

LEGAL SERVICES ASSOCIATION OF MICHIGAN

Mike Chielens
Co-chair
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Via e-mail to comments@fdic.gov

Ann Routt
Co-chair
420 N. Fourth Ave.
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Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Kenneth Penokie
Secretary/Treasurer

Reference Number: RIN 3064-AD37

Dear Mr. Feldman:

For more than three decades, the Legal Services Association of Michigan (LSAM) has served as a membership organization for nonprofit providers of civil legal aid for the poor. LSAM works with other justice system stakeholders on planning, policy and resources to support free legal assistance for low-income persons threatened with family violence, homelessness and other significant civil legal needs.

Interest on Lawyers Trust Accounts (IOLTA) funding is essential to our ability to provide these services. We are writing to express our concern about the harm that could be done to IOLTA by the proposed Regulation to implement that part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that provides unlimited deposit insurance coverage for non-interest-bearing transaction accounts. This Regulation, if implemented, would have a serious negative impact on Michigan's Interest on Lawyers Trust Account (IOLTA) program.

The Regulation's requirement that financial institutions individually notify holders of IOLTA accounts that their accounts will no longer be eligible for full FDIC coverage after year end could cause some attorneys to move their IOLTA funds to a non-interest-bearing account, which will receive full coverage, or to a large bank that is thought to be too big to fail. The result would be loss of much-needed IOLTA revenue and difficulties for lawyers and banks. We believe not including full coverage for IOLTA accounts was an oversight and understand that there is now a bipartisan bill in the Senate to remedy that.

We hope this fix will occur by year end and ask the FDIC to delay implementing the proposed Regulation until Congress can act on this matter. If Congress passed such a bill after notices were sent, the notices would have to be rescinded, but changes already made to these accounts could continue to have a negative impact on IOLTA. This would be particularly troublesome now when IOLTA revenue is already reduced due to historically-low interest rates and the need for services is very great due to the current challenging economy.

In addition to our request above that the FDIC delay implementation of this Regulation, we ask that the FDIC also support any efforts to continue the policy of including IOLTA among the accounts eligible for unlimited deposit insurance. Thank you for considering these comments.

Michael Chielens
MC

Michael Chielens
Co-Chair, LSAM

Ann Rouff

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Co-Chair, LSAM