

113TH CONGRESS
2D SESSION

S. 2699

To require the National Credit Union Administration to provide pass-through share insurance for the deposits or shares of any interest on lawyers trust accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 30, 2014

Mr. KING (for himself and Mr. WARNER) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the National Credit Union Administration to provide pass-through share insurance for the deposits or shares of any interest on lawyers trust accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. INSURANCE OF AMOUNTS HELD ON BEHALF OF**
4 **OTHERS.**

5 Section 207(k) of the Federal Credit Union Act (12
6 U.S.C. 1787(k)) is amended—

7 (1) in paragraph (1)(A)—

1 (A) by inserting after “payable to any
2 member” the following: “, or to any person with
3 funds lawfully held in a member account,”; and

4 (B) by striking “and paragraphs (5) and
5 (6)”;

6 (2) in paragraph (2)(A), by striking “(as deter-
7 mined under paragraph (5))”;

8 (3) by redesignating paragraph (5) as para-
9 graph (6); and

10 (4) by inserting after paragraph (4) the fol-
11 lowing:

12 “(5) COVERAGE FOR INTEREST ON LAWYERS
13 TRUST ACCOUNTS AND OTHER SIMILAR ESCROW AC-
14 COUNTS.—

15 “(A) PASS-THROUGH INSURANCE.—The
16 Administration shall provide pass-through share
17 insurance for the deposits or shares of any in-
18 terest on lawyers trust account (commonly re-
19 ferred to as ‘IOLTA’) or other similar escrow
20 accounts.

21 “(B) TREATMENT OF IOLTAS.—

22 “(i) TREATMENT AS ESCROW AC-
23 COUNTS.—For share insurance purposes,
24 IOLTAs are treated as escrow accounts.

“(ii) TREATMENT AS MEMBER ACCOUNTS.—IOLTAs and other similar escrow accounts are considered member accounts for purposes of paragraph (1), if the attorney administering the IOLTA or the escrow agent administering the escrow account is a member of the insured credit union in which the funds are held.

“(C) DEFINITIONS.—For purposes of this paragraph:

“(i) INTEREST ON LAWYERS TRUST ACCOUNT.—The terms ‘interest on lawyers trust account’ or ‘IOLTA’ mean a system in which lawyers place certain client funds in interest-bearing or dividend-bearing accounts, with the interest or dividends then used to fund programs such as legal service organizations who provide services to clients in need.

“(ii) PASS-THROUGH SHARE INSURANCE.—The term ‘pass-through share insurance’ means, with respect to IOLTAs and other similar escrow accounts, insurance coverage based on the interest of each person on whose behalf funds are held in

1 such accounts by the attorney admin-
2 istering the IOLTA or the escrow agent
3 administering a similar escrow account, in
4 accordance with regulations issued by the
5 Administration.

6 “(D) RULE OF CONSTRUCTION.—No provi-
7 sion of this paragraph shall be construed as au-
8 thorizing an insured credit union to accept the
9 deposits of an IOLTA or similar escrow account
10 in an amount greater than such credit union is
11 authorized to accept under any other provision
12 of Federal or State law.”.

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