

CHAPTER 300**COLLEGE AID COMMISSION***H.F. 644*

AN ACT relating to institutions, programs, and funds for which the college aid commission acts as a guaranteeing agency.

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

Section 1. Section 261.1, subsection 6, Code 1989, is amended to read as follows:

6. ~~Six~~ Seven additional members to be appointed by the governor. One of such members shall be selected to represent private colleges, private universities and private junior colleges located in the state of Iowa. When appointing such one member, the governor shall give careful consideration to any person or persons nominated or recommended by any organization or association of some or all private colleges, private universities and private junior colleges located in the state of Iowa. One such member shall be enrolled as a student at a board of regents institution, merged area school, or accredited private institution. One such member shall be a representative of a lending institution located in this state. One such member shall be a representative of the Iowa student loan liquidity corporation. The other three such members, none of whom shall be official board members or trustees of an institution of higher learning or of an association of such institutions, shall be selected to represent the general public.

Sec. 2. Section 261.2, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 13. Approve transfers from the scholarship and tuition grant reserve fund under section 261.20.

Sec. 3. Section 261.12, subsection 2, Code 1989, is amended by striking the subsection and inserting in lieu thereof the following:

2. The amount of a tuition grant to a qualified part-time student enrolled in a course of study including at least three semester hours but fewer than twelve semester hours for the fall and spring semesters, or the trimester or quarter equivalent, shall be equal to the amount of a tuition grant that would be paid to a full-time student times a number which represents twelve semester hours, or the trimester or quarter equivalent, divided by the number of hours in which the part-time student is actually enrolled.

Sec. 4. NEW SECTION. 261.20 SCHOLARSHIP AND TUITION GRANT RESERVE FUND.

1. A scholarship and tuition grant reserve fund is created to assure that financial assistance will be available to all students who are awarded scholarships or tuition grants through programs funded under this chapter. The fund is created as a separate fund in the state treasury, and moneys in the fund shall not revert to the general fund unless, and then only to the extent that, the funds exceed the maximum allowed balance.

2. The maximum balance of the scholarship and tuition grant reserve fund is an amount equal to one percent of the funds appropriated to the scholarship and tuition grant programs under section 261.25 during the preceding fiscal year. The moneys in the fund shall be placed in separate accounts within the fund, according to the source and purpose of the original appropriation. Moneys in the various accounts shall only be used to alleviate a current fiscal year shortfall in appropriations for scholarship or tuition grant programs that have the same nature as the programs for which the moneys were originally appropriated. At the conclusion of a fiscal year, any surplus appropriations made to the commission for scholarship or tuition grant programs are appropriated to the scholarship and grant reserve fund in an amount equal to the amount of the surplus or the amount necessary to achieve the maximum balance, whichever amount is less.

3. Transfers of moneys from the scholarship and tuition grant reserve fund to appropriation accounts in which there is a current fiscal year shortfall may be made only with the prior written approval of the governor. At least two weeks before moneys are transferred from

the fund, the commission shall notify the chairpersons of the standing appropriations committees of the general assembly and the co-chairpersons of the education appropriations subcommittee of the proposed transfer. The notice shall include information concerning the amount of and reason for the proposed transfer. The chairpersons shall be given at least two weeks to review and comment on the proposed transfer before the transfer can be made.

4. The commission shall annually report to the general assembly the methodology and manner in which the commission makes the determination of awards for programs for which funds are appropriated under section 261.25.

Sec. 5. Section 261.35, subsections 4 and 5, Code 1989, are amended to read as follows:

4. "Higher Education Act of 1965" means the federal Higher Education Act of 1965, as amended and codified in 20 U.S.C. § 1071 et seq.

5. "Eligible borrower" means a person, or the parent of a person, who is a resident of this state and is enrolled or will be enrolled at an eligible institution within or without the state or who is a nonresident of this state and is enrolled or will be enrolled at an eligible institution within the state, or who is a resident of a ~~contiguous~~ another state and is borrowing from an Iowa-based eligible lender and is enrolled or will be enrolled at an eligible institution within or without the state, or who has previously received a loan guaranteed by the commission. All eligible borrowers must meet the eligibility requirements established by the commission. The commission shall establish the qualifications for being a resident of this state; however, the qualifications shall not be more stringent than those established by the state board of regents.

