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1 A bill to be entitled
2 An act relating to trust fund interest for purposes
3 approved by the Supreme Court; creating s. 655.97,
4 F.S.; authorizing financial institutions to hold funds
5 in specified trust accounts to be used for specified
6 purposes; requiring such financial institutions to pay
7 a certain minimum interest rate or dividend; requiring
8 that the interest rate be a specified percentage;
9 requiring a financial institution to submit a
10 quarterly rate validation sheet and affidavit to the
11 Chief Financial Officer attesting that it will pay a
12 minimum certain interest rate or dividend; requiring
13 that the affidavit attest that certain information is
14 true and factual; requiring the Chief Financial
15 Officer to verify certain information; providing
16 applicability; providing an effective date.

17
18 WHEREAS, in September 1981, the Florida Supreme Court
19 implemented the nation's first Interest on Trust Accounts (IOTA)
20 program, establishing a vital funding source for civil legal
21 aid, justice system improvements, and public service programs
22 for law students, and

23 WHEREAS, Funding Florida Legal Aid (FFLA), formerly known
24 as The Florida Bar Foundation, and the Florida Bankers
25 Association have cooperated for decades to sustain the program
26 and encourage participation, and

27 WHEREAS, in March 2023, the Florida Supreme Court adopted
28 new rules requiring lawyers to secure interest rates based on
29 the Wall Street Journal Prime Rate, compelling banks to pay

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higher rates for IOTA accounts than for other similar accounts,
and

WHEREAS, 44 states, the District of Columbia, and Puerto Rico have mandatory IOTA programs modeled after Florida's pre-2023 system, while 5 states and the U.S. Virgin Islands operate voluntary or opt-out programs, and

WHEREAS, the 2023 rule change made Florida an outlier compared to other jurisdictions where IOTA rates are typically benchmarked against interest-bearing checking account rates, and

WHEREAS, the Wall Street Journal Prime Rate serves as a benchmark for lending and is not used to set deposit account rates, and

WHEREAS, the 2023 rule change resulted in banks paying higher rates on funds in IOTA accounts, resulting in record revenues, exceeding \$279 million, paid to FFLA during the 2023-2024 fiscal year, nearly four times the prior peak rate and far exceeding average annual interest revenues, and

WHEREAS, in October 2024, the Florida Supreme Court authorized FFLA to hold nearly \$143 million in reserve, and

WHEREAS, it is in the best interests of this state for the Legislature to establish statutory benchmarks for IOTA rates to ensure regulatory safety, fairness, and sustainability, similar to the quarterly interest rate determinations made by the Chief Financial Officer for interest paid on court judgments, NOW,
THEREFORE,

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 655.97, Florida Statutes, is created to

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59 read:

60 655.97 Lawyer or law firm trust account interest rates.—

61 (1) A financial institution may hold funds in an interest-
62 bearing trust account of a lawyer or law firm in which the
63 institution remits interest or dividends on the balance of the
64 deposited funds to an entity established by the Supreme Court
65 for the purpose of providing or facilitating the provision of
66 free legal services to low-income individuals or for other
67 purposes authorized by the Supreme Court. If the institution
68 holds such an account, it must pay the highest interest rate or
69 dividend generally available from the institution to its
70 comparable business or consumer accounts or nonmaturing deposit
71 accounts, provided that the trust account meets or exceeds the
72 same minimum balance or other account requirements. The trust
73 account interest rate must be at least 0.25 percent if the
74 Federal Funds Effective Rate is less than 4 percent. The trust
75 account interest rate must be at least 0.5 percent if the
76 Federal Funds Effective Rate is 4 percent or greater.

77 (a) The financial institution must submit a rate validation
78 sheet and affidavit to the Chief Financial Officer by the 10th
79 day of each quarter attesting that it will pay the same interest
80 rate or dividend on the lawyer or law firm trust accounts that
81 it is paying on its comparable business or consumer accounts or
82 nonmaturing deposit accounts and that the rate will be at least
83 0.25 percent if the Federal Funds Effective Rate is less than 4
84 percent or at least 0.5 percent if the Federal Funds Effective
85 Rate is 4 percent or greater.

86 (b) The affidavit must attest that the rate information
87 submitted on the rate validation sheet is true and factual.

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88 (c) The Chief Financial Officer shall verify that the rate
89 validation sheet and affidavit have been received by the
90 Department of Financial Services.

91 (2) This section does not apply to interest rates
92 established by written contract or obligations unrelated to the
93 trust accounts described by this section.

94 Section 2. This act shall take effect upon becoming a law.