# Choosing the Right Bank for Your COLTAF Account

## Why It Matters More Than You Think

BY KLARALEE CHARLTON

Every lawyer or licensed legal paraprofessional (LLP) in Colorado who handles client or third-party funds must generally establish and maintain a Colorado Lawyer Trust Account Foundation (COLTAF) account.[1] Although this requirement is a routine part of legal practice, its significance is often overlooked. A COLTAF account serves two essential purposes. First, it satisfies ethical obligations under the Colorado Rules of Professional Conduct.[2] Second, it generates critical funding for legal aid services across the state.[3]

For new lawyers and LLPs, particularly those in solo or small-firm practice, setting up a COLTAF account can feel like another administrative item on a long compliance checklist. But where you choose to establish that account can have a significant impact—not only on compliance, but also on the strength of Colorado's civil justice system.

This article explains the COLTAF program, its historical roots, and why lawyers and LLPs should thoughtfully consider which bank they use for their trust accounts. Choosing a Prime Partner bank increases the value of every dollar held in trust, sometimes by orders of magnitude, with no cost to lawyers or their clients.

### A Brief History of COLTAF and IOLTA Programs

Colorado's COLTAF program traces its origin to a nationwide response in the 1980s to cuts in federal legal aid funding. In 1981, the Internal Revenue Service ruled that interest generated on pooled client trust accounts could be directed to nonprofit organizations without being taxable to either the attorney or the client.[4] Then, in 1982, President Reagan proposed eliminating legal aid funding; Congress rejected this call but still cut funding by 25%.[5] States quickly moved to establish Interest on Lawyers Trust Accounts (IOLTA) programs to fund justice for low-income people by funding legal aid.[6]

IOLTA programs, which exist in all US jurisdictions—including all 50 states, the District of Columbia, Puerto Rico, and the US Virgin Islands—collect interest from pooled trust accounts holding nominal or short-term client or third-party funds and distribute it to legal aid organizations.[7]

In 1982, the Colorado Supreme Court established COLTAF as Colorado's IOLTA program.[8] Like its sister programs in other states and territories, COLTAF collects interest from pooled trust accounts holding nominal or short-term client or third-party funds and distributes it to legal aid organizations.[9] As a result of the pooled trust accounts, COLTAF is able to grant millions of dollars to Colorado organizations providing civil legal aid and access to justice initiatives.[10]

### The Ethical Framework: The Rule 1.15 series

The Colorado Rules of Professional Conduct (Colo. RPC or the Rules) require lawyers and LLPs[11] who hold client or third-party funds to deposit those funds into an interest-bearing or dividend-paying trust account.[12] Under the Rule 1.15 series, if a client's funds are large enough or are expected to be held long enough to generate net interest for the client after accounting for administrative costs, lawyers and LLPs must establish a separate interest-bearing account for that client's benefit.[13] But if the funds are too small in amount or will be held for too short a period to generate net income for the client, they must be deposited into a pooled COLTAF account.[14]

To ensure accountability, Rule 1.15E requires the following:

- COLTAF accounts must be maintained at approved financial institutions. These institutions agree to report overdrafts to the Office of Attorney Regulation Counsel, respond to subpoenas, and comply with rate comparability rules.[15]
- Lawyers and LLPs are responsible for ensuring that the financial institution where they maintain a COLTAF account is on the list of approved institutions.[16]

For the lawyer or LLP, the rules are straightforward: client and third-party funds go into the pooled trust account, interest flows to COLTAF, and the lawyer or LLP never keeps any portion of the interest.[17]

### How COLTAF Serves Colorado

The funds COLTAF receives from trust account interest are distributed through grants that directly improve access to civil justice.[18] COLTAF's four purposes include:

- assisting in providing legal services to disadvantaged Coloradans;
- improving the delivery of legal services;
- promoting knowledge and awareness of the law in the community; and
- improving the administration of justice.[19]

In 2025 alone, COLTAF distributed over $7.7 million to Colorado Legal Services, the state's primary legal aid program, which serves low-income, senior, and other vulnerable Coloradans in all 64 counties.[20] COLTAF also awarded $1.15 million in discretionary grants to organizations such as Alpine Legal Services, TESSA, and the Colorado Access to Justice Commission.[21] An additional $836,151 supported pro bono programs across the state, such as Metro Volunteer Lawyers in the Denver area and the Justice Center in El Paso County, ensuring that volunteer lawyer efforts reach those most in need.[22]

Simply put, COLTAF is a financial lifeline for civil legal aid in Colorado, particularly as federal and state legal aid dollars have recently declined.

