

IOLTAs and Recent Banking News

We are aware that the recent news of banking closures has caused a level of anxiety among lawyers. At this time, we are unaware of any current or imminent bank closures that would impact Arizona IOLTA accounts. Of course, this is a fluid situation, and you should stay aware of the situation as it evolves. The Arizona Foundation for Legal Services and Education is monitoring the situation closely and we will share any information they provide as promptly as possible.

This is a good opportunity, though, to remind lawyers of some IOLTA basics:

- If you are practicing in Arizona, your IOLTA account must be maintained in an approved bank. For a list of approved banks, please click [here](#).
- Each client with funds in your IOLTA account has the benefit of FDIC insurance of \$250,000, if the account is properly designated as a trust account (for example, “Law Firm A, Client Trust Account” or “Law Firm A, IOLTA Account”) and proper accounting of each client’s funds is maintained.
 - Proper accounting and maintenance of IOLTAs is addressed in the [Trust Account Manual](#), and includes maintaining complete individual client ledgers and conducting the required monthly three-way reconciliation.
 - The \$250,000 coverage is cumulative for any/all accounts the client has on deposit with a single bank.
 - What does that mean? Let’s say you have your IOLTA at Bank A. Client Smith has \$100,000 on deposit in your IOLTA account. Client Smith’s funds in your IOLTA are under the \$250,000 FDIC cap.
 - So, is there a problem? Not necessarily. But, if Client Smith’s personal or business account is also at Bank A, and has over \$150,000 in it, Client Smith will only be insured by the FDIC for a total of \$250,000 deposited at Bank A. Any amount over \$250,000 will not be protected.
- What will happen if my bank closes? If your bank closes, the FDIC and federal regulators will step in, as has happened with Silicon Valley Bank and Signature Bank. You may be unable to access your IOLTA (or business account) in that bank for several days, but your funds, up to the FDIC limit, will be protected.
 - Should your bank close, you should inform your clients of your temporary inability to negotiate funds, but as we’ve seen, this is likely to be resolved quickly.

Do you have questions about maintaining your client trust account (IOLTA)? Call the Practice 2.0 Trust Account Helpline for free, confidential advice. 602-340-7305

AZCLE also offers continuing legal education seminars on managing your trust account. Check the [catalog](#) to find live or on-demand classes.