

President Signs Bill Fixing IOLTA Insurance Coverage

President Obama last week signed into law an ABA-backed bill (H.R. 6398) that continues “full” FDIC protection for Interest on Lawyers Trust Accounts -- or IOLTAs. The unlimited deposit insurance coverage on noninterest-bearing transaction accounts -- mandated by the Dodd-Frank Act -- that begins on Dec. 31 and ends Dec. 31, 2012, replaces the unlimited coverage under the Transaction Account Guarantee Program.

But the new program, unlike the TAGP, did not originally provide such unlimited coverage for IOLTAs. H.R. 6398 changes that and provides relief to smaller banks that may have lost IOLTA accounts if coverage had dropped back to \$250,000.

Because of the bill, FDIC posted a notice on its website telling banks that they don’t have to send individual notices to IOLTA depositors about the loss of coverage. “[I]nstitutions that have already notified IOLTA depositors may provide a revised notice advising that IOLTAs will receive unlimited insurance coverage as noninterest-bearing transaction accounts for two years ending December 31, 2012,” the FDIC said.

The agency also said it will issue a financial institution letter with guidance on including IOLTAs in the definition of noninterest-bearing transaction accounts. The FIL also will provide new language for the posted signage reflecting the change. The ABA staff has updated its frequently asked questions on disclosure-requirement changes. [Read the FDIC notice](#). [Read ABA’s updated FAQs](#). For more information, contact ABA’s [Rob Strand](#) or [Leslie Callaway](#).