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Fact Sheet on Interest on Lawyers' Trust Accounts (IOLTA)*

What is IOLTA?

IOLTA is an Innovative Funding Source

The Interest on Lawyers' Trust Accounts program is an innovative way to supply a cost-free public good. Lawyers who place client funds in IOLTA accounts do so under the authority of a state Supreme Court rule or an enactment by a state legislature. Client funds that are too small in amount or held for too short of a time to earn interest, for the client, net of bank charges or administrative fees, are placed in a pooled, interest-bearing trust account.

If a client's deposit is large enough or held for a long enough time to earn interest for the client net of banking charges and administrative fees, the funds may not be placed in an IOLTA account. As a result, clients experience no financial loss under IOLTA.

IOLTA Provides a Public Benefit Without Cost to the Taxpayer

With the cooperation of banks, the judiciary, state legislatures and lawyers, IOLTA accounts generate interest where none had been paid before and uses it for the public good. Bank fees are paid from the interest earned on pooled IOLTA accounts. The remainder of the funds generated by IOLTA accounts is earmarked for access to justice and are distributed through a local grant process to not-for-profit organizations throughout each state.

IOLTA Complies with Banking Laws and Regulations

Prior to the 1980s, nominal or short-term client funds were held in non-interest bearing checking accounts. Lawyers routinely pooled these funds in one account because it would have been prohibitively expensive to open and maintain a separate account for each client. Interest that could have been gained on these accounts did not benefit either the client or the lawyer. The only parties that benefited were the banks, which used the accounts for free.

Under IOLTA, these same nominal or short-term funds are still pooled into one account. The only difference is that, with changes in the banking laws and the explicit permission of federal regulators, banks may remit interest on these pooled accounts to a not-for-profit organization: the IOLTA program.

IOLTA Strengthens the Community by Promoting Access to Justice

IOLTA grants are used to fund the provision of civil legal services for the poor, law-related education and administration of justice. The Supreme Court of Florida created the first U.S. IOLTA program in 1979. Today, IOLTA programs operate in all fifty states and the District of Columbia.

IOLTA programs are administered by volunteer boards and address the most pressing and highest priority legal problems facing their local communities. Nationally, IOLTA generated over \$139 million in 1999. These funds help hundreds of thousands low income people in communities throughout the United States to resolve everyday disputes like spousal and child abuse, domestic relations, child support, consumer and housing problems.

IOLTA is Part of the Model Public/Private Partnership

IOLTA is an important part of the funding for civil legal services for the poor. IOLTA programs are in place in every state and the District of Columbia. IOLTA funds leverage federal, state and local governmental funding and encourage public and private funders to join the partnership.

IOLTA Supports a Cornerstone of Democracy

The rule of law as written by legislators and enforced by the courts is crucial to the maintenance of our democratic society. But for those who do not have the funds to hire a lawyer, justice and the benefits of the rule of law are out of reach. IOLTA funds make real the carving on the face of the U.S. Supreme Court: Equal Justice Under the Law. The closing refrain in our salute to the flag, and justice for all, becomes meaningful when IOLTA funds provide access to justice for our poorest community members.

**Source: American Bar Association Commission on IOLTA*