

NC Interest on Lawyers' Trust Accounts implements comparability

On Jan. 28, the N.C. Supreme Court approved revisions to the NC IOLTA rules that require lawyers to hold their IOLTA accounts only at eligible banks, those banks that agree to pay IOLTA accounts the highest rate available to that bank's other customers when the IOLTA accounts meet the same minimum balance or other account qualifications (known as "comparability").

The revised rule had an effective date of July 1, , after which lawyers must keep NC IOLTA accounts only in banks certified as eligible by NC IOLTA.

NC IOLTA worked with currently participating banks to implement the requirement and ensure compliance. Banks were certified as eligible by NC IOLTA upon a finding that they are in compliance with the rule based on the documentation they submitted to the program. NC IOLTA is maintaining a list of (just over 100) eligible banks on the State Bar web site.

"We are very pleased that all previously participating banks have been certified as Eligible Banks under the new requirements," said Evelyn Pursley, executive director of NC IOLTA. In fact, three additional banks without IOLTA accounts sought and received certification so that they can offer IOLTA accounts.

"Our banking consultant's analysis projects that the program could receive as much as \$1 million annually in additional income from the changes even in this difficult economy and will see more significant increases when interest rates rise," said Pursley. "And, of

course any income increase is particularly important given the current economic times, which have seen lower IOLTA income at a time of increased need particularly for the civil legal aid organizations which receive IOLTA support."

NC IOLTA suffered an unprecedented downturn in income in 2009. Total income was under \$2.4 million — a 55 percent decrease from the previous year.

The income downturn continues in 2010. First quarter income was down by 43 percent over the same period in 2009. The income decreases result from the economic downturn, which has seen unprecedented low interest rates being paid on lower principal balances in the accounts.

This income downturn meant grant-making for 2010 was dramatically affected. Even by using \$1 million in reserve funds, NC IOLTA is administering just over \$3 million in 2010 grants compared to \$4.1 million in 2009.

Grants were made only to grantees at the forefront of access to justice work. Even so, grants to legal aid organizations were decreased by approximately 20 percent. No grants were made to new organizations or for new programs, and 2010 grants were not made to a number of organizations that have received funds in the past.

Prime Partner Banks

Banks that go above and beyond the eligibility requirements of the revised rule to support the NC IOLTA program in its mission to improve the administration of

NC IOLTA's Prime Partner Banks

Prime Partner Banks are those that go above and beyond the eligibility requirements of the IOLTA rule to support the NC IOLTA program in its mission to ensure that low-income North Carolinians have access to critically needed legal aid.

Asheville Savings Bank
Bank of Currituck
Bank of North Carolina
Bank of Oak Ridge
BlueHarbor Bank
First Federal Savings Bank of Lincolnton
Forest Commercial Bank
Heritage Bank
HomeTrust Bank
KeySource Commercial Bank
Life Store Bank

Macon bank
Nantahala Bank & Trust Co.
NewBridge Bank
NewDominion Bank
Old Town Bank
Patriot State Bank
Providence Bank
Roxboro Savings Bank
Taylorsville Savings Bank
Vantage South
Waccamaw Bank

justice and ensure that low-income North Carolinians have access to critically needed legal aid are recognized as NC IOLTA's Prime Partner Banks.

The required interest rate for Prime Partner Banks is a net yield of 75 percent of the Federal Funds target rate with a minimum rate of 0.75 percent.

"We are particularly pleased to report that over 20% of our banks have chosen to be prime partners with NC IOLTA. Those banks are specially recognized on the Eligible Bank List and will be highlighted in the next NC State Bar *Journal*," said Pursley. "And, we hope North Carolina attorneys will be supportive of Prime Partner Banks."

You can support Prime Partner Banks and NC IOLTA:

- If you are opening a new IOLTA account, choose a Prime Partner Bank and let

them know how much you appreciate their support of the program.

- If you are already banking with a Prime Partner Bank, tell them you appreciate their decision.

- If your bank did not choose to become a Prime Partner with NC IOLTA, let them know that you would appreciate it if they would consider joining other North Carolina banks in taking that step. Information on the Prime Partner program is available on the NC IOLTA website, nciolta.org, or by calling NC IOLTA at: 919-828-0477.

- More information about comparability requirements and the Prime Partner program are available on the NC State Bar website:

www.ncbar.com/programs/iolta.asp.

Editor's note: *This article was submitted by NC IOLTA.*

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Evelyn Pursley, Executive Director, NC IOLTA