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To: Comments
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We are writing to encourage the FDIC to include “IOLTA” accounts in the FDIC’s Temporary Liquidity Guarantee Program.

Please provide Urgent Fix Needed to Protect IOLTA Funds

The FDIC announced on October 14, 2008 the Temporary Liquidity Guarantee Program (TLGP). The FDIC created the TLGP to “strengthen confidence and encourage liquidity in the banking system by, among other things, providing full coverage of *non-interest bearing deposit transaction accounts (such as payroll accounts used by businesses)* regardless of dollar amount.” On October 23, 2008, the FDIC Board adopted an Interim Rule and released it for public comment.

The Interim Rule does not provide full coverage for Interest on Lawyer Trust Accounts (IOLTA), which are similar to these transaction accounts. The unintended consequence of this Interim Rule: a client’s total funds in one financial institution including the amount in an IOLTA account exceeding \$250,000 are eligible for unlimited insurance only if they are moved to a covered “non-interest bearing deposit transaction account.”

We urge the FDIC and Congress to support expanding the TLGP to provide full coverage for IOLTA accounts, regardless of dollar amount, because:

- IOLTA accounts are effectively the same as the covered transaction accounts.
- FDIC and Federal Reserve *exceptions* permit banks to pay interest on these otherwise similar transaction accounts.
- TLGP coverage is vital for IOLTA accounts, which may hold funds for a client that could exceed the \$250,000 coverage limit.
- This is not the time to force lawyers to abandon a program that provides much needed revenue for legal aid for the poor, especially now with increases in foreclosures and evictions.

Thank you,

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