



November 22, 2010

Via Fax:

The Honorable Name
U.S. House of Representatives
Address
City State Zip

Dear Congressman :

On behalf of the Texas Access to Justice Foundation and the Texas Access to Justice Commission, we are writing to ask you to vote in favor of HB 6398. This bill, introduced on November 15, 2010, addresses a gap in the inclusion of Interest on Lawyers Trust Accounts (IOLTA) in the unlimited FDIC insurance coverage provided to certain accounts in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act).

The interest on IOLTA accounts funds do not benefit the account holder, but instead are used to fund nonprofit legal services organizations that provide basic civil legal services to low-income Texans. Unfortunately, funding for these services already has been decreasing due to the current low interest rates. Failure to address this gap in IOLTA coverage in the unlimited FDIC insurance coverage will further exacerbate the problem.

In November 2008, the Federal Deposit Insurance Corporation (FDIC) created the Transaction Account Guarantee (TAG) program, thus strengthening confidence and encouraging liquidity in the bank system by providing full coverage of non-interest-bearing deposit transaction accounts regardless of the dollar amount. Many members of Congress, led by Senate Banking Committee Chairman Dodd and Ranking Member Shelby and House Financial Services Chairman Frank and Ranking Member Bachus, along with the American Bar Association, state bar associations, constituent lawyers and community bankers wrote the FDIC to urge the Board to include IOLTA in the final rule. The FDIC agreed and IOLTA was included in the unlimited FDIC insurance coverage, which has since been extended several times. Most recently, the FDIC in June 2010 extended this coverage (including the IOLTA specific provision) through December 31, 2010.

Regrettably, due to an oversight in the final Dodd Frank Act, IOLTA funds will no longer receive full FDIC protection unless Congress passes corrective legislation before the end of the year. This coverage is crucial for IOLTA accounts which in many cases hold funds for a client that exceeds the FDIC \$250,000 deposit insurance limit, but only for a short period of time. Furthermore, attorneys cannot know whether clients may later deposit additional funds at a particular bank, which may result in exceeding the \$250,000 insurance limit. Amending the Dodd Frank Act will avoid putting attorneys in a quandary regarding their handling of IOLTA accounts, and ensure that IOLTA programs continue to receive funding to provide legal aid assistance.

In Texas, the interest generated from IOLTA accounts is awarded to non-profit organizations that provide basic civil legal services to low-income families. If IOLTA accounts are not properly covered, 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 the services are needed more than ever due to the current economy.

In Texas, IOLTA revenues have suffered a 73% decline in available funds going from 20 million collected in 2007 to a projected 5.5 million in 2010. As drastic as this is, an even greater decline will occur if the Dodd Frank Act is not amended to extend unlimited FDIC insurance to IOLTA accounts. Therefore, we hope that we can count on you to support HB 6398.

Please contact us if you have any question or need any further information.

Sincerely,



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