

Wisconsin IOLTA Program Changes: Information for Financial Institutions

The Wisconsin Supreme Court has issued an order amending the trust account rule pertaining to IOLTA accounts (SCR 20:1.15) effective January 1, 2010. IOLTA accounts will now earn the same interest or dividend rates generally available to similarly-situated non-IOLTA customers at the same financial institution.

Note: Only a limited number of higher balance IOLTA accounts will be affected. Most IOLTA accounts will remain unchanged. In the coming months, the Wisconsin Trust Account Foundation, Inc. (WisTAF) will work with financial institutions to make implementation of the new rule as simple and efficient as possible.

How will financial institutions meet the rule's new requirements?

The rule changes basically require higher rate options for qualifying IOLTA accounts, if those options exist for non-IOLTA customers. Financial institutions will not have to create new products if these are not already offered to other customers at that institution.

Prior to implementation on January 1, 2010, WisTAF will help participating banks identify options available to ensure that its IOLTA accounts are in compliance with the rule.

- The first option is to maintain existing accounts and simply apply an emulated rate, which is based on similarly situated non-IOLTA accounts offered at that same bank. Under this scenario, banks will not have to ask their customers to convert their accounts to alternate products, saving administrative time and cost. WisTAF will work with banks choosing this option to determine a fair emulation rate based on the products offered to non-IOLTA customers.
- The second option is for financial institutions choosing to require attorneys to convert or establish comparable products for qualifying IOLTA accounts to specific products outlined in the rule. Under this scenario, WisTAF will work with attorneys/firms to provide the necessary direction to have their accounts converted.
- A third option exists for institutions that wish to take advantage of a special opportunity to receive additional recognition of its commitment to support the provision of civil legal services to Wisconsin's low income population. Banks may enter into an agreement annually where a single negotiated rate is paid on all its IOLTA accounts. This option also affords banks with frequently changing interest rates the convenience of setting a rate for its IOLTA accounts only once per year – reducing administrative efforts.

WisTAF will help financial institutions complete an initial certification process, providing the required forms and making sure institutions are added to the published list of IOLTA participating institutions. WisTAF will update the list throughout the year to include new IOLTA participating institutions, as needed.

Is participation in Wisconsin's IOLTA program mandatory?

Participation in the IOLTA program remains voluntary for financial institutions, but attorneys may not keep IOLTA accounts at banks, savings & loans and credit unions that are not IOLTA participating institutions.”

What is the deadline for implementing the rule changes?

January 1, 2010

Who should financial institutions contact with questions regarding implementation of the rule's new provisions?

Contact the WisTAF office with any questions on the rule's new provisions or requests for help with implementation. Phone: (877) 749-5045 or Email: service@wistaf.org