



Independent Bankers Association of Texas

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Compliance FAQs

Multi-Party Account Disclosures Guidance

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The 2017 Legislative Session passed SB 714, updating and clarifying the requirements in the Estates Code for disclosure of account types and selection. The following FAQs are intended to clarify the new law and answer some common questions.

Form Requirements

Q *What are the new requirements?*

A After 9/1/2017, the bank customer should be provided with the Uniform Single-Party or Multiple-Party Account Selection Form. The customer merely initials to the left, beside the desired account type. There are no requirements as to font size, translation, or initialing to the right-hand side. The form should be separate from other disclosures. If not, then it should be the first document presented to the customer. The customer should also sign the acknowledgment at the bottom of the form. See Attached.

The customer should be given a copy of the account opening (or modification) documentation in paper or electronic format.

If a particular type of account is not offered, its description need not be included.

Convenience Account

Q *Please explain how to document a convenience account.*

A After 2009, the customer does NOT need a convenience account in order to have a “convenience signer.” They can simply insert the name of the convenience signer(s) in the blank space on the multi-party disclosure form.

Q *Can you add a convenience signer and not choose convenience account?*

A Yes.

Q *Must we still include the description of convenience account?*

A No.

Credit Unions

Q *Why did this bill not apply to credit unions?*

A They persuaded the sponsor to give them an exemption. But don't forget that they already had different rules for multi-party accounts in the Credit Union Act, sections 125.101 et seq Tex. Fin. Code.



Adding the Form to Account Documents

Q *Can it be the last page of the set of account documents with additional information on the same page?*

A No. The disclosure must be given “before the customer selects” the account. It must either be a separate document or the first document in the set.

Changes to the Account Type

Q *May a party change the form of the account?*

A Yes, Section 113.157 permits a party to alter the form of an account by providing written notice to the bank. This includes the right to stop or vary payment under the terms of the account. The order or request must be signed by a party, received by the bank during the party’s lifetime, and not countermanded by another written order of the same party during the party’s lifetime.

This section was added to the Estates Code with an effective date of January 1, 2014 as part of the complete overhaul/codification of the Probate Code into the Estates Code.

Q *If customer is just changing the account type, do we have to do a new form?*

A Yes. The statute specifically says that the information must be disclosed to a customer before the customer either selects OR modifies an account.

Q *Would going from a free checking account type to an interest checking account type trigger new disclosures?*

A No! Not unless you ALSO changed the ownership!

Q *If an account owner passes away, is it okay then to change the account type (i.e., joint to individual due to owner’s death)?*

A On death, the account is then either owned by the POD beneficiary or joint owner, if any. If neither of those applies, then the account is owned by the estate.

Q *What is the difference in modifying an account and amending an account?*

A I don’t see a difference in those terms.

Q *Do you have to re-disclose if you are changing an account type due to Reg D violations?*

A No. That is not a change in ownership but rather a change from savings account to demand deposit.

Q *Is it against regulation to add a signer to a personal single-party account?*

A If the customer is adding a convenience signer that would be a modification. Give the model disclosure.

IBAT’s Sample Form

Q *Can we use the “form” you provided for our customers?*

A IBAT is not in the form business, but it has provided this as a courtesy to its members. (See attached form.) Remember, though, that if you have a platform system, the vendor’s warranty only works if you use their form!

Q *Is the handout “[Which account is right for me?](#)” a “brochure” that IBAT is providing to all Texas banks, or should we get it off the FDIC website, or should we create our own brochure?*

A This is a courtesy service provided by IBAT. It is NOT official, and it does NOT take the place of the new disclosure. But it CAN be a good educational tool with your customers.



Varying the Form

Q *If we do not offer some of the accounts, can we take them out of the document?*

A Yes. The amendments in SB 714 specifically authorize this. Therefore, if you don't want to offer convenience or trust accounts, don't disclose them!

Q *There is no place for a date on the disclosure. Can we add that too in the acknowledgment area?*

A Sure.

Q *We created an in-house form for work flow reasons. We included an account number line so that the number can be added for tracking purposes after the account is modified or opened. Is our form still in compliance?*

A That does not vary the content of the disclosure. It should still be in compliance.

Bank Procedures for Using the Form

Q *On a multi-party account WITH rights of survivorship, if a joint owner dies, can we remove the deceased person upon receipt of an original death certificate?*

A The law says that the "sums remaining on deposit" belong to the survivor. Either pay out the balance or open a new account. There is a practical reason to do this as well. If there are automatic payments in or out of the account relating to the deceased, these need to stop! The bank would have to deal with competing claims if it continued to allow social security payments or the like to be deposited!

Q *If a customer opens or revises multiple accounts on the same day, how do we prevent from getting the wrong selection form with each account if nowhere on the form can we designate which account or product the form applies to? Our docs are not scanned immediately.*

A Add the account number under the customer's signature on the acknowledgment statement that we have suggested. That would NOT vary the form because it comes AFTER the prescribed content.

Q *Are we required to give the customer a copy of this form?*

A Yes!

Q *When opening a joint account, do both parties have to be present to initial or can they initial separately?*

A Either way.

Q *Concern about new disclosure designation vs signature page account type designation. Human error occurs. Does initialed disclosure supersede the account type on the signature page?*

A Excellent question! The signature card actually creates the account agreement. Therefore, logically it should control. If inconsistency is a concern, then consider post-opening check to make sure they match.

Q *Has any guidance been given on online account opening? There isn't a good way to present this form prior to completing the transaction.*

A After the customer has received their E-SIGN disclosures and consented to electronic delivery of disclosures, then they could review this disclosure and initial their selection by typing in their initials. They should be able to download and print the form.



