



Hearthside Bank

Always within reach

Account Settlement Guide for Survivors

INTRODUCTION

We realize that the loss of a loved one can be a difficult and overwhelming time for you and your family, so we hope this guide will simplify the account settlement process and help you through the process. In this guide, we will provide the information that you need to handle the account settlement process.

Survivors have several options for contacting Hearthside Bank:

> **By Phone:** 800-354-0182 or 606-248-1095

> **By mail:** Hearthside Bank

Attention: Customer Service Center

1602 Cumberland Avenue

Middlesboro KY 40965

> **In person:** Visit your nearest branch

ACCOUNT SETTLEMENT AT HEARTHSTIDE BANK

The following frequently asked questions will help you know what to expect as your loved one's accounts are closed or ownership transferred.

SAVINGS AND CHECKING ACCOUNTS

How long will the affected accounts remain open?

We recommend that you settle your loved one's accounts as soon as possible. If the deceased is the Tax Reported for Owner on any account, deposits or loans, Hearthside Bank may continue reporting to the Internal Revenue Service (IRS) under the deceased's Social Security Number (SSN) for a limited period of time. By taking prompt action, you can avoid complications resulting from continued IRS reporting under the deceased's SSN. We cannot provide an actual timeframe to settle an account, until we understand the scope of an individual's circumstances such as the account ownership type.

What will happen to Direct Deposits coming to Hearthside Bank?

If a Direct Deposit is received from one of the federal paying agencies (such as Veterans Administration or Social Security) to the deceased, on or after the date of death, Hearthside Bank is required to return the funds. You should notify all paying agencies of the death as soon as possible.

How do I reach the Social Security Administration concerning survivor benefits? You can reach the Social Security Administration by using their toll-free number, 1-800-772-1213. Since it can take up to 90 days to process a claim, it is important to notify them as soon as possible. You will need to provide:

- > A certified copy of the death certificate
- > The Social Security Number of the deceased
- > The name of the deceased's employer
- > The deceased's most recent W-2 forms or self-employment tax return showing earnings in the year of his or her death
- > A certified or original copy of the birth certificates of the spouse and minor children
- > Divorce papers if the divorced spouse is applying for benefits

What will happen to automatic payments that are being deducted from the affected Hearthside Bank accounts?

You need to notify the companies that are debiting the deceased's accounts that they have passed away. Advise them to stop the automatic payment if the account is being closed.

If I am a joint owner on an affected account and have my own ATM and debit cards, can I still use the cards to access the account?

Yes, as long as the account is classified as “Joint Account—With Rights of Survivorship.” You have the option of canceling your cards or keeping them active until the account is closed or retitled. We automatically cancel the deceased’s cards.

If I am a joint owner on an affected Hearthside Bank checking account, can I still write checks from the account?

Yes, as long as the account is classified as “Joint Account—With Rights of Survivorship.” But eventually, this account will be closed or retitled to the surviving joint owner. If the account is classified as “Joint Account— Tenants in Common,” no checks should be written from it after the date of death.

How will Money Market Accounts be handled?

If the account is classified as “Joint Account—With Rights of Survivorship,” the account ownership will be changed to the joint owner. If the account is classified as “Joint Account— Tenants in Common,” no checks should be written from it after the date of death.

If there is no joint owner or if the account is classified as “Joint Owner—Tenants in Common,” the funds will be disbursed as determined by an affidavit or court order according to regulations of the state.

An affidavit is a notarized, sworn and written declaration made before an official authority, such as a judge of the court or notary public. The affidavit states that there was no estate established, according to the bylaws of the state in which the deceased member resided. It also states who is entitled to the funds, such as a surviving spouse, child, or sole heir, according to a Will. The affidavit should also mention account numbers and account values and relieve Hearthside Bank of all responsibility once the funds are disbursed.

If I am the designated administrator of the estate but neither a joint owner of the deceased’s accounts nor a Hearthside Bank customer, will I be able to access information on the account, such as which checks have cleared?

Yes. Once a court or probate documentation is provided stating that you are the estate administrator, you will be entitled to all account information.

CERTIFICATES AND INDIVIDUAL RETIREMENT ARRANGEMENTS (IRAs)

How will certificates be handled?

The disbursement of funds from a certificate varies, based on its ownership.

If the certificate has an individual owner or has a joint owner and is classified as “Joint Account— Tenants in Common,” funds will be disbursed as determined by an affidavit or court order according to regulations of the state. If the certificate has a joint owner and is classified as “Joint Account—With Rights of Survivorship,” the surviving joint owner may choose one of the following options:

- > Transfer the ownership of the certificate funds to themselves
- > Cash in the certificate without penalty.

