

STATE BAR OF TEXAS

HARPER ESTES
PRESIDENT



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Sheila C. Bair
Chair, Federal Deposit Insurance Corporation
550 17th Street, NW
Room 6028
Washington, D.C. 20429

Dear Chairman Bair:

I am writing on behalf of the State Bar of Texas to request that the Temporary Liquidity Guarantee Program (TLGP) recently announced by the Federal Deposit Insurance Corporation (FDIC) be expanded to provide complete coverage for Interest on Lawyer Trust Accounts (IOLTA).

IOLTA accounts contain client funds held by a lawyer on behalf of a client that are nominal in amount or held for a short period of time that cannot earn interest for the client net of banking charges and administrative fees. Typical funds include court filing fees, settlements, and retainers. Interest generated by these accounts is dedicated to supporting nonprofit organizations that provide free civil legal services to the poor.

The unintended consequence of the TLGP is to create a situation in which client funds in excess of \$250,000, currently held in IOLTA accounts, are eligible for unlimited insurance if they are removed from the IOLTA account and placed in "non-interest bearing deposit transaction accounts." Attorneys holding significant client funds will be forced to decide whether or not to continue using their IOLTA account or to place those funds in a non-interest bearing deposit transaction account in order to qualify for the new insurance. As a result, the amount of interest income received by IOTLA programs may become significantly reduced.

In Texas, the IOLTA program generates approximately \$11 million annually. These funds provide a mechanism through which justice is made available to indigent Texans who cannot otherwise afford an attorney. If IOLTA accounts are not covered, millions of dollars for the provision of legal services to the poor will be lost. For those poor Texans hurt by a poor economy and the devastation of Hurricanes Ike and Dolly, legal representation is out of reach financially but crucial to their moving forward in their lives.

We urge the FDIC to interpret IOLTA as non-interest bearing transaction accounts under TLGP. Furthermore, we urge the FDIC to grant an exception in the TLGP rules explicitly stating that funds in IOLTA accounts have unlimited deposit insurance coverage regardless of dollar amounts.

Thank you for your consideration of this issue.

Sincerely,

Harper Estes

Xc: Senator Kay Bailey Hutchison
Senator John Cornyn
Texas Congressional Delegation