

McClain Applauds Decision for Increased FDIC Coverage of IOLTA Funds

PBA President C. Dale McClain commended the Federal Deposit Insurance Corporation for its November decision to clarify the Temporary Liquidity Guarantee Program to include Interest on Lawyer Trust Accounts. McClain also applauded the cooperative work of local bar associations, the PBA and the ABA in making a persuasive case for the inclusion of IOLTA funds in the expanded insurance program. As a result of the FDIC action, an individual client's funds deposited in IOLTA will be fully insured regardless of the amount.

“We felt that, particularly in these tough economic times, lawyers should not be forced to abandon support for this critical program that serves the legal needs of the poor, and the inclusion of IOLTA accounts for the unlimited deposit insurance provided by the TLGP will help ensure continued support for IOLTA by Pennsylvania lawyers,” explained McClain.

In early November, McClain sent a letter to FDIC officials and the Pennsylvania Congressional Delegation requesting support for the inclusion of the IOLTA accounts. TLGP coverage was vital for IOLTA accounts holding funds for a client that could exceed the \$250,000 coverage limit. “Establishing multiple accounts at various financial institutions would not have been viable since lawyers would not have known whether clients would later deposit additional funds on their own at a particular bank, and it was not practical to separate a large deposit that would be in the IOLTA account just long enough for the check to clear,” said McClain.

According to ABA President H. Thomas Wells Jr., had the FDIC failed to expand full coverage for IOLTA, lawyers would have had to consider abandoning IOLTA for fully insured non-interest bearing accounts or moving IOLTA funds from community banks to the larger “too big to fail” banks. Wells said that abandoning IOLTA would have been catastrophic for IOLTA programs in all 50 states, which provide funding for legal aid for the poor, and moving the accounts to larger banks would have defeated the FDIC's purpose in creating the TLGP.

The leaders of the House Financial Services Committee and the Senate Banking Committee, more than 20 U.S. senators, members of the House Judiciary Committee and many individual representatives urged the FDIC to include IOLTA in the TLGP. The bipartisan effort by members of Congress, plus the efforts of state government officials, community banks, consumer groups, bar associations and foundations, law firms and individual lawyers nationwide, all emphasized to the FDIC the importance of IOLTA programs as the second largest source of funding for legal services to the poor.