

Regulatory Analysis

Notice of Intended Action to be published: 283—Chapter 37
“Debt Collection”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 256.178 and 256.197(7)
State or federal law(s) implemented by the rulemaking: Iowa Code section 256.197(7)

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

April 8, 2025
4 p.m.

Room B50
Grimes State Office Building
Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the College Student Aid Commission no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

David Ford, Bureau Chief
Bureau of Iowa College Aid
400 East 14th Street
Des Moines, Iowa 50319
Email: david.ford@iowa.gov

Purpose and Summary

The Commission proposes to rescind and adopt a new Chapter 37 pursuant to Executive Order 10. New Chapter 37 is proposed to ensure the Commission meets the requirements set forth in law by adopting rules to provide for an effective system of collecting defaulted obligation owed to the Commission. The proposed rulemaking illustrates the mechanisms and references the processes the Commission utilizes in the collection of defaulted obligations.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**
 - **Classes of persons that will bear the costs of the proposed rulemaking:**

Since the rulemaking leverages existing processes at both the federal and state level, the costs incurred by the public, the Commission, and other entities are expected to be as minimal as possible.
 - **Classes of persons that will benefit from the proposed rulemaking:**

Debtors and the Commission will benefit from the rulemaking since the rulemaking clarifies the consistent processes the Commission will utilize to collect upon defaulted obligations.
2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**
 - **Quantitative description of impact:**

The rulemaking does not impose measurable costs beyond those imposed by law.
 - **Qualitative description of impact:**

The rulemaking does not impose measurable costs beyond those imposed by law.
3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

The proposed rulemaking leverages existing processes for administrative wage garnishment and Iowa tax offsets. As such, costs borne to the Commission and other agencies should be minimal.

- **Anticipated effect on state revenues:**

The proposed rulemaking is not anticipated to have any effect on state revenues beyond that of the legislation it is intended to implement.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

The rulemaking provides clear processes that will be utilized in the collection of defaulted obligations. The cost of inaction would be not collecting upon the defaulted obligations of individuals who have the means to repay those obligations. The proposed chapter also publicly illustrates the means by which the Commission will collect upon defaulted obligations.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Commission has not identified a more cost-effective alternative to the processes identified in the collection of defaulted obligations.

6. Alternative methods considered by the agency:

- **Description of any alternative methods that were seriously considered by the agency:**

No other methods were seriously considered by the Commission since the method proposed is the most cost-efficient and seamless for all entities involved.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking is not expected to have an impact on small business.

Text of Proposed Rulemaking

ITEM 1. Rescind 283—Chapter 37 and adopt the following **new** chapter in lieu thereof:

CHAPTER 37
DEBT COLLECTION

283—37.1(256) Definitions.

“*Debtor*” means a person who has defaulted on any obligation owed to or collected by the commission.

“Default” means that a debtor:

1. Becomes obligated to repay the commission under any loan repayment program administered by the commission and fails to make an agreed payment within 30 days of the agreed due date;
2. Becomes obligated to repay the commission under any forgivable loan program administered by the commission and fails to make an agreed payment within 30 days of the agreed due date; or
3. Enters into a written repayment agreement with the commission and fails to make an agreed payment within 30 days of the due date stated in the repayment agreement.

“Defaulted obligation owed” means the total amount of the debtor’s obligation, including principal and unpaid accrued interest, and may include collection costs and other allowable fees.

283—37.2(256) Administrative wage garnishment procedures. The commission shall use the general administrative wage garnishment procedures established in 34 CFR Part 34 et seq., as of July 1, 2024, in the collection of all defaulted obligations owed to the commission. Administrative hearings will be governed by 283—Chapter 4.

283—37.3(261) Offset against state income tax refund or rebate. The commission may make a claim against a defaulted borrower’s state income tax refund or rebate to receive a payment against defaulted obligation owed pursuant to 701—Chapter 26.

These rules are intended to implement Iowa Code section 256.197.