

*"The Unified Voice of Legal Services"*



October 14, 2010

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

RE: FDIC rule: RIN 3064-AD37

Dear Mr. Feldman:

On behalf of the Legal Aid Association of California (LAAC), the statewide membership organization of legal services nonprofits, I respectfully request that the FDIC delay the proposed required notification requirements relative to IOLTA account holders of the proposed rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in order to allow the time necessary for Congress to take action on this matter.

Founded in 1984, the Legal Aid Association of California (LAAC) is a non-profit organization created for the purpose of ensuring the effective delivery of legal services to low-income and underserved people and families throughout California. LAAC is the statewide membership organization for more than 80 non-profit legal services organizations that receive IOLTA funding in California. Our members provide high-quality legal services to our state's most vulnerable populations. These services to low-income and other underrepresented individuals form an essential safety net in California and often ensure that the programs' clients have access to life's basic necessities, such as food, safe and affordable housing, freedom from violence, health care, employment, economic self-sufficiency, and access to the legal system.

California's legal services nonprofits are concerned about the impact to the California Interest on Lawyers Trust Accounts (IOLTA) program 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 noninterest-bearing transaction accounts. IOLTA accounts currently receive unlimited deposit insurance coverage under the existing Transaction Guarantee (TAG) program but would be excluded from full coverage in the revised regulation as of January 1, 2011. I understand the exclusion of IOLTA accounts in the Dodd-Frank Act was an oversight and that a bi-partisan bill has been introduced in the Senate to rectify this situation. I remain hopeful that this bill will be acted upon by the end of this year.

433 California Street, Suite 815 | San Francisco, CA 94104 | (415) 834-0100 | (415) 834-0202 (Fax)

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LAAC's member organizations are deeply concerned that detriment to the IOLTA program will occur if this regulation takes effect before Congressional action. In California, there are approximately \$2.2 billion in balances in over 41,000 IOLTA accounts with over 75,000 attorneys participating in the IOLTA program. If financial institutions are required to notify individual account holders of IOLTA accounts that their account will no longer be eligible for full FDIC coverage after this year, attorneys will be faced with a dilemma as to whether to move their IOLTA funds to a non-interest bearing account, which is not permitted under California statute, move their accounts to a bank that is "too big to fail," or split their funds between banks in order to maximize insurance coverage – an impractical solution because the funds are short-term and because attorneys do not know what other funds their clients may have at the bank. The potential loss of IOLTA revenue could have devastating consequences to a significant source of funding for civil legal aid to the indigent in California and would be disruptive to attorneys, banks, and nonprofit recipients of IOLTA funding.

In California, the millions of dollars in interest generated from IOLTA accounts are used to fund 96 non-profit legal aid programs that provide civil legal service to the indigent to protect women and children from domestic violence, help veterans and the elderly obtain benefits to which they are entitled and keep people from homelessness, just to name a few. Funds could be lost, at a time when, due to the economic crisis, those vital services are most needed.

In order to prevent any negative effects and facilitate uninterrupted full coverage for IOLTA accounts, I respectfully request the FDIC delay the proposed required notification requirements relative to IOLTA account holders, allowing Congress the time necessary to take action on this matter.

Sincerely,

A handwritten signature in blue ink that reads "Julia R. Wilson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Julia R. Wilson  
Executive Director