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November 13, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

ATTN: Comments RIN #3064-AD37

Dear Mr. Feldman:

I am writing to provide comments on the October 23 Interim Rule establishing the Temporary Liquidity Guarantee Program (TLGP). Specifically, I encourage you to consider covering Interest on Lawyer Trust Accounts (IOLTAs) under the Transaction Account Guarantee Program, through which the FDIC will guarantee certain noninterest-bearing transaction accounts.

IOLTAs are transaction accounts that currently operate in all fifty states and in the District of Columbia and the Virgin Islands – and they are mandated in 37 states. These accounts were established by the actions of various state supreme courts and state legislatures – and enabled by changes in federal banking and IRS laws – in order to allow the pooling of client funds in an interest-bearing trust account.

IOLTAs do not provide monetary benefit to the lawyers that establish them. The interest earned on these pooled accounts is used to cover banking expenses. Any net interest on IOLTA accounts is then distributed through local grant processes to not-for-profit legal aid organizations in each state. According to the American Bar Association, IOLTA grants totaled $240 million in 2007. These grants helped fund invaluable services for victims of domestic violence, families facing foreclosure, those affected by consumer fraud and other consumer issues, as well as legal education programs.

If the final rule does not guarantee IOLTAs under the TLGP, lawyers exercising their fiduciary duties will be inclined to place their client funds exceeding $250,000 in non-interest bearing deposit transaction accounts, and the much-needed public service activities funded by IOLTA-generated interest would suffer.

As you develop the final rule, I encourage you to consider the public benefit generated by IOLTAs, as well as the fact that the interest they pay is dedicated only to third-party non-profit IOLTA programs, rather than to attorney account holders or their clients. To preserve the benefits of the IOLTA program, I urge you to consider including IOLTAs under the TLGP.

Thank you for your consideration of this matter.

Sincerely,

Allyson Y. Schwartz

Allyson Y. Schwartz
Member of Congress