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ILLINOIS SUPREME COURT CHANGES RULE ON CLIENT TRUST ACCOUNTS

The Illinois Supreme Court announced the filing of new rules on Thursday designed to increase interest paid on attorneys' pooled-client trust accounts (IOLTA accounts). The Lawyers Trust Fund of Illinois collects the interest on IOLTA accounts and distributes it to programs providing legal assistance in civil matters to low-income Illinoisans.

The new rule amends Supreme Court Rule 1.15 to require that lawyers or law firms establish their IOLTA accounts only with financial institutions qualifying as eligible under the requirements of the rule. Eligible institutions are those identified by the Lawyers Trust Fund that pay the highest interest rate or dividend available from the institution to its non-IOLTA account customers when IOLTA accounts meet or exceed the same minimum balance or other account requirements.

Ruth Ann Schmitt, executive director of the Lawyers Trust Fund, said the rule changes attempt to correct an anomaly that allowed banks to pay rates on IOLTA accounts that were far below what other customers with similar balances would receive, and to expand the bank products that can be used for IOLTA accounts.

Ms. Schmitt noted that while the Federal Funds target rate increased from 1 percent to 5.25 percent between 2003 and 2006, the average rate paid on IOLTA accounts at the 20 Illinois banks holding the largest number of IOLTA accounts only increased from .37 percent to .57 percent during the same period. On accounts with balances of more than \$100,000, IOLTA accounts receive an average interest rate of .5 percent, when other customers could expect rates of between 2.5 percent and 4 percent.

"The rule changes are a matter of fairness," said Ms. Schmitt. "The point of these changes is to make sure that IOLTA accounts receive the same interest rates as other accounts with similar balances and characteristics. The revised rule does not ask for any special treatment for IOLTA accounts. It simply requires equal treatment."

Florida was the first state to adopt an IOLTA program and also the first state to adopt a comparability rule in 2002. Between June 2004 and June 2006, the interest rates paid on IOLTA accounts went up dramatically and IOLTA income in Florida increased from \$12 million to \$26

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million, said Ms. Schmitt. Illinois is the 11th state to adopt a comparability rule, and several other states are actively considering it.

The amended rule becomes effective June 1, 2007.

The Supreme Court also amended Rule 87 to increase the compensation for arbitrators from \$75 a session to \$100 per session, effective immediately.

The Court also amended Rule 39(2) to require applicants for associate judge to be a resident of the unit to which the candidate seeks appointment.

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(FOR MORE INFORMATION, CONTACT: Joseph Tybor, press secretary to the Illinois Supreme Court, at 312/793-2323)