
TRUST ACCOUNT MAINTENANCE

I. General Information

- A. Trust funds include earnest money on sales, security deposits, and rent money.
- B. Trust accounts must be separate from company operating accounts to avoid commingling.
- C. Always know what makes up the bank balance in the trust account, whose money is in the account, how much belongs to each person or entity, and how much is your company's money that is due to be transferred to the operating account.
- D. At least once a month all company funds should be removed from a trust account. This includes commissions earned, management fees, and interest earned. A company may keep \$1,000 of its money, above the bank's minimum balance requirement, in a trust account.
- E. Have a paper trail. Document the receipt and deposit of trust funds as well as the disbursement of those funds. Keep voided checks.
- F. Files for disputed earnest money should be kept for as long as the earnest money is being held in the trust account. Never dispose of these contracts as the earnest money is still part of the trust account liability.
- G. The total liability for trust accounts that hold rent money is the sum of amounts being held for each property owner. If funds are held for an owner, then a repair can be funded from the rental trust account for this owner up to the amount being held for the owner in the account. Example: Your company has \$500 for Bob Jones in the trust account. You may spend up to \$500 on Bob's property. Any amount spent over \$500 would come from another owner's funds, which is not allowed. A property owner should never have a negative balance. If an owner does not have the funds in the trust account to pay for repairs, you may pay the invoice from your business operating account and reimburse that account with future rent revenue or by the owner sending a payment.
- H. All trust accounts are to be held at a financial institution with a location in Alabama.
- I. The Qualifying Broker must be a signatory on all trust accounts.



II. Reconciliation

- A. All trust accounts need to be reconciled at least monthly. If the reconciliation is not done by the Qualifying Broker, then it should be reviewed by the Qualifying Broker.
- B. The reconciliation compares the reconciled bank balance, the trust account's general ledger, and the total of all individual client ledgers.
- C. The reconciled bank balance is determined by taking the ending balance on the bank statement and adding any uncleared deposits/credits then subtracting any uncleared checks/debits. This will provide a reconciled bank balance.
- D. Compare the reconciled bank balance with the trust account's general ledger or check register. They should match.
- E. Compare the reconciled bank balance with the total of all individual client ledgers, which is the account's liability.
- F. If the reconciled bank balance is more than the liability, then there is an overage; if the reconciled bank balance is less than the liability, then there is a shortage. Each month if there is an overage or shortage make a note of the reason and what corrective action was taken.
- G. Do not just continually carry old, uncleared deposits and old uncleared checks on the monthly reconciliations. Work to find out why old checks have not cleared the bank. If the reconciliation shows older, uncleared deposits, please confirm that the bank received the money. When reconciling, an uncleared deposit is an addition to the bank balance so if the money did not actually go into the bank account the amount should not be added to the bank account balance.
- H. Journal entries on reconciliations should have backup documentation. This could include invoices, receipts, bank statements, contracts, and/or memos explaining the adjustment.

EARNEST MONEY (EM) LEDGER

Property Address	Buyer Name	Em Amount	Em Check #	Date Deposited	Em Amount Disbursed	Em Date Disbursed	To Whom Disbursed	Check Number

SECURITY DEPOSIT (SD) LEDGER

Tenant Name	Property Address	SD Amount	SD Check #	Date Deposited	SD Amount Disbursed	SD Date Disbursed	To Whom Disbursed	Check Number

RENT/OWNER FUNDS LEDGER

Owner Name	Property Address	Tenant Name	Amount of Rent Received	Rent Check#	Date Deposited	Management Fee	Repairs	Rent to Owner	Check Number	Ending Owner Balance	Owner Reserve Funds	Total Amount in Rent Account For Owner