

# LEGAL SERVICES ASSOCIATION OF MICHIGAN

November 13, 2008

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

RE: RIN # 3064-AD37

Dear Mr. Feldman,

I am writing on behalf of the Legal Services Association of Michigan (LSAM) whose members are nonprofit agencies providing civil legal aid to the poor throughout Michigan. We urge the FDIC to include Interest on Lawyers Trust Accounts (IOLTA) in the unlimited insurance coverage offered under the Temporary Liquidity Guarantee Program (TLGP).

In Michigan, IOLTA provides important funding for civil legal aid to the poor. It supports services to low-income families faced with foreclosure, consumer problems, child support needs, domestic violence and unscrupulous contractors preying on the elderly. Michigan's unemployment and foreclosure rates are now among the highest in the nation, so this is particularly important to sustain legal aid to the poor during the current challenging economic circumstances. IOLTA funds also give nonprofit civil legal aid agencies base funding that helps leverage other local dollars. In addition, in Michigan IOLTA funds state support services that provide training and build capacity in local programs. In 2007, more than \$2 million in IOLTA grants were made to legal aid programs that closed more than 50,000 cases and facilitated more than 35,000 hours of free service for the poor from volunteer lawyers. Even with IOLTA funding, the need is far greater than available resources. A 2005 State Bar of Michigan study showed that for every four people served by legal aid agencies, three others are turned away due to lack of resources.

Michigan has thousands of lawyers participating in the IOLTA program. They use IOLTA accounts in much the same way as others use the non-interest-bearing transaction accounts intended for full coverage under the TLGP. Lawyers combine client funds that are either too small or held too briefly to be able to net a positive return for the client in one IOLTA account.

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Page Two

Typical funds held by a lawyer on behalf of clients include court filing fees, settlements and retainers. Clients do not expect to receive interest, and lawyers are ethically prohibited from benefiting from client funds. Before IOLTA, these funds were in non-interest-bearing accounts. The only beneficiaries of IOLTA interest are charitable programs.

Lawyers may hold some larger funds, such as settlements that exceed the current \$250,000 insurance cap, for very brief periods, often just long enough for the check to clear and disbursements to be made. As fiduciaries for their client's funds, lawyers may feel the need to move these IOLTA deposits to non-interest bearing accounts to increase coverage. If that happens, IOLTA funds for civil legal aid for impoverished people will be seriously reduced at a time when their needs have increased. More than 1.3 million people in Michigan qualify for free legal help because they live at or below 125% of the federal poverty level (\$22,000 for a family of three).

Please help maintain critically-needed IOLTA funding for civil legal aid for the poor by extending unlimited insurance to IOLTA accounts. Thank you for your consideration of these comments.

Sincerely,

Michael C. Chielens  
Co-Chair

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