

12 October 2010

Robert E. Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

RE: RIN 3064-AD37

Dear Mr. Feldman and Members:

On behalf of the Maine Bar Foundation, I would like to address concerns about the impact on legal aid to the poor that will result from the proposed rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that provides temporary unlimited coverage for non-interest bearing transaction accounts.

The Interest on Lawyer Trust Account Programs (IOLTA) are a major source of funding for low-income legal services in Maine. IOLTA accounts are currently included in the definition of non-interest bearing accounts receiving unlimited coverage under the Transaction Account Guarantee (TAG) program, but would be excluded under the revised Regulation. Although corrective legislation has been introduced in the Senate, it may not be acted upon before the notification date. While this bi-partisan correction to the unintended omission of IOLTA from the Dodd-Frank Act would make the proposed changes unnecessary, notification will set in motion a wholesale disruption of IOLTA accounts which will then be countermanded when the legislation is passed. The result will be devastating to IOLTA funding which has already been affected by lower interest rates and a sagging economy.

The original TAG program helped to stabilize the banking system and depositor relationships. The negative impact of widespread movement of IOLTA accounts out of existing banking relationships caused by conflicting deposit insurance rules will undermine that stability as well as creating hardship at the community level where legal services are so desperately needed.

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IOLTAs are effectively non-interest bearing accounts for account owners and the owner of the funds deposited in them; IOLTA programs hold the beneficial interest and interest is not included in the gross income of either the law firm (account owner) or the client (owner of the funds). Were it not for the Court's requirement that these client funds be held in pooled accounts for charitable purposes, IOLTAs would qualify for unlimited coverage under the proposed rule as well.

The Maine Bar Foundation urges the FDIC to delay implementation of the proposed Regulation and notification requirement relative to IOLTA accounts until Congress passes the pending Senate bill or implements other corrective legislation. It is sound public policy to provide unlimited deposit insurance or other full guarantee coverage for IOLTAs and to avoid confusion and disruption of banking relationships as well as irreparable harm to IOLTA programs and legal services around the country.

We are more than happy to provide additional information in this regard. Thank you for your consideration.

Sincerely,

  
Sarah Ruef-Lindquist, Esq.  
President