Sec. 6. Section 261.37, subsections 1, 5, and 7, Code 1989, are amended to read as follows:

1. To review the Iowa guaranteed ~~student~~ loan and the Iowa guaranteed loan payment ~~program~~ programs.

5. To ~~promulgate~~ adopt rules pursuant to chapter 17A to implement the provisions of this division including establishing standards for educational institutions, lenders, and individuals to become eligible institutions, lenders, and borrowers. The Notwithstanding any contrary provisions in chapter 537, the rules and standards established shall be consistent with the requirements provided in the Higher Education Act of 1965.

7. To establish an effective system for the collection of delinquent loans, including the adoption of an agreement with the Iowa department of revenue and finance to set off against a defaulter's income tax refund or rebate the amount that is due because of a default on a guaranteed ~~student~~ or parental loan made under this division. The commission shall adopt rules under chapter 17A necessary to assist the department of revenue and finance in the implementation of the student loan setoff program as established under section 421.17, subsection 23.

Sec. 7. Section 261.38, subsection 2, Code 1989, is amended to read as follows:

2. The general assembly shall appropriate moneys from the loan reserve account of the commission to the college aid commission for operating costs of the guaranteed ~~student~~ loan program. Moneys appropriated from the loan reserve account for operating costs of the guaranteed ~~student~~ loan program that are unencumbered or unobligated on June 30 of a fiscal year shall revert to the loan reserve account of the commission.

Sec. 8. Section 261.42, Code 1989, is amended to read as follows:

261.42 SHORT TITLE.

This division shall be known and may be cited as the "Iowa Guaranteed Student Loan Program".

Sec. 9. NEW SECTION. 261.43 ACTIONS NOT BARRED.

No lapse of time shall be a bar to any action to recover on any loan guaranteed by the commission.

Sec. 10. NEW SECTION. 261.44 GUARANTEED LOAN PAYMENT PROGRAM.

An* guaranteed loan payment program is established to be administered by the commission. The purpose of the program is to assist individuals to enter professions in areas of employment critical to the welfare of the citizens of the state. The commission shall adopt rules pursuant to chapter 17A to provide for the administration of the program. Moneys appropriated for the program shall be used to repay loans to students demonstrating the greatest financial need and shall not be prorated among all qualified applicants. If moneys appropriated are insufficient to repay loans to all qualified applicants, priority shall be given to repayment of debts under the Iowa guaranteed student loan program.

Sec. 11. Section 261.45, Code 1989, is amended to read as follows:

261.45 GUARANTEED TEACHER LOAN PAYMENT PROGRAM PAYMENTS.

~~There is established a guaranteed student loan payment program to be administered by the commission. An individual who meets all of the following conditions is eligible for reimbursement payments under the guaranteed loan payment program if the individual meets all of the following conditions:~~

1. Is a teacher employed on a full-time basis under sections 279.13 through 279.19 in a school district in this state, is a teacher in an approved nonpublic school in this state, or is a certified teacher at the Iowa braille and sight-saving school or the Iowa school for the deaf.

2. ~~Has As of the beginning of a school year, has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program as of the beginning of a school year or the Iowa supplemental loans for students program, has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.~~

3. Has never defaulted on a loan guaranteed by the commission or by the federal government.

4. Teaches one or more of the following during that school year:

a. A sequential mathematics course at the advanced algebra level or higher.

b. A chemistry, advanced chemistry, physics, or advanced physics course.

