MINNESOTA SUPREME COURT
LEGAL SERVICES ADVISORY COMMITTEE
25 Rev. Dr. Martin Luther King, Jr. Blvd.
Saint Paul, Minnesota 55155
651-284-4379

October 13, 2010

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

RE: RIN 3064-AD37

Dear Mr. Feldman:

Thank you for the opportunity to comment. I am the chair of the Minnesota Supreme Court Legal Services Advisory Committee, which is responsible for the administration of the Interest on Lawyer Trust Account (IOLTA) Program in our state.

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 will have a serious impact on IOLTA programs nationwide. IOLTA accounts, although included within the current definition of non-interesting bearing accounts that receive unlimited coverage under the existing Transaction Account Guarantee (TAG) program, would be excluded in the revised Regulation. Thus, the IOLTA accounts would cease to be fully insured after January 1, 2011.

As I understand it, there is legislation pending that would correct the unintended exclusion of IOLTA accounts in the Dodd-Frank Act. We are hopeful that this bill will be passed by the end of the year.

However, confusion and lasting harm to the IOLTA program could occur if this Regulation takes effect before Congressional action can occur. Minnesota has over 12,000 attorneys in over 2000 law firms with almost 5,000 active IOLTAs. IOLTAs are effectively non-interest bearing accounts for the account owner and the owner of the funds deposited therein. The IOLTA program holds the entire beneficial interest in the account; interest is not included in the gross income of either the client or law firm. Absent the requirements imposed by state IOLTA authorities, there would be no interest on these accounts and they would qualify for full coverage.

IOLTA programs provide a significant public benefit. In Minnesota, interest generated from IOLTAs is distributed as grants to provide civil legal aid to the poor, and to support the administration of justice and law-related education, all of which are vital to our democratic system's guarantee of equal access to justice for all. If IOLTAs are not protected, millions of dollars for the provision of legal services to the poor, that prevent homelessness, protect women and children from violence and help the elderly, could be lost at a time when those services are needed the most.

I respectfully request that the FDIC delay the implementation of the proposed Regulation and notification requirement applicable to IOLTAs until Congress has an opportunity to pass the pending Senate bill or other corrective legislation.

Further, the FDIC should continue to support, as a matter of sound public policy, unlimited deposit insurance or other full guarantee coverage for IOLTAs, to avoid irreparable harm to IOLTA programs nationwide.

Sincerely,

Beverly Jones Heydinger

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Chair, Legal Services Advisory Committee