

COMPLIANCE COMMUNIQUE

Iowa Bankers Association

8800 NW 62nd Ave, PO Box 6200 ● Johnston, Iowa 50131-6200 ● (800) 532-1423

Please Route to Appropriate Personnel

April 8, 2004

Clarification regarding Realtor Trust Accounts

Last July a change in Iowa Code 543B.46 provided that if there was a "written agreement between a buyer and seller" interest earned on a realtor trust account could be transferred to a third party other than the State of Iowa. Following the change in 543B.46 the Iowa REALTORS® Foundation was established by the Iowa Association of REALTORS®. As a result of the change in 543B and the development of the Iowa REALTORS®' Foundation, financial institutions may receive requests from realtors to remit interest to entities other than the State.

If an institution receives a request by a realtor to change their trust account so the interest is sent to the REALTORS® Foundation account rather than the State, it should establish a NEW trust account. The new account title should include the word "trust" and designation of Iowa REALTORS® Foundation. The Iowa REALTORS® Foundation tax I.D. number (42-1323436) should be used for tax reporting purposes. Interest remittance should note the Iowa REALTORS® Foundation account number (305324) and a Real Estate Interest Remittance Forms for the Iowa REALTORS® Foundation (which can be downloaded from the IBA Web site at: http://www.iowabankers.com/pdf_files/interest_remittance_form.pdf) should be forwarded with the interest payment. A copy of the remittance form is also attached to this notice. Interest remittances should be sent to:

Iowa REALTORS®' Foundation
C/O Bank Iowa
420 8th St. SE
Altoona.IA 50009

If the realtor requests no change, institutions should continue sending quarterly interest remittances to the State Department of Economic Development via the Real Estate Trust Commission. *NOTE:* The tax I.D. number for the State account changed in early 2003. The correct tax I.D. number for the Iowa Department of Economic Development is 01-0606429. (See attached revised W-9.) Interest remitted to the State of Iowa should be sent along with Bankers Trust Interest Remittance Form to:

Real Estate Trust Commission
C/O Bankers Trust Company
PO Box 4686
DesMoines.IA 50306

Banks are reminded the realtor is legally, ultimately responsible for remitting interest earned on trust accounts to the designated beneficiary, not the financial institution. The institution may however, remit the interest earned on behalf of the realtor if requested. The amount to be remitted to the beneficiary is the net interest earned less any services charges directly attributable to maintaining an interest-bearing account and the charge for remitting the interest to the beneficiary. Other service charges, such as deposit fees, check clearing fees or check printing fees, are the realtor's expenses and cannot be deducted from the interest earned on the account.

If you have additional questions regarding this issue, contact Ronette Schlatter with the IBA Compliance Department at 800-532-1423, ext. 4361 or email rschlatter@iowabankers.com.