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Katrina's Aftermath Poses Distribution and Disposal Dilemmas For Unclaimed Box Contents

Refugee box owners, legal quandaries, and box content contamination are the dilemmas faced by numerous financial institutions along the Louisiana and Mississippi Gulf Coast. Nearly three years after the Hurricane Katrina debacle, the owners of thousand of salvaged safe deposit box contents are still being sought.

Notices Go Unanswered

Scattered across the face of the United States, those who fled Katrina's wrath left no forwarding address or phone numbers. Although financial institutions have made concerted efforts to locate these renters and reunite them with their property, phone calls, letters and public notices have frequently gone unanswered. Local newspapers and well as newspapers in cities, towns, and states close to the flooded areas have run advertisements in an effort to contact those who relocated from their flooded homes.

Louisiana's Regions Bank had 8,000 boxes that were flooded in the vaults of their eleven branches. 7,000 of these renters have been located and reclaimed their property. Many other financial institutions have not been this successful.

Donate or Destroy

Regions Bank has set a deadline for the disposal or redistribution of all salvaged items. They plan to destroy all water-soaked materials that have been "reduced to mush". They have also decided that any marketable box contents, not claimed by the deadline, will be donated to Brad Pitt's "Make It Right Foundation", which funds the construction of houses in New Orleans's devastated Lower Ninth Ward District. Because Regions does not want to appear to profit or otherwise benefit from so many people's tragedy and pain, these donated items will be sold at public auction or on Ebay by the foundation, with all proceeds going to the Make it Right charity.

Some Don't Concur

Many other gulf coast financial institutions do not agree with this decision and have decided not to dispose of any of the property found inside these waterlogged boxes. They have taken a more conservative approach and feel like these safe deposit box contents are valuable items belonging to renters and they want to make sure these individuals have ample time to reclaim their property. Many gulf coast bank vaults now contain soggy unclaimed box contents from thousands of flooded safe deposit boxes.

One Mississippi bank still has a large quantity of flooded box contents that belong to numerous box renters. They are storing these items in double plastic bags that have been covered with charcoal to minimize the musty odor. These bags are presently stored in file cabinets and secured in the bank's vault under dual control at their downtown location.

Potential Liability

The prudent disposal of unclaimed property is a crucial consideration. Obviously, all of these flooded safe deposit items cannot be stored indefinitely. Historically, in most states, after a specified number of years, abandoned box contents are reported and/or remitted to the state treasury. Unfortunately, legal and health concerns appear to be the two major obstacles facing many gulf coast financial institutions.

Retention Requirements

Legally, in Louisiana, intangible property held in safe deposit boxes or other safe keeping depositories is considered abandoned if it remains unclaimed for more than five years after the rental period expires. Any attempt to dispose of or destroy these safe deposit items prior to the required five-year waiting period could result in significant liability for the institution. It should also be noted that the five-year retention period is calculated beginning with the renter's due date, not when Hurricane Katrina came ashore or when the boxes were opened. Subsequently, some of these box contents could possibly be retained for up to six years. The disposition, destruction or donation of any property prior to the end of the calculated grace period could result in legal action against the financial institution and any recipient of the property or proceeds derived from the sale of these items at public auction.

Health Issues

Contamination is the other factor that hamstring the disposition process. The Mississippi treasury will not accept any unclaimed safe deposit property and the Louisiana's treasury does not accept "tangible" unclaimed property such as collectable baseball cards or jewelry. Financial institutions have contacted other state unclaimed property departments and they have all declined to accept these abandoned contents because of potential contamination. This threat of contamination has also barred Louisiana's treasury from accepting intangible flood-tainted items. This would include checks, CD's stocks, bonds, and other paper documents that the state would normally receive. Bottom line; nobody wants these soggy safe deposit contents.

In Conclusion

Financial institutions must be very careful and conscientious when they provide safe deposit services to consumers. Strict adherence to all safe deposit regulations must be followed to the letter. Without strict compliance of these state laws, you could expose yourself to unlimited liability. If you need assistance with any compliance issue or state regulation, simply contact Dave McGuinn at 713-937-9929 or visit www.sdspec.com to obtain valuable safe deposit information. You must review your state regulations, compliance issues and disclosure procedures now . . . **not after a safe deposit renter brings legal action.**

About the Author: David P. McGuinn, President of Safe Deposit Specialists, is a former banker and is often referred to nationwide as the safe deposit GURU. In all 50 states he has trained over 250,000 safe deposit personnel since 1969 and has served as President of the American Institute of Banking and the American, Texas and Houston Safe Deposit Associations. He has created numerous state and federal safe deposit compliance and audit manuals, training videos/DVDs, consumer brochures and other products that are now used nationwide. During the past 39 years, McGuinn's safe deposit training seminars and products have been recognized as the national standard for our industry.