

CHAPTER 1222
PROPRIETARY SCHOOLS REGULATION
H.F. 2536

AN ACT relating to the regulation of persons providing courses of instruction for profit, by revising requirements for corporate surety bonds, and repealing certain disclosure requirements.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 714.18, unnumbered paragraph 1 and subsection 1, Code Supplement 1989, are amended to read as follows:

~~Every Except as otherwise provided in subsection 4, every person, firm, association, or corporation maintaining or conducting in Iowa any such course of instruction, by classroom instruction or by correspondence, or soliciting in Iowa the sale of such course, shall file with the director of the department of education:~~

~~1. A continuous corporate surety bond to the state of Iowa in the sum of fifty thousand dollars or ten percent of the total annual tuition collected, whichever is less, conditioned for the faithful performance of all contracts and agreements with students made by such person, firm, association, or corporation, or their salespersons. A person, firm, association, or corporation desiring to file a surety bond based on a percentage of annual tuition shall provide to the director of the department of education, in the form prescribed by the director, a notarized statement attesting to the total amount of tuition collected in the preceding twelve-month period. The director shall determine the sufficiency of the statement and the amount of the bond. Tuition information submitted pursuant to this subsection shall be kept confidential.~~

~~If the person, firm, association, or corporation has filed a performance bond with an agency of the United States government pursuant to federal law, the director of the department of education shall reduce the bond required by this subsection by an amount equal to the amount of the federal bond.~~

~~The; but the aggregate liability of the surety for all breaches of the conditions of the bond shall not exceed the sum of the bond. The surety on the bond may cancel the bond upon giving thirty days' written notice to the director of the department of education and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.~~

~~The director of the department of education may accept a letter of credit from a bank in lieu of the corporate surety bond required by this subsection.~~

Sec. 2. Section 714.18, Code Supplement 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A school licensed under the provisions of section 157.8 or 158.7 shall file with the director of the department of education:

a. A continuous corporate surety bond to the state of Iowa in the sum of fifty thousand dollars or ten percent of the total annual tuition collected, whichever is less, conditioned for the faithful performance of all contracts and agreements with students made by such school. A school desiring to file a surety bond based on a percentage of annual tuition shall provide to the director of the department of education, in the form prescribed by the director, a notarized statement attesting to the total amount of tuition collected in the preceding twelve-month period. The director shall determine the sufficiency of the statement and the amount of the bond. Tuition information submitted pursuant to this paragraph shall be kept confidential.

If the school has filed a performance bond with an agency of the United States government pursuant to federal law, the director of the department of education shall reduce the bond required by this paragraph by an amount equal to the amount of the federal bond.

The aggregate liability of the surety for all breaches of the conditions of the bond shall not exceed the sum of the bond. The surety on the bond may cancel the bond upon giving thirty

days' written notice to the director of the department of education and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.

The director of the department of education may accept a letter of credit from a bank in lieu of the corporate surety bond required by this paragraph.

- b. The statement required in subsection 2.
- c. The materials required in subsection 3.

Sec. 3. Section 714.23, Code 1989, is amended to read as follows:
714.23 REFUND POLICIES.

1. A person offering a course of instruction at the postsecondary level, for profit, that is more than four months in length and leads to a degree, diploma, or license, shall make a pro rata refund of ~~eighty-five~~ no less than ninety percent of the tuition for a terminating student to the appropriate agency based upon the ratio of completed number of scheduled school days to the total sixty percent of the scheduled school days of the school term or course.

2. Notwithstanding the provisions of subsection 1, the following refund policy shall apply:

a. If a terminating student has completed sixty percent or more of a school term or course that is more than four months in length, the person offering the course of instruction is not required to refund tuition for the student. However, if, at any time, a student terminates a school term or course that is more than four months in length due to the student's physical incapacity or due to the transfer of the student's spouse's employment to another city, the terminating student shall receive a refund of tuition in an amount which equals the amount of tuition multiplied by the ratio of the remaining number of school days to the total school days of the school term or course.

b. A refund of ninety percent of the tuition for a terminating student to the appropriate agency based upon the ratio of completed number of school days to the total school days of the school term or course. This paragraph applies to those persons offering courses of instruction at the postsecondary level, for profit, whose cohort default rate for students under the Stafford loan program as defined by the United States department of education is more than one hundred ten percent of the national average cohort default rate for that program for that period or six percent, whichever is higher.

3. However, if If the financial obligations of a student are for three or fewer months duration, this section does not apply.

4. Refunds shall be paid to the appropriate agency within thirty days following the student's termination.

If the student terminates later than three weeks after the course of instruction has commenced, the person offering the course of instruction cannot admit a student to replace the student for which a refund was received for the remaining portion of the school term or course.

5. A student who terminates a course of instruction or term shall not be charged any fee or other monetary penalty for terminating a course of instruction or term other than a reduction in tuition refund as specified in this section.

6. A violation of this section is a simple misdemeanor.

Sec. 4. Section 714.25, unnumbered paragraph 2, Code Supplement 1989, is amended to read as follows:

A proprietary school located within the state shall, prior to the time a student is obligated for payment of any moneys, inform the student, the college aid commission, and in the case of a school licensed under section 157.8, the board of cosmetology examiners or in the case of a school licensed under section 158.7, the board of barber examiners, of all of the following: