



# Not-So-Safe-Deposit Boxes: States Seize Citizens' Property to Balance Their Budgets

Resources to Search for Unclaimed Property in Your Name

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The 50 U.S. states are holding more than \$32 billion worth of unclaimed property that they're supposed to safeguard for their citizens. But a "Good Morning America" investigation found some states aggressively seize property that isn't really unclaimed and then use the money -- your money -- to balance their budgets.

Unclaimed property consists of things like forgotten apartment security deposits, uncashed dividend checks and safe-deposit boxes abandoned when an elderly relative dies.

Banks and other businesses are required to turn that property over to the state for safekeeping. The problem is that the states return less than a quarter of unclaimed property to the rightful owners.

## Not-So-Safe-Deposit Boxes

San Francisco resident Carla Ruff's safe-deposit box was drilled, seized, and turned over to the state of California, marked "owner unknown."

"I was appalled," Ruff said. "I felt violated."

Unknown? Carla's name was right on documents in the box at the Noe Valley Bank of America location. So was her address -- a house about six blocks from the bank. Carla had a checking account at the bank, too -- still does -- and receives regular statements. Plus, she has receipts showing she's the kind of person who paid her box rental fee. And yet, she says nobody ever notified her.

"They are zealously uncovering accounts that are not unclaimed," Ruff said.

To make matters worse, Ruff discovered the loss when she went to her box to retrieve important paperwork she needed because her husband was dying. Those papers had been shredded.

And that's not all. Her great-grandmother's precious natural pearls and other jewelry had been auctioned off. They were sold for just \$1,800, even though they were appraised for \$82,500.

"These things were things that she gave to me," Ruff said. "I valued them because I loved her."

Bank of America told ABC News it deeply regrets the situation and appreciates the difficulty of what Mrs. Ruff was going through. The bank has reached a settlement with Ruff and continues to update its unclaimed property procedures as laws change.

## California's Class Action Lawsuit

Ruff is not alone. Attorney Bill Palmer represents her and countless other citizens in a class action lawsuit against the state of California.

"They figured the safety-deposit box was safer than keeping it under the mattress," Palmer said. "In the case of a lot of citizens, they were wrong, weren't they?"

California law used to say property was unclaimed if the rightful owner had had no contact with the business for 15 years. But during various state budget crises, the waiting period was reduced to seven years, and then five, and then three. Legislators even tried for one year. Why? Because the state wanted to use that free money.

"That's absolutely correct," said California State Controller John Chiang, who inherited the situation when he came into office. "What we've done here over the last two decades has been dead wrong. We've kept the property and not provided owners with the opportunities -- the best opportunities -- to get their property back."

Chiang now faces the daunting task of returning \$5.1 billion worth of unclaimed property to people. Some states keep their unclaimed property in a special trust fund and only tap into the interest they earn on it. But California dumps the money into the general fund -- and spends it.

"It's supposed to be segregated and protected," Palmer said. "California has taken all of that \$5.1 billion and has used it as a massive loan."

California became so addicted to spending people's money, that, for years, it simply stopped sending notices to the rightful owners. ABC News obtained a 1996 internal memo in which the lawyer for the Bureau of Unclaimed Property argued against expanding programs to notify rightful owners. He wrote, "It could well result in additional claims of monies that would otherwise flow into the general fund."

## Seizing More Than Safe-Deposit Boxes

It's not just safe-deposit boxes. A British man went to retire and discovered the \$4 million in U.S. stock he had been counting on had been seized and sold for \$200,000 years earlier -- even though he was in touch with the company about other matters.

A Sacramento family lost out on railroad land rights their ancestors had owned for generations -- also sold off as unclaimed property.

"If I had hung onto it, I would be a millionaire, multimillionaire," said John Whitley. "But that didn't happen because we didn't get to hold it."

## State Reforms

California's unclaimed property program was so out of control that, last year, the courts issued injunctions barring the state from seizing any more property until it made reforms. Since then, Chiang has taken several steps to try to clean up the program.

For example, the state now sends notices alerting citizens about unclaimed property before it is handed over to the state -- the only state to do so. Once unclaimed property is delivered to the state, it is now held for several months while the state tries to contact the owners, rather than it being immediately sold off or destroyed.

Which raises the question, in the Internet era, is anybody really lost anymore? California and other states are just beginning to make use of modern databases that can find most anyone in minutes. Unfortunately, California only uses those databases to search after it has already seized a citizen's property.

If California does get better at locating people, that could present another challenge. Remember, right now, the state spends the money.

"It's like the last guy in line at a pizza parlor," Palmer criticized. "There is only so much pizza. At the end, when I get up to the counter to claim my pizza, there may be no pizza for me."

California's fiscal problems are legendary and once again in the news, so it's reasonable to question whether the state can afford to repay its citizens if a bunch of them surface at once.

"There is always going to be money to give the owners when they make their claim," Chiang insisted. "I don't want my legacy to say I continued a broken program. I want my legacy to be 'this guy was the guy who truly cared about the people and returned their money.'"

California is not the only state to come under fire for its handling of unclaimed property. In Delaware, unclaimed property is the third largest source of state revenue. Idaho recently passed an unprecedented law that says the state gets to keep unclaimed property permanently if the rightful owners don't claim it within 10 short years. And all 50 states pay private contractors 10 to 12 percent commissions to locate and seize accounts for them. It's an inherent conflict of interest: the more rightful owners are found, the less money the contractors make.

Of course, there are some states who handle their people's property with respect. Oregon never takes title to unclaimed property. Instead, it holds it in a perpetual trust fund.

Colorado uses the interest on its unclaimed property fund to pay for some state programs, but leaves the principal untouched.

Missouri, Iowa and Kansas make extra efforts to reunite people with their property — even setting up booths at state fairs to get the word out. The State of Maryland actively compares the names on unclaimed accounts with state income tax records. If it finds a match, the state simply cuts a check and sends it to the citizen.

## **Protecting Your Property**

So, the question for citizens is, how do you protect yourself?

- Make contact with your bank, your brokerage firm, etc. at least once a year, in a way that creates a paper trail. Make sure they have your current address.

- If you own stock, occasionally vote your proxies or take other steps to keep your stock ownership active. Stay in touch with your broker.

- Write a list of all your accounts and keep it with your will, so your heirs will know where to look.

- Consider insuring valuables even if you keep them in your safe-deposit box. That way, you're covered financially if the bank or state makes a mistake and empties your box. Plus, safe-deposit contents have been known to be destroyed by fire or flooding.

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If you want to search for unclaimed property in your name, you do not need to pay other people to do it for you. Check out the following links for more information:

• [\*\*National Association of Unclaimed Property Administrators\*\*](#)

• [\*\*www.missingmoney.com\*\*](#)

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