How will IRAs be handled?

The IRA account(s) will be closed without a Hearthside Bank penalty and distributed to the designated beneficiary. A spousal beneficiary may choose to accept the funds from the IRA account(s) as their own and deposit them directly into an IRA account established in their name. For (a) non-spousal beneficiary, the funds will be placed into an IRA Beneficiary account. An IRA Specialist at Hearthside Bank will provide the beneficiary with additional information and disbursement options.

PAYABLE ON DEATH (POD) ACCOUNTS AND DEPOSIT TRUST ACCOUNTS

How will POD Accounts be handled?

Individual and Joint Owner POD accounts allow customers to designate beneficiaries and have the proceeds in the accounts paid directly to them, generally without having to pass through probate. The funds in an Individual POD account will be disbursed directly to the named beneficiary on the account. The funds in Joint Owner POD accounts classified as “Joint Account—With Rights of Survivorship” will be transferred to the joint owners for their use and discretion. Only upon the death of all account owners are funds disbursed to the designated beneficiary.

If the Joint Owner POD account is classified as “Joint Account—Tenants in Common,” the funds shall be distributed directly to the designated beneficiary. If a customer’s legal trust is the named beneficiary, this designation shall supersede any individually named beneficiary and payment will be made in full to the legal trust.

How will Trust accounts be handled?

Hearthside Bank’s Deposit Trust Accounts are depository accounts that can hold funds under a legal trust. A Deposit Trust account is one established in the name of a legal trust and managed by the trustee, co-trustee, successor trustee, or trust administrator, as outlined in the trust agreement during the lifetime and upon the death of the grantor. Generally, funds held in the trust pass directly to the beneficiaries or the legal trust without passing through probate.

Please note: Legal trusts are set up outside of Hearthside Bank and generally require the service of an attorney.

CONSUMER LOANS

Outstanding loan balances become the responsibility of the cosigner or the customer’s estate. The estate executor/administrator must pay off all existing loan balances or provide Hearthside Bank with the necessary documentation to properly file a claim against the customer’s estate. In those instances where there is no cosigner or the estate is insolvent, the loan will be referred to Hearthside Bank’s Lending Department for further action.

FIRST MORTGAGE LOANS, FIXED EQUITY LOANS, AND HOME EQUITY LINES

If I am the co-borrower on a Hearthside Bank mortgage and/or fixed equity loan that was held by the deceased (the primary borrower), what happens next?

As co-borrower, you will become the primary borrower on the account, and our records will reflect the change of ownership to your name and Social Security Number. State law and the manner with which the title was held on a property will determine ownership of the property after an owner’s death. If you are unsure as to how this will impact you, you should seek legal advice. A certified copy of the death certificate may be required.

What happens when there is no co-borrower on the mortgage loan? The loan is retitled to “The estate of...” with the deceased name.

How will Home Equity Lines be handled?

If the deceased is the only borrower, the equity line will be frozen, allowing no further disbursements. If there is a co-borrower on the line of credit, it may not be frozen; however, the co-borrower may be required to re-qualify for the equity line.

What happens if there is a mortgage life insurance policy?

Contact the Relationship Banker on the loan. Our Customer Service Center, at 1-800-354-0182, will provide the Relationship Bankers name and number if you do not have this information

What will happen to automatic payments that were being made to the deceased’s mortgage from a Hearthside Bank checking, savings, or money market?

Hearthside Bank will contact the co-borrower (or, if there are none, the next of kin) to decide what should be done. If the deceased member had a joint owner on the checking, savings, or

money market, the payments can continue if ownership is transferred to the joint owner. If the deceased accounts are closed, a different account can be debited, or the mortgage account information can be changed so that the co-borrower receives monthly payment statements.

What should I do if I am the new primary borrower and will be assuming the loan as next of kin, but may not be able to afford the payments?

Contact the Relationship Banker on the loan. Our Customer Service Center, at 1-800-354-0182, will provide the Relationship Bankers name and number if you do not have this information.

WHAT IS PROBATE?

Probate is the process by which the court determines the authenticity of a Will. It is designed to protect the family and ensure that the persons who are entitled to receive the assets do receive them. It also makes sure that all debts and taxes are paid. The court will use the Will to determine who is to be appointed executor of the estate. If there is no Will, the court will appoint a “personal representative,” usually a spouse or relative. An attorney or a financial institution may also be appointed as executor.

