

# BEAUMONT FOUNDATION of America

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Board of Directors

Wayne A. Reand, Chairman

Gilbert L. Law

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November 12, 2008

Ms. Sheila C. Bair  
Chair, Federal Deposit Insurance Corporation  
550 17<sup>th</sup> St. NW  
Room 6028  
Washington, DC 20429

Dear Chairman Bair,

I write to call your attention to an unintended consequence in the recently announced Temporary Liquidity Guarantee Program (TLGP). As written it does not cover Interest on Lawyer Trust Accounts. If implemented as currently written, client funds in excess of \$250,000 will be eligible for insurance only if they are removed and placed in a non-interest bearing deposit transition account. This would cost Texas half of its IOLTA revenue---revenue which is a critically important source of support for legal services to the poor. Such an unintended consequence would cruelly punish underserved Americans and is therefore a result both tragic and wrong. I urge you to make an accommodation as you implement your interim rules to ensure that the critical resources generated by the IOLTA program to provide legal representation to the impoverished are not adversely affected.

Happily the solution to this unintended problem is simple. The FDIC can consider IOLTA accounts as non-interest bearing accounts under the terms of the TLGP. This position is supported by the very structure of IOLTA. No attorney or client have any expectation of receiving interest on the short-term escrow accounts that are accumulated to support the provision of legal assistance to the poor. Or the FDIC could make an exception in the TLGP interim rules providing unlimited deposit insurance to IOLTA accounts.

Either approach will protect IOLTA funds which provide a critical source of revenue for basic civil legal services to the poor in Texas. These individuals are the most vulnerable in our communities, including the elderly, persons with disabilities and victims of domestic abuse. Without this source of funding the citizens ably served by these programs would, in effect, be excluded altogether from participation in our justice system, and would consequently be deprived of any ability to obtain its protection. In my own experience this program helped a mother end an abusive marriage and finish college while raising two children. This is the American ideal made flesh.

IOI.TA is the second largest resource available nationally to ensure that the promise of equal justice is made available to all Americans, regardless of their income. In Texas, the need for legal advice and representation has never been more critical as legal aid offices across the country are being besieged by additional requests as a result of needs stemming from Hurricane Ike and resulting from the severe economic downturn. For many of these families, access to legal advice and assistance might be all that stands between them and the growing rate of homelessness facing needy families nationwide.

I appreciate your consideration of my request on such short notice. I would be happy to provide further information at any time.

Sincerely,



W. Frank Newton

WFN/ppg

cc:

Senator Kay Bailey Hutchison  
Senator John Cornyn  
Congressman Ted Poe  
Congressman Kevin Brady  
Congressman Ron Paul