

DC - IOLTA

Interest on Lawyer Trust Accounts

Guidelines for Financial Institutions

THE DISTRICT OF COLUMBIA IOLTA PROGRAM

“IOLTA” stands for Interest on Lawyer Trust Accounts. The District of Columbia’s IOLTA Program was started in 1985 by the District of Columbia Court of Appeals. All 50 states, DC, and Puerto Rico have IOLTA programs. The IOLTA program lets lawyers put certain nominal or short-term client funds into pooled escrow accounts. All lawyers receiving client funds in the District of Columbia should have an IOLTA account unless they have filed a notice of declination with the D.C. Court of Appeals.

The interest from these pooled accounts is paid to the District of Columbia Bar Foundation, a tax-exempt not-for-profit organization that administers the IOLTA program. The Bar Foundation uses the interest generated by IOLTA accounts to make charitable contributions to not-for-profit organizations that provide free civil legal services to poor and underserved people in D.C. IOLTA funds in DC provide one of the largest single sources of funding for civil legal services in our community. IOLTA funds help lawyers to keep families in their homes, to protect domestic violence survivors from further harm, and to help secure disabled children the educational resources they need. In short, IOLTA funds make a real difference in the lives of some the most vulnerable in our community.

IOLTA ACCOUNT REQUIREMENTS: INSTRUCTIONS FOR FINANCIAL INSTITUTIONS

Financial institutions should observe the following procedures in opening and operating IOLTA accounts in the District of Columbia.

DC Bar Approval	Financial institutions must be approved by the District of Columbia Bar before they can hold IOLTA accounts for DC lawyers. Approved institutions are listed on the Bar Foundation’s website, www.dcbarfoundation.org . Information about receiving approval can be obtained from the DC Bar Board of Professional Responsibility. Contact Carol Threlkeld at 202-638-4290.
Opening New IOLTA Accounts	Lawyers should complete the Bar Foundation’s one-page IOLTA Application form, available on the web at: www.dcbarfoundation.org/iolta.html . The form can be filled out and printed out on the web. A copy of this form should go to the financial institution at which the account is opened and a copy should be sent to the Bar Foundation by mail addressed to: DC Bar Foundation, 2000 P Street, N.W., Suite 530, Washington DC 20036-6964; or fax: 202-467-3753. Financial institutions are encouraged to keep copies of this form available for attorneys or law firm representatives who need to open IOLTA accounts. Financial institutions are authorized to provide a direct link to this form on their websites to facilitate this process. More details on opening IOLTA accounts are available on the IOLTA page of the DC Bar Foundation’s website.

Account Name	The account title must contain the words “Trust Account” or “Escrow Account.”
Tax Information	<p>The IOLTA account should bear the taxpayer identification number (TIN) of the DC Bar Foundation: 52-1109547. The lawyer’s or law firm’s TIN <i>must not appear</i> on the IOLTA account. The accounts are exempt from backup withholding because the Foundation is a tax-exempt 501(c)(3) organization.</p> <p>The tax identification number will not match the name on the account. Neither the lawyer nor the law firm is required to report the interest earned in the IOLTA account. No IRS Form 1099 need be issued for IOLTA accounts: the DC Bar Foundation, a tax-exempt organization, is the beneficial owner of the interest on these accounts. <i>Under no circumstances</i> should a Form 1099 be sent to the lawyer or law firm for an IOLTA account.</p>
Interest Calculation	<p>Interest on IOLTA accounts should be calculated on the average monthly balance in the account, or as otherwise computed in accordance with the bank’s standard procedures. The DC Bar Foundation publicizes the interest rates that banks pay on their IOLTA accounts on its website, in order to provide information to lawyers about institutions that facilitate strong support of local legal services organizations.</p> <p>Financial institutions providing the highest rates at the lowest cost the Bar Foundation may be eligible for participation in the Foundation’s ‘IOLTA Preferred Bank Program.’</p>
Interest Remittance Procedures	<p>Most financial institutions remit interest to the Bar Foundation on a monthly basis. Banks are required to remit interest at least quarterly. A single remittance payment may be made for multiple IOLTA accounts. The accompanying interest remittance report must include an itemization of interest and charges (if any) for each account, as specified in ‘Interest Remittance Reports,’ below. The Bar Foundation is in the process of moving to an electronic remittance and reporting system. Contact iolta@dcbarfoundation.org for details, or call: 202-467-3750 ext 10. Any remittances made by check should be mailed to: DC Bar Foundation, 2000 P Street, N.W., Suite 530, Washington, DC 20036-6964.</p>
Interest Remittance Reports	<p>Financial institutions are required to report the following information <i>for each DC-IOLTA account at the institution</i> when interest is remitted to the DC Bar Foundation:</p> <ul style="list-style-type: none"> • Name of lawyer or law firm holding the account. • Address of lawyer or law firm holding the account. • Applicable interest rate on the account. • Average monthly balance in each account. • Fees and charges for each account, if any. • Total interest earned for each account during the reporting period. • Total interest remitted. • Total number of DC-IOLTA accounts held at institution. <p>Note that this report can be provided electronically (preferred) or in hard copy. A copy of the electronic template can be downloaded in our website (www.dcbarfoundation.org/iolta.html) IOLTA Remittance Report. Contact the Bar Foundation for more information at: 202-467-3750 ext 10 or iolta@dcbarfoundation.org.</p>

<p>Account Fees & Charges</p>	<p>IOLTA Preferred Banks offer IOLTA accounts with few if any fees or charges. In addition, banks listed on the DC Bar Foundation's Honor Roll waive charges and fees to the Foundation. Other participating institutions assess charges and fees to either the lawyer/law firm account holder, the DC Bar Foundation or both. Since fees and charges taken out of the IOLTA account interest directly reduces the funding of civil legal services, the DC Bar Foundation encourages lawyers to patronize banks that waive fees and charges.</p>
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IOLTA PREFERRED BANK PROGRAM

The D.C. Bar Foundation recognizes financial institutions that qualify for the IOLTA Preferred Bank Program. This program is open to any financial institution that

- Receives and maintains D.C. Bar approval;
- Provides a highly competitive interest rate on a majority of its DC – IOLTA accounts, tied to short-term rates such as the Federal Funds rate; and
- Waives service charges and fees.

This program was launched in 2006, when it was observed that IOLTA rates were remaining at levels well below market (on average 0.5%) at a time when interest rates on other accounts were over 3%. The DC Bar Foundation lists the IOLTA Preferred Banks on its website, and in regular IOLTA ads in *The Washington Lawyer*, a monthly magazine received by all members of the D.C. Bar.

Financial institutions interested in learning more about the IOLTA Preferred Bank Program should contact Bar Foundation Executive Director, Katherine L. Garrett at: 202-267-3750 ext. 12 or garrett@dcbfoundation.org.

Visit our website (www.dcbfoundation.org/iolta.html) for current updates. If you have any questions about the DC-IOLTA program, please call us. Together, we can maintain a strong IOLTA program that helps the most needy in our community.

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