It is best to go to probate court within a week to 10 days of the death. This may be a trying time for you, but it is best to settle these matters as quickly and accurately as possible. The size and complexity of the deceased’s estate, plus state probate laws, will determine how long the process will take. If the estate is large or complex, the probate process can take months or years to complete. On the other hand, the probate process may not be required if the deceased’s estate had accounts that were classified as “Joint Account—With Rights of Survivorship.” It is best to consult an attorney to determine what property is or is not subject to probate.

In addition to the deceased’s full name and date of birth, the following documents will be required for probate:

- > A certified copy of the death certificate (this can often be filed later).
- > A Will, if there is one.
- > A copy of the marriage certificate (or the date and place of marriage) if the deceased was your spouse. If the deceased was previously married, you will need to give this information to the court.
- > The names and addresses of all heirs, next of kin, and beneficiaries.
- > A summary of the deceased’s assets.

ESTABLISHING AN ESTATE ACCOUNT

A Hearthside Bank estate account provides an efficient solution for holding estate assets in non-interest or interest-earning accounts while keeping them separate from the executor/administrator’s own personal accounts.

It consists of a savings and/or checking account. Typically, the deceased customer’s assets are deposited into savings, and then transferred to checking as needed for easy payment of taxes, debts, and other obligations during the estate settlement process.

To establish an Estate Account, you will need to provide:

- > A copy of the death certificate.
- > Court documents designating an estate executor/administrator.
- > An Employee Identification Number (EIN) for the estate. The EIN can be obtained by filing Form SS-4 with the IRS. This form is available at U.S. Post Offices, the local library, or online at www.irs.gov or the IRS can be reached by phone at 1-800-829-1040.

Specific concerns or questions regarding your responsibility as an estate administrator, the probate process, or the estate settlement process should be referred to an attorney, financial advisor, or probate court official.

DUTIES OF AN EXECUTOR/ADMINISTRATOR

An executor, also known as a personal representative or administrator, is responsible for carrying out or “executing” the Will’s instructions. Most often, an individual executor can easily settle a simple estate on his or her own. However, a large or complicated estate may require legal advice. The probate court usually requires an executor/administrator to be bonded to protect all interested parties against fraud, embezzlement, or negligence by the executor/administrator.

The following is a checklist of the typical duties of an executor when settling an estate:

1. Consult an attorney and a certified public accountant (CPA) about your duties as executor.

While not required, checking with these professionals is helpful because they are familiar with local probate procedures and the steps required in settling an estate.

2. File the Will and initiate probate.

As executor/administrator, it is your responsibility to file a Will with the appropriate state probate court and petition the court for “letters testamentary.” These court documents may also be called “letters of administration” or by another name. These documents provide legal proof that you are the executor of the estate. You should get several certified copies of these court documents, as they may be requested when handling certain financial transactions for the estate.

3. Request several copies of the death certificate.

You will need certified copies of the death certificate to conduct estate business. These certified copies usually cost between \$5 and \$25 each, depending on the jurisdiction. They can be obtained from the County Clerk’s Office in the county of the deceased’s death, or the funeral director may order them for you.

4. Retitle property if necessary.

If the estate includes unencumbered automobiles, boats, other vehicles, or real estate, you can transfer titles either to the named beneficiary or to yourself as executor. If no beneficiary is designated, you may, as executor, decide to sell the property and add the proceeds to the estate. You should seek the advice of an attorney before you decide to sell or retitle the property.

5. List any indebtedness.

As executor, it is your responsibility to pay off any debts at the time of the deceased’s death. You must notify all creditors of the death and invite them to submit claims to the estate. Usually each state sets a time limit for creditors to submit claims. Some things to look for are:

- > Utility payments or bills
- > Hospital, doctor, or other medical expenses
- > Loan payments or bills
- > Credit card payments or bills

6. Close bank, credit union, and brokerage accounts, and open an Estate Account.

You should close any account owned solely by the deceased and transfer those assets to an account that will allow you to settle the deceased’s bills and other obligations.

7. Locate insurance policies and file claims.

Life insurance benefits are usually payable to designated beneficiaries and are not part of the estate. To file claims, you will need the policy numbers, full name of the deceased and certified copies of the death certificate.

8. File taxes.

Federal and state taxes for the deceased will need to be filed for the year in which he/she passed away and for the year the account is closed. Consult the IRS or a CPA for assistance.

9. Close the Estate Account and distribute the remaining assets to beneficiaries.

After making sure all estate debts have been paid, you can distribute any remaining assets to the beneficiaries and close the accounts.

ADDITIONAL INFORMATION

Determining what taxes are due after a loved one’s death can be complicated. You may need to contact the IRS, an attorney, or a CPA familiar with both federal estate taxes and local state inheritance taxes.