

PREPARATION OF MONTHLY THREE-WAY RECONCILIATION

(must be done individually for each escrow bank account)

Component #1: Escrow Trial Balance (independently prepare this balance first or second)

[Include *only* funds related to specific guaranty files. Do not include bank charges or unidentified funds.]

1. List every open guaranty file and its balance.
2. Total all balances.

Component #2: Book Balance (independently prepare this balance first or second)

[Include *only* funds related to specific guaranty files. Do not include bank charges or unidentified funds.]

1. Run tape of deposits you made during month or get total from computer.
2. Run tape of disbursements you made during month or get total from computer.
3. Take previous month's ending book balance.
 Add: deposit total.
 Subtract: disbursement total.
4. Results of #3 give new book balance.

[A running total such as a checkbook register also constitutes a book balance. The book balance will be the balance at the close of business on the last day of the month.]

Component #3: Reconciled Bank Balance (prepare this balance last)

1. Take ending balance from bank statement
2. Add deposits-in-transit. (**Only** those funds actually on hand or deposited but not shown on bank statement. Must be on next bank statement in first few days of the month. Do NOT use deposits-in-transit as a place for adjustments in order to force-balance.)
3. Subtract outstanding checks. (**Only** those checks that have been issued but which are not shown on the bank statement.)
4. The result is your **actual available cash balance** (reconciled bank balance).

Three-Way Reconciliation

1. Observe any differences between the three balances.
2. Make note on reconciliation of any corrections made or needed. For instance:

a) Book balance	\$45,533.42	b) Book balance	\$45,533.42
Escrow trial balance	45,533.42	Escrow trial balance	45,533.42
Reconciled bank balance	44,883.42	Reconciled bank balance	45,651.42
Book balance & ETB	45,533.42	Reconciled bank balance	45,651.42
Reconciled bank balance	<u><44,883.42></u>	ETB & book balance	<u><45,533.42></u>
Shortage in bank account	650.00	Overage in bank acct	118.00

Explain shortage in bank:

Wire transfer fee	<10.00>
Printed check charges.....	<135.00>
Deposited to FNB in error	<500.00>
Insufficient check charge.....	<u><5.00></u>
	0.00

Explain overage in bank:

Bank balance	45,651.42
Less: operating funds maintained in esc acct	<u><118.00></u>
Bal = book bal = ETB	45,533.42