### Why Your Choice of Bank Matters

At first glance, it might appear that lawyers and LLPs have little influence over COLTAF funding. After all, the lawyer or LLP cannot retain the interest, and the client does not benefit directly from it. But the interest rates paid by banks on COLTAF accounts vary dramatically.

Here's why that matters:

- Some banks meet only the minimum rate comparability requirement, meaning COLTAF receives interest at the lowest permissible level.
- Other banks voluntarily pay higher rates, earning recognition as Prime Partners and taking a place as leaders in access to justice in Colorado.[23]

### Prime Partners

The difference is remarkable. Consider a COLTAF account holding $500,000 in pooled client funds. At a bank offering the lowest interest rate, this account might generate as little as $50 per year to support legal aid and pro bono programming. At a Prime Partner bank, however, that same account would generate over $14,000 to support legal aid and pro bono programs in your community—all at no cost to lawyers, LLPs, or their clients.[24] This is because Prime Partner banks pay COLTAF a yield equal to the greater of 75% of the Federal Funds Target Rate or 0.50%.[25] By choosing to exceed the minimum requirement, these institutions go above and beyond to support access to justice.

### Encouraging Higher Participation

By opening or moving their COLTAF accounts to be with Prime Partners, lawyers and LLPs substantially increase the funding available for legal aid—without spending a penny more themselves. Moreover, by shifting market share toward banks that support COLTAF, lawyers and LLPs likely incentivize other institutions to raise their interest rates and better support legal aid. In short, lawyers' and LLPs' choices create both immediate and long-term benefits, including higher interest flowing into COLTAF[26] (immediate impact) and putting pressure on lower-paying banks to improve their support for civil legal aid (long-term impact).

### Practical Considerations for Lawyers and LLPs Considering a Prime Partner Bank

For lawyers and LLPs just starting out, the process of opening a COLTAF account may feel unfamiliar and perhaps daunting. A few key points will help guide you:

- **Designation:** Ensure the account is titled as a "COLTAF Trust Account of [Firm Name]." Deposit slips and checks must also reflect this designation, along with the firm's phone number.[27]
- **Enrollment:** Complete a COLTAF Enrollment Form with the bank. Most banks are familiar with this process.[28]
- **Approved institutions:** Confirm that the bank is on the list of approved financial institutions maintained by the Office of Regulation Counsel and, ideally, is listed as a Prime Partner on COLTAF's website.[29]
- **Client communication:** While not required, explaining COLTAF to clients can build goodwill. It demonstrates that their funds, even when idle, serve the public interest.
- **Costs:** Most banks waive fees on COLTAF accounts. If fees are charged, only certain limited fees may be deducted from the interest earned. Under the Colorado Rules of Professional Conduct, a lawyer or LLP may deposit into a COLTAF account only enough of their own funds to cover those

bank fees, and no more. Any lawyer or LLP funds must be clearly identified in a separate ledger.[30]

### The List of Prime Partners

As you consider your banking options, please visit COLTAF.org to see a list of all Prime Partners in Colorado.[31] For those with already-established accounts, consider whether moving your COLTAF account to a Prime Partner is appropriate, or contact your financial institution to encourage them to raise their rate. For those just opening their first account, starting with a Prime Partner is the simplest way to make a difference.

### A Call to Action

For over 40 years, COLTAF has transformed idle client funds into meaningful access to justice for Colorado's most vulnerable residents. This means more lawyers to represent more disadvantaged Coloradans in need—victims of domestic violence, seniors facing foreclosure, and veterans navigating complex bureaucratic systems, among others. Yet COLTAF's only consistent source of revenue is the interest generated on these trust accounts. In times like now, when interest rates are falling from recent highs—or when banks pay only the minimum—the entire system of civil legal aid feels the strain.

Lawyers and LLPs are stewards of client and third-party funds. We are also stewards of the justice system itself.[32] By placing COLTAF accounts with Prime Partners, lawyers and LLPs fulfill both roles at once.

To Colorado's financial institutions: we encourage you to join the ranks of Prime Partners. The return on this investment is measured not only in dollars and new customers, but in helping ensure access to justice and reputational integrity. Plus, your institution can claim Community Reinvestment Act credit for participating as a Prime Partner.[33]

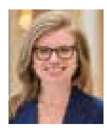
To Colorado's lawyers and LLPs, especially those entering practice: your choice of bank matters. By choosing a COLTAF Prime Partner, you ensure that more families receive legal help when they need it most, more communities understand their rights, and more Coloradans have access to justice.

### Conclusion

COLTAF accounts are not just an ethical requirement—they're a powerful tool for strengthening access to justice. By understanding the program's history, purpose, and mechanics, lawyers and LLPs can see that their banking decisions carry real weight.