5. Graduated from college after January 1, 1983, with a major in mathematics or science.

~~The commission shall adopt rules under chapter 17A to provide for the administration of this program.~~

~~There is appropriated from the general fund of the state to the Iowa college aid commission, the sum of eighty-five thousand dollars, or as much thereof as is necessary, for the fiscal year beginning July 1, 1987 and each succeeding fiscal year, to make the reimbursement payments required under this section.~~

~~Maximum~~ The maximum annual reimbursement payments payment to an eligible teacher for loan repayments made during a school year shall be equal to is one thousand dollars or the remainder of a the teacher's loan, whichever is less. Total payments for an eligible teacher shall not exceed six thousand dollars. If a teacher fails to complete a year of instruction in a course listed in subsection 4, the teacher shall not be reimbursed for loan repayments made during that school year.

~~The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.~~

Sec. 12. Section 261.46, Code 1989, is amended to read as follows:

261.46 OCCUPATIONAL THERAPIST LOAN PAYMENTS.

~~An occupational therapist loan payment program is established to be administered by the commission.~~

~~An occupational therapist is eligible for reimbursement payments under this section the~~ guaranteed loan payment program if the individual therapist:

1. Has entered into a payment agreement with the commission on or after July 1, 1988.

2. Is a licensed occupational therapist under chapter 148B.

3. Is an Iowa resident employed in Iowa as an occupational therapist as certified by the board of physical and occupational therapy examiners.

*According to enrolled Act

4. ~~Has~~ For the third and fourth years of an occupational therapist program, has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program, or the Iowa supplemental loans for students program, ~~or~~ has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, ~~for the third and fourth years of an occupational therapist program~~ or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.

~~The commission shall adopt rules under chapter 17A to provide for the administration of the program.~~ The maximum annual reimbursement payment to an eligible occupational therapist for loan payments made during a year for loans qualifying under subsection 4 ~~shall be equal to~~ is four thousand dollars or the remainder of a the therapist's loan, whichever is less. Total payments for an eligible occupational therapist are limited to a two-year period and shall not exceed a total of eight thousand dollars.

If an occupational therapist fails to complete a year of employment as provided in subsection 3, the ~~individual~~ therapist shall not be reimbursed for payments made during that year.

The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.

Sec. 13. NEW SECTION. 261.47 NURSING LOAN PAYMENTS.

An individual is eligible for reimbursement payments under the guaranteed loan payment program if the individual meets all of the following conditions:

1. Is a registered nurse or a licensed practical nurse employed on a full-time basis in practice as a registered nurse or licensed practical nurse, for the fiscal year beginning July 1, 1989, and ending June 30, 1990, in a hospital, state agency, agency of a political subdivision, or agency delivering home-based health care, or a health care facility in this state and, in subsequent years, anywhere in this state.

2. As of the beginning of the state fiscal year, has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program or the Iowa supplemental loans for students program, has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.

3. Has never defaulted on a loan guaranteed by the commission or the federal government.

4. Has graduated from an approved registered nurse or licensed practical nurse program on or after April 1, 1989.

The maximum annual reimbursement payment to an eligible registered nurse or licensed practical nurse for loan payments made during a year for loans qualifying under subsection 2 is one thousand dollars or the remainder of the individual's loan, whichever is less.

Total payments under this section are limited to a six-year period and shall not exceed six thousand dollars. If a registered nurse or licensed practical nurse fails to complete a year of employment in practice, the individual shall not be reimbursed for payments made during that year.

The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.

Sec. 14. NEW SECTION. 261.48 MINORITY TEACHER LOAN PAYMENTS.

An individual is eligible for reimbursement payments under the guaranteed loan payment program if the individual meets all of the following conditions:

1. Is a teacher employed on a full-time basis under sections 279.13 through 279.19 in a school district in this state, is a teacher in an approved nonpublic school in this state, or is a certified teacher at the Iowa braille and sight-saving school or the Iowa school for the deaf.

2. Is a member of a minority.

3. Has never defaulted on a loan guaranteed by the commission.

4. Has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program or the Iowa supplemental loans for students program, has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.

5. Graduated from college after January 1, 1989.

The maximum annual reimbursement payment to an eligible teacher under this section for loan repayments made during a school year is one thousand dollars or the remainder of the teacher's loan, whichever is less. Total payments under this section for an eligible teacher are limited to a six-year period and shall not exceed six thousand dollars. If a teacher fails to complete a year of employment on a full-time basis as provided in subsection 1, the teacher shall not be reimbursed for loan payments made during that school year. If the number of eligible applicants exceeds the funding available, the commission may accept applicants based on academic scholarship.

The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.

A teacher receiving a reimbursement payment under this section is not eligible for a reimbursement payment under section 261.45.

Sec. 15. NEW SECTION. 261.49 NATIONAL GUARD LOAN PAYMENTS.

A member of the national guard is eligible for reimbursement payments under the guaranteed loan payment program if the individual meets all of the following conditions:

1. Is a member of the national guard who has completed basic military training, or is participating in the reserve officer training corps simultaneous-membership program as an advanced cadet.

2. Has never defaulted on a loan guaranteed by the commission.

3. Is an Iowa resident whose membership in the Iowa national guard is in good standing.

4. Has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program or the Iowa supplemental loans for students program, has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.

The maximum annual reimbursement to an eligible national guard member during a year for loans qualifying under subsection 4 is two thousand dollars or the remainder of the member's loan, whichever is less. Total payments for an eligible national guard member are limited to a five-year period and shall not exceed a total of ten thousand dollars.

If a national guard member becomes separated from the national guard, the member shall not be reimbursed for payments made during the year that the member is separated from the national guard.

The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.

Sec. 16. NEW SECTION. 261.50 PHYSICIAN LOAN PAYMENTS.

A physician is eligible for reimbursement payments under the guaranteed loan payment program if the physician meets all of the following conditions:

1. Is licensed to practice medicine under chapter 148 or 150A.

2. Has never defaulted on a loan guaranteed by the commission.

3. Agrees to practice in an eligible community of fewer than five thousand population for a minimum period of four consecutive years.

4. Has an outstanding debt with an eligible lender under the Iowa guaranteed student loan program or the Iowa supplemental loans for students program, has parents with an outstanding debt with an eligible lender under the Iowa PLUS loan program, or has an outstanding debt under the Stafford loan program, the supplemental loans for students program, or the PLUS loan program.

The maximum annual reimbursement payment to an eligible physician during a year for loans qualifying under subsection 4 is five thousand dollars or the remainder of the loan, whichever is less. Total payments for an eligible physician are limited to a four-year period and shall not exceed a total of twenty thousand dollars.

If a physician fails to practice in an eligible community for a year or portion of a year during the four-year period, the individual shall not be reimbursed for payments made during that year.

The commission may sign contracts with eligible students at or after the time of loan origination to assure loan repayment.

Sec. 17. Section 261.54, unnumbered paragraphs 2 and 3, Code 1989, are amended to read as follows:

There is created a science and mathematics loan repayment fund for deposit of payments made by recipients. Payments made by recipients of the loans shall be transferred ~~on each June 30~~ quarterly from the fund created in this section to the general fund of the state. ~~Payments remaining in the fund on each June 30 shall be transferred to the general fund of the state.~~

The interest rate collected on the loan shall be equal to the interest rate being collected by an eligible lender under the guaranteed student ~~loan~~ payment program.

Sec. 18. Section 261.81, Code 1989, is amended to read as follows:

261.81 WORK-STUDY PROGRAM.

The Iowa college work-study program is established to stimulate and promote the part-time employment of students attending Iowa postsecondary educational institutions, and the part-time or full-time summer employment of students registered for classes at Iowa postsecondary institutions during the succeeding school year, who are in need of employment earnings in order to pursue postsecondary education. The program shall be administered by the commission. The commission shall adopt rules under chapter 17A to carry out the program. The employment under the program shall be employment by the postsecondary education institution itself or work in a public agency or private nonprofit organization under a contract between the institution and the agency or organization. An eligible postsecondary institution that is allocated twenty thousand dollars or more for the work-study program by the commission shall allocate at least ten percent of the funds received for student employment in a public agency or private nonprofit organization that is accredited, approved, licensed, registered, certified, or operated by the department of human services, the department of natural resources, the department of agriculture and land stewardship, or the department of corrections, or is part of the Iowa heritage corps, if an Iowa heritage corps is created by the general assembly. However, ~~if by October 1, for the first semester of an academic year, or by March 1, for the second semester of an academic year, contracts have not been signed, the funds may be used for employment by the postsecondary institution itself.~~ The work shall not result in the displacement of employed workers or impair or affect existing contracts for services.

