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Media Contact:

Brooke Harrison

bharrison@floridabankers.com

Florida Bankers Association Stands in Support of Interest on Trust Accounts Reform

Florida's New IOTA Interest Rate is Unsustainable

TALLAHASSEE, Fla. (January 11, 2024)—Last week, Senator Erin Grall (R-Vero Beach) and Representative Robert Brackett (R-Vero Beach) introduced SB 1336 and HB 1253, respectively, legislation that would reform Florida's current Interest on Trust Accounts (IOTA) program. The bills seek to provide a more appropriate index and interest rate rather than the 2023 rule, which inappropriately based the rate on the Prime Index and has imposed a 3000% increase from the prior rate. The bills direct Florida's CFO to release the interest rate quarterly, which amounts to 68% of the upper bound of Fed Funds as a safe harbor rate and then allows an option for banks to provide information on their products that show that they are paying comparable IOTA rates to other similarly situated accounts at their financial institutions.

The Senate bill sponsor, Senator Erin Grall, a lawyer herself, commented that, "SB 1336 will bring an appropriate and needed resolution to the current rule that dictates that lawyers must house their trust accounts at institutions that align their IOTA interest rates with specific indexed points that are much higher than similarly situated accounts. The rule limits an attorney's ability to bank at the institution that best meets the needs of their firm and clients, and this bill provides an alternative solution, mitigating the tangible and adverse consequences to Florida's banks and legal practices."

Representative Robert Brackett, the House sponsor, commented that, "After speaking with several lawyers and judges in my community, it became apparent to me that lawyers do not want to see their banking relationships disrupted by this unfair interest rate increase. We hope the court will require the stakeholders to revisit the issue."

While a petition to reconsider the rule is pending before the Florida Supreme Court, this proposed legislation would provide another path to resolving this untenable situation. "We are navigating uncharted territory with interest rates set by judicial committees and are hopeful that the Supreme Court will rule favorably on this case. In the meantime, we support this legislation because the current IOTA interest rate jeopardizes the entire program. Either other bank customers must subsidize this ridiculous rate, or banks will have to sever relationships with long-standing legal clients who need service for IOTAs. Neither outcome is the right one," said FBA CEO Kathy Kraninger.

Among other supporters of the legislation is CFO Jimmy Patronis who also submitted his own letter to the Supreme Court in favor of the Court revisiting the new interest rate rule. Patronis said, "This proposed legislation will serve as an opportunity for all the parties to come together to figure out what makes sense for ensuring there is plenty of money for those in the court system that need it while

understanding that banks are providing a unique service and have their own obligations that they must live up to. Thank you to Senator Grall and Representative Brackett for proposing this legislation and look forward to working through the process to ensure that there is fairness for everyone.”

To learn more about this legislation and the Florida Bankers Association’s other 2024 legislative priorities, visit www.floridabankers.com/iota.

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***The Florida Bankers Association (FBA)** serves as the primary resource through which Florida financial service providers work in unity to influence the state and federal legal regulatory environment in which they serve their customers. Established in 1888, the FBA is one of Florida’s oldest trade associations and has a membership of more than 250 financial institutions.*