When you next open or review your trust account, ask yourself: *Am I doing all I can to maximize the benefit of my COLTAF account?* If the answer is no, the solution may be as simple as moving your account to a Prime Partner bank or encouraging your own bank to become a Prime Partner to retain your business.

As a profession, our collective choices can turn pennies of interest into millions of dollars of support for Colorado's civil legal aid system. That is the power of COLTAF—and the power of thoughtful participation. CL



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### NOTES

1. COLTAF, "About COLTAF," https://www.coltaf.org.
2. COLTAF, "COLTAF Rules," https://coltaf.org/for-lawyers-llps/coltaf-rules. *See generally* Colo. RPC 1.15A, 1.15B, 1.15C, 1.15D, 1.15E; Colo. LLP RPC 1.15A, 1.15B, 1.15C.
3. COLTAF, "About COLTAF," *supra* note 1.
4. *See* Rev. Rul. 87-2, 1987-1 C.B. 18.
5. Legal Services Corporation, "LSC Faces Severe Funding Cuts—1982," https://www.lsc.gov/timeline/lsc-faces-severe-funding-cuts.
6. National Association of IOLTA Programs, "IOLTA Basics," https://iolta.org/what-is-iolta/iolta-basics.
7. *Id.*
8. Colorado Bar Association, "CBA Programs," https://www.cobar.org/About-the-CBA/CBA-Programs.
9. COLTAF, "About COLTAF," *supra* note 1. *See also* Colo. RPC 1.15B(b) (describing COLTAF as a "pooled trust account for funds of clients or third persons that are nominal in amount or are expected to be held for a short period of time" and thus "would not be expected to earn interest or pay dividends for such clients"); Colo. LLP RPC 1.15B(b) (same).
10. COLTAF, *Annual Report 2024–2025* at 4 (2025), https://coltaf.org/wp-content/uploads/2025/10/COLTAF-Annual-Report-2025-Web.pdf.
11. The LLP Rules of Professional Conduct contemplate overlap and application consistent with the Rules of Professional Conduct, particularly where the Rules are analogous. *See* Colo. LLP RPC, Scope, §§ [15], [21].
12. Colo. RPC 1.15B(e); Colo. LLP RPC 1.15B(e). *See also* Colo. RPC 1.15A, cmt. [1].
13. Colo. RPC 1.15A(a); Colo. RPC 1.15B(a)(1); Colo. LLP RPC 1.15A(a); Colo. LLP RPC 1.15B(a)(1). *See also* Colo. RPC 1.15A, cmt. [1].
14. Colo. RPC 1.15B(b); Colo. LLP RPC 1.15B(b). *See also* Colo. RPC 1.15A, cmt. [1].
15. Colo. RPC 1.15E(c)(3)–(4), (7).
16. Colo. RPC 1.15E(b).
17. *See* Colo. RPC 1.15B(b)–(d), (h); Colo. LLP RPC 1.15B(b)–(d), (h). Where client or third-party funds held by a lawyer or LLP are large or will be held for a long period of time, the lawyer or LLP may need to establish an individual trust account for the benefit of the client or third-party. *See* Colo. RPC 1.15A, cmt. [1]. In these cases, the interest earned on the account is the property of the client or third party. *Id.* In deciding whether to establish an individual trust account, the lawyer or LLP should consider various factors, including the administrative burden involved in establishing an individual trust account.
18. COLTAF, "Current Grantees," https://coltaf.org/programs-we-fund/current-grantees.
19. COLTAF, *Annual Report 2024–2025*, *supra* note 10 at 4.
20. COLTAF, "Current Grantees," *supra* note 18.
21. *See id.*
22. *Id.*
23. COLTAF, "Where to Bank," https://coltaf.org/for-lawyers-llps/where-to-bank.
24. This calculation is provided for illustrative purposes only, based on the Prime Partner rate in effect for August 2026. Actual interest rates vary significantly and are tied directly to the Federal Funds Target Rate.
25. COLTAF, "Where to Bank," *supra* note 23.
26. *See generally id.*
27. COLTAF, "COLTAF Enrollment Form," https://coltaf.org/wp-content/uploads/2026/02/COLTAF-Enrollment-Form.pdf.
28. *See generally id.*
29. *See generally* COLTAF, "Where to Bank," *supra* note 23.
30. Colo. RPC 1.15B(f); Colo. LLP RPC 1.15B(f).
31. COLTAF, "Where to Bank," *supra* note 23.
32. *See generally* Colo. RPC Preamble [1], [6]–[8]; Colo. LLP RPC Preamble [1], [6]–[8].
33. COLTAF, "Community Reinvestment Act Credit," https://coltaf.org/for-bankers/community-reinvestment-act-credit.