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October 15, 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:

On behalf of The Chicago Bar Association and our charitable arm, The Chicago Bar Foundation, I write today to express our serious concerns about the proposed Regulation to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act provision regarding the Transaction Account Guarantee (TAG) program. In particular, we are concerned with the proposed Regulation requiring financial institutions handling IOLTA accounts to notify IOLTA depositors that those accounts will no longer be eligible for unlimited protection. Congress currently is working to correct the oversight in the Act that is the genesis for this notice requirement. Implementing the notice requirement now before Congress acts to correct that oversight will unnecessarily create confusion and significant burdens for lawyers and financial institutions throughout the country.

IOLTA accounts have always been included in the TAG program, but due to an oversight, they were unintentionally left out of the extension of the TAG program. Just before the Senate recessed for the November elections, a bipartisan coalition of Senators, including Senators Merkley (D-OR), Johnson (D-SD), Corker (R-TN) and Enzi (R-WY), introduced legislation to correct the unintended exclusion of IOLTA accounts in the Dodd-Frank Act.

The requirement to send these notifications regarding IOLTA accounts now, before Congress can address the oversight, would put lawyers and law firms in a very difficult position. Many will feel compelled to take the impractical step of opening multiple IOLTA accounts to stay within the FDIC insurance limits and maintain the security of their client funds. Maintaining multiple IOLTA accounts would entail significant and unnecessary administrative costs on these funds and thereby result in diminished IOLTA revenues and decreased charitable funding from IOLTA programs for legal aid. As you likely know, the interest generated from IOLTA accounts is paid to IOLTA programs, like the Lawyers Trust Fund in Illinois, that support local civil legal aid programs. Reductions in that funding would have devastating consequences for the low-income and disadvantaged Americans who depend on IOLTA-funded legal aid organizations. These organizations already are facing significant funding challenges and struggling to meet rising need.

We respectfully request that the FDIC delay implementation of the proposed Regulation and notification requirement with respect to IOLTA accounts until Congress has the opportunity to pass the pending Senate bill or other corrective legislation. Thank you for your consideration.

Sincerely,

Terri L. Mascherin
President
The Chicago Bar Association