

CONTACT FDIC TO PROTECT CLIENT FUNDS AND IOLTA ACCOUNTS

The FDIC recently adopted an Interim Rule regarding its newly created Temporary Liquidity Guarantee Program (TLGP), which provides unlimited insurance on non-interest bearing transactional accounts. The purpose of this program is to provide confidence and stability in the banking system during these turbulent economic times.

The American Bar Association (ABA) submitted a letter prior to the October 23 FDIC Board meeting noting that the proposed Interim Rule did not cover Interest on Lawyer Trust Accounts (IOLTA), which are also transactional accounts. These accounts generate interest to a third-party non-profit IOLTA program pursuant to an exception granted by the Federal Reserve and the FDIC.

IOLTA programs provide grants for legal aid, administration of justice and legal education. Without the full insurance coverage in this uncertain economy, lawyers may feel the need to move their client funds from IOLTA accounts to fully insured non-interest bearing accounts, which could result in a significant funding loss for your state's legal aid programs.

The ABA urged the FDIC to include IOLTA accounts in the Final Rule. During the meeting, two FDIC Board members expressed interest in public comment regarding this type of account.

We have an urgent request for your critical assistance as we advocate for full FDIC insurance coverage of IOLTA accounts. While the ABA will submit formal comments in support of full IOLTA coverage, we also need to generate public and congressional support for this effort, and **we need your help**. ABA President Tommy Wells and President-elect Carolyn Lamm are actively involved as well.

Time is of the essence: Public comments are due November 13, 2008.

ACTION REQUESTED: Please submit your own comments to the FDIC supporting inclusion of IOLTA accounts in the new TLGP.

Please share your own experiences, interest in this issue and concerns. Please give examples of the public good that result from the IOLTA funds and potential consequences of IOLTA not being included in the TLGP, for example, ethical dilemmas for lawyers in mandatory states and the loss of critical legal aid funding. You can use the ABA one-pager to help you formulate your **personalized** remarks. Comments can be submitted on the FDIC website or by e-mail as follows:

• Agency Website: <http://www.fdic.gov/regulations/laws/federal/propose.html>
TLGP listing is at bottom of page titled "Open for Comments."

• E-mail: Comments@FDIC.gov

Include RIN # 3064--AD37 on the subject line of the message.

With your input, we are hopeful of a favorable outcome. Pending that, please remember that the FDIC insurance cap has been raised for interest-bearing accounts to \$250,000 per client, not **per account**, and that this is likely to make many IOLTA deposits well within the \$250,000 limit.

Please contact Julie M. Strandlie, Director, ABA Grassroots Operations/Legislative Counsel at jstrandlie@staff.abanet.org or (202) 662-1764 should you have any questions. Please also send Julie a copy of your comments so we can better coordinate this effort.