Sec. 19. Section 261.84, subsection 3, Code 1989, is amended to read as follows:

3. Demonstrate financial need. A student's need shall be determined on the basis of a need analysis system approved for use by the commission or under the federal work-study program.

Sec. 20. NEW SECTION 261.86 LEGISLATIVE INTENT.

It is the intent of the general assembly to renew the ethic of civic obligation and spread the responsibilities of citizenship more equitably by expanding opportunities to Iowa's young people to pursue educational, vocational, and professional objectives after secondary school and by mobilizing the same young people to deal with pressing social problems in the state including health, education, literacy, child care, hunger, adequate housing, homelessness, and conservation of natural resources.

Sec. 21. NEW SECTION. 261.87 DEFINITIONS.

1. "Academic semester" means an academic semester as defined in rules adopted by the college aid commission.

2. "Accredited private institution" means an institution of higher education as defined in section 261.9, subsection 5.

3. "Commission" means the college aid commission.

4. "Cost of attendance" means the cost of tuition, room, and board at a public higher education institution attended by a volunteer or, in the case of attendance at an accredited private institution, the highest cost for tuition, room, and board for attendance at a regents' university.

5. "Department" means the department of human services.

6. "Eligible higher education institution" means an accredited private institution, merged area school, or regents' university.

7. "Merged area school" means an area school as defined under section 280A.2, subsection 10.

8. "Regents' university" means an institution governed by the state board of regents, as defined under section 262.7, subsections 1, 2, and 3.

9. "Volunteer" means a person who meets the eligibility requirements established by the commission and who has been accepted for participation in the Iowa work for college program.

10. "Voucher" means a service and education opportunity voucher issued by the commission.

Sec. 22. NEW SECTION. 261.88 IOWA WORK FOR COLLEGE PROGRAM.

An Iowa work for college program is established to be administered jointly by the college aid commission and the department of human services. The program shall be administered under the following conditions:

1. The commission, with the assistance of the department, shall contract with public or nonprofit entities to provide work opportunities for eligible volunteers. The commission, the department, and the public or nonprofit entities may be allotted up to two percent of the funds appropriated for administrative purposes and expenses of the program. The commission shall adopt rules and forms, as needed, for the administration of the program.

2. The commission shall establish guidelines and procedures for application and acceptance to the program. Guidelines established shall be based on a person's financial need, the person's inability to attend college without acceptance into the program, or the likelihood that the person would incur heavy debt repayment obligations if the person attended college, given the person's anticipated financial assistance alternatives.

3. Program volunteers shall receive stipends equivalent to seven hundred dollars per month for each month of work completed under the program. The state shall contribute five hundred dollars per month and the employer shall either contribute two hundred dollars per month to the volunteer's stipend or provide the volunteer with room and board. The employer shall also contribute one hundred dollars per month to the education trust fund created pursuant to section 261.90. The volunteer may elect to defer receipt of the employer's stipend contribution and receive a single lump sum stipend amount upon completion of the period of service under the program.

4. Upon completion of the service, the volunteer shall receive vouchers entitling the volunteer to educational benefits. Each voucher shall have a value equal to the cost of the volunteer's attendance for one academic semester at an eligible higher education institution. The volunteer participant shall receive four vouchers for each year of service completed. The vouchers may be redeemed at an eligible higher education institution. Only one voucher may be redeemed per semester of attendance by a program participant. Vouchers must be redeemed within ten years of the date of issuance and are not transferable.

5. Volunteers may be assigned work for any public or nonprofit entity for a period of either one or two years. The volunteers shall agree to make a full-time commitment to a work assignment as approved by the commission and the department. The volunteers shall be available to work at least forty hours per week without regard to regular working hours and at all times during their periods of work, except for authorized periods of leave. The work assignments shall not be made to replace regular employees or for participation in religious or political activities.