Q *What would we do in the case of accounts that we open by mail, or accounts where one signer is in the branch and has to take the documents home for the other signer to initial? I know it is not ideal, but it does happen.*

A The acknowledgment includes the following statement: *I acknowledge that I have read each paragraph of this form and have received disclosure of the ownership rights to the accounts listed above. I have placed my initials next to the type of account I want.*

For joint accounts, be sure that there are two signature lines for the acknowledgment!

Q *Our system prints out this disclosure at the end with our signature card. Will we need to have copies of this beforehand or is it okay to have them sign this document first before the signature card at the end?*

A The point is that the disclosure is provided, read, initialed, and acknowledged before selection of account type. Just be sure that the bank's process accomplishes that. You could re-stack the docs, for example, to be sure that this is read first.

Q *How are facsimile signatures being addressed since there is no location for them on the new card?*

A Typically, consumer accounts would not use such signatures. But remember to distinguish between the account selection disclosure and the signature card. Those are different documents with different purposes.

Q *Would we be allowed to run the customer through CIP and Efunds before the form is presented?*

A Yes. The point is that this disclosure is required before the account type is selected.

Q *Can we have a laminated copy of the account selection form, go over it with the customer, but have their copy print with the rest of their documents, and signed before the account is activated and funded?*

A Since the crazy issues with 14-point bold type are gone, it should be feasible to print out this form and have it initialed and signed. In any event, the acknowledgment must be signed, and a laminated copy just won't take care of that!

Q *Can you use one form for customers who are opening multiple accounts of the same type?*

A Tricky, but if this is being done at the same time, I think that it could work. Just list all of the account numbers under the acknowledgment so that you can prove that the disclosure was given as to all.

Q *We don't assign account numbers until the account type is selected. The numbers correspond to different types of accounts. Therefore, we shouldn't include the account number on the form, correct?*

A Good point. You could have a block for BANK USE ONLY and add the account number after selection.

Q *We have received a new signature card from our forms company that no longer includes the ownership selection. Can we use this?*

A That is not a problem. The old signature cards had the ownership type selection on that document because there wasn't another form for that purpose. Just be sure that you are using the new model form before the account is opened and that the customer initials the type that is selected.

Q *On the form, if you have a single-party without POD, what do you enter as the name of the party? And is it necessary to type convenience signers as well?*

A The "party" is the owner of the account. The convenience signer lines could either have "N/A" inserted or be left blank.



Q *If an owner can change POD at will, each time the POD is changed on the signature card does the disclosure have to be updated as well? I can foresee this becoming an issue with using two separate forms for POD designations.*

A That would be a modification triggering the disclosure. Two forms. Sorry...

Which Accounts Does the Form Apply to?

Q *For existing accounts, do we need to have our customers come in to sign the new form or is it just for new accounts going forth?*

A Just accounts opened or modified after the effective date!

Q *Does this apply to CDs and savings accounts?*

A Yes!

Q *It doesn't apply to IRA/SEP, but what about HSA accounts?*

A No.

Q *Is this a consumer law only?*

A Sort of. It specifically excludes legal entities (including governmental ones) and accounts where the customer is acting as a legal representative for another person. It could apply to sole proprietors, but it doesn't apply to accounts for corporations or partnerships (or the other entities).

Q *If it does not apply to a trust, why is trust an option on the form?*

A The "trust" option on the form is for an "informal" trust where there is no separate trust agreement.

Q *Since the selection form notice doesn't work for TUTMA accounts, would we still need to explain it?*

A In my opinion, no. In that case, the party is arguably acting as a legal representative for another (i.e. custodian)!

Q *Does this apply to estate accounts?*

A No. The estate is an entity, and the signer (executor/guardian) is acting as legal representative.

Q *If we have trust paperwork, then this would be considered a "formal" trust and we would not get them to sign this new form. Right?*

A Correct. And I recommend that the bank get the Certificate of Trust to document such accounts.

Q *Does it apply to safe deposit boxes? They select ownership types as well.*

A No, it applies to accounts, which is defined as follows: "Account" means a contract of deposit of funds between a depositor and a financial institution. The term includes a checking account, savings account, certificate of deposit, share account, or other similar arrangement.

Q *Since a public candidate account is a single-party account which allows a POD and convenience signer, does the selection form apply?*

A Logically, yes. However, it would not apply to a corporate PAC.



Completing the Blanks in the Form

Q *Does the customer have to write in the POD/convenience signer's name on this new form since it will be reflected on the form after building the account?*

A Yes, this needs to be indicated on the disclosure.

Q *Does the customer handwrite their name on the form, and do they have to handwrite the POD names or can the new account rep do this?*

A The customer must initial the selection. If the customer name and POD beneficiary (if any) were written in by the new account rep at the instruction of the customer, that should still work. Sometimes there is a legibility concern!

Q *If you have a sole proprietor account in the husband's name and the wife is a signer on the account, do they both need to sign the form as a multi-party account or is it a single-party account with the wife as an authorized signer, not an owner?*

A That is a single-party account with an authorized signer.

Initialing the Form

Q *For joint accounts, will each owner need to sign a selection form, or do they both sign on the same form?*

A Yes, both should initial the selection and sign the acknowledgment.

Q *Does the convenience signer have to initial the form?*

A The law says that the "customer" must initial. The convenience signer is neither an owner nor directly a customer of the bank. So, no.

Disclosing the Languages Other than English

Q *What if the consumer/potential customer brings a translator with them and the bank employee is speaking English to them. Do we have to provide the disclosure in their native language?*

A No. The requirement to provide a translation was eliminated.

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