



October 15, 2010

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

Re: FDIC Rule - RIN 3064AD37

Dear Mr. Feldman:

The Legal Foundation of Washington shares the concerns of other civil legal aid supporters around the country about the proposed regulation to implement that section of the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) which provides temporary unlimited coverage for non interest-bearing transaction accounts.

IOLTA accounts are currently included in the unlimited coverage guidelines under the Transaction Account Guarantee (TAG program). The proposed regulation would change that; IOLTA accounts would be excluded. As we sure you know, Senators Merkley, Johnson, Corker and Enzi recently introduced bi-partisan legislation to correct this unintended exclusion of IOLTA accounts.

The Legal Foundation of Washington, which manages the IOLTA program in Washington State, supports this correction and the continued inclusion of IOLTA in the TAG program. Indeed, IOLTA accounts are similar to non-interest bearing accounts; neither the fund owner nor depositor (the attorney) benefits from the interest on the account.

Therefore, we ask you to delay implementation of the proposed regulation and its associated notification requirement until corrective legislation is passed. If not, then smaller community banks may lose millions of dollars in deposits in the interim as attorneys and law firms—unaware of the impending Senate legislation—move their IOLTA accounts to larger, national banks.

The Washington IOLTA program benefits our state's most vulnerable citizens by addressing their legal needs in crisis. But its success depends upon consideration of all the stakeholders involved, including attorneys and their clients, banks, and the beneficiaries of the interest earned. The proposed implementation of the notification requirement could unnecessarily and negatively impact these stakeholders as well as the Washington IOLTA program as a whole.

For 25 years, an innovative partnership working for justice in Washington state with legal, financial, and real estate professionals.

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Rima J. Alaily / CDC

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