

Insurance Requirements for IOLTAs

Prior to December 18, 2014, the insurance requirements of SCR 20:1.15(e)(2), below, prevented lawyers from establishing an IOLTA account at most credit unions in Wisconsin because, except for low-income credit unions, NCUSIF insurance only covered funds owned by credit union members. (See, *Comment.*)

Effective, December 18, 2014, NCUSIF insurance provides insurance coverage for funds held in IOLTAs at credit unions that is comparable to FDIC coverage at other financial institutions. Consequently, credit unions can insure funds held in IOLTAs up to \$250,000 for each owner of the funds in such accounts, regardless of whether the owner is a member of the credit union. For further information, see: [Credit Union Share Insurance now covers IOLTAs](#) .

Insurance and safety requirements. (*Effective January 1, 2011*)

a. Each trust account shall be maintained at a financial institution that is insured by the federal deposit insurance corporation, the national credit union share insurance fund, the securities investor protection corporation, or any other investment institution financial guaranty insurance. **Except as provided in subs. (b)(6) and (cm)(3)b. and c., trust property shall be held in an account in which each individual owner's funds are eligible for insurance.** (*Emphasis supplied*).

b. IOLTA accounts shall also comply with the requirements of sub. (cm) (3).

Comment

SCR 20:1.15(e)(2)a. requires a lawyer to hold funds in an account where each owner's funds are eligible for the financial institution's insurance coverage. Practitioners should exercise care when placing trust funds in an IOLTA or any other type of lawyer trust account at a credit union, because an individual owner of funds held in any type of lawyer trust account (i.e., a client or third party) is eligible for NCUSIF insurance only if that individual owner is a member of the credit union, or if the credit union is designated by the National Credit Union Administration (NCUA) as a "low-income" credit union.