificates (where available), at no extra charge.

**3. Can Geologix provide a report indicating properties determined to be in the Special Flood Hazard Area (SFHA)?**

Yes, you can obtain this report by email request or a phone call to the service center. Your organization can also be included in automatic quarterly reports.

**4. If we sell our mortgage loans to “investors” on the secondary market, (other than Fannie Mae and Freddie Mac), are there restrictions or fees associated with using certain flood vendors?**

Yes, in a few cases. Be sure to check with your investors to determine whether they place any restrictions on which flood vendor you can use without incurring a charge.

**5. I would like one company to monitor all my Life of Loan properties. Can Geologix upload the Life of Loan properties from my previous vendor? Is there a charge for this?**

Yes, Geologix has the ability to upload and monitor properties from other flood vendors. There is a minimal one-time fee for this upload.

**6. Does Geologix have the ability to back date my determination?**

Yes, simply call the Map Service Center for assistance.

**7. What is the difference between the Geologix “Standard” certificate and the “Life of Loan” certificate?**

The standard certificate is a one-time determination, at a point in time (ie., the date of loan origination,) that does not require Geologix to track changes to the flood status ongoing. With Life of Loan service, Geologix will track changes to the flood status of a property for the life of the loan.

**8. When I call my current flood vendor, they have an automated answering system. I can never talk to a live person. Does Geologix utilize an automated customer support system? If not, what are the hours of operation for “live” Geologix Customer Service?**

Geologix does not utilize an automated customer service answering system.

Customer support hours are: 6 AM to 5 PM Pacific, Monday - Friday.

**9. I do not have an address, yet the property address is a required field?**

Simply place a part of the legal description such as “Lot 10, Brookstone S/D” in that field, or you can place “To be determined”, then add the legal in the area labeled “Legal Description, APN and Additional Information”. If your legal is too long for this area (more than 200 characters) then fax the legal description with your order number on it to the Geologix Map Service Center at (800) 347-3941.

For more information, please contact **Lori Chamberlain** at BancSource, (503) 581-3522 or [lchamberlain@banc-source.com](mailto:lchamberlain@banc-source.com). ■

## Fraud-Net

**Make sure that the appropriate personnel in your bank register and use Fraud-Net. Fraud-Net is unquestionably the best way for banks to expeditiously share information about fraud and other criminal offenses that can result in significant costs to them and to their customers. Information posted on Fraud-Net, if timely viewed and distributed internally within your institution, can prevent serious fraud losses. For more information, visit the Web site [www.fraud-net.com](http://www.fraud-net.com) or call Lori Chamberlain at (503) 581-3522.**