6. The public or nonprofit entity to which an individual is assigned shall supervise and direct that individual in the same manner as other employees and shall pay for all necessary work materials, supplies, and transportation costs. The state shall provide general liability and workers compensation coverage for the volunteers, under chapter 25A, as if the volunteers were

state employees. The volunteers are exempt from chapter 96, under section 96.19, subsection 6, paragraph "a", subparagraph (6), subpart (e), and are exempt from chapters 19A, 97A, and 400.

Sec. 23. NEW SECTION. 261.89 ACCEPTANCE AND REDEMPTION OF VOUCHERS.

Eligible higher education institutions shall accept vouchers from students enrolled in the institutions and shall remit any vouchers received to the commission. The commission shall transmit an amount to the institution which equals the cost of attendance for the current semester. If a student discontinues attendance before the end of a semester, the entire amount of the refund that the student would be eligible to receive if the student had paid the tuition, room, and board, shall be repaid to the commission and shall revert to the trust fund created under section 261.90. The commission shall issue the student a voucher equal in value to the amount of the refund received by the trust fund. The commission shall redeem the value of each voucher from the employer contributions for that student, in accordance with the proportion that the voucher is to total number of vouchers earned by the student, and from the Iowa work for college funds which are appropriated by the general assembly and deposited into the trust fund under section 261.90.

Sec. 24. NEW SECTION. 261.90 IOWA COLLEGE TRUST FUND.

The Iowa college trust fund is created as a repository for deposits made by employers under the work for college program for volunteers under that program, state appropriations for the work for college program, and state appropriations and other moneys deposited into the trust fund for the education savings program. The fund is created as a separate fund in the state treasury, and any moneys remaining in the fund at the end of each fiscal year shall not revert to the general fund, notwithstanding section 8.33, but shall remain in the Iowa college trust fund. Interest or other income earned by the fund shall be deposited in the fund. Moneys deposited by employers of volunteers in the work for college program shall be deposited and accounted for in the name of the volunteer for whom the money is deposited. Moneys deposited in the name of a person named by the trustor under the education savings program shall be accounted for separately from moneys deposited for the work for college program. Money in the fund may be distributed by the college aid commission to carry out the duties of administration of the work for college program and the education savings program and moneys in the fund are appropriated for those purposes.

Sec. 25. NEW SECTION. 261.91 EDUCATION SAVINGS PROGRAM.

1. An education savings program is established to be administered by the college aid commission. The program will provide funds to match moneys in education savings accounts established for qualifying individuals.

Not later than April 15 of each year, the commission shall receive applications for matching funds from trustors of education savings accounts. Matching funds shall be granted by the commission based upon the moneys appropriated by the general assembly for the program and the income of the applicants. Each applicant shall submit evidence to the commission of the amount of money deposited in the applicant's education savings account during the preceding calendar year and the applicant's adjusted gross income during the preceding calendar year and other financial information deemed necessary by the commission.

The commission shall categorize the applicants based upon the income criteria and shall distribute matching funds, to the extent that the commission determines is appropriate to the category and to the extent that moneys are available for the program, on the following basis:

a. For an applicant whose income is less than one hundred fifty percent of the poverty level established by the federal office of management and budget, one dollar for each dollar deposited in an education savings account.

b. For an applicant whose income is between one hundred fifty and one hundred ninety-nine percent of the federal poverty level established by the federal office of management and budget, fifty cents for each dollar deposited in an education savings account.

c. For an applicant whose income is between two hundred and two hundred fifty percent of the federal poverty level established by the federal office of management and budget, twenty-five cents for each dollar deposited in an education savings account.

Matching funds for a year shall not exceed two thousand dollars if the beneficiary is not the trustor. If the beneficiary is the trustor, matching funds and funds contributed by the trustor shall not exceed two hundred dollars per year and the total matching funds and trustor contributions shall each not exceed two thousand dollars.

When the trustor submits evidence to the commission that distribution has been made from an education savings account and the distribution is used exclusively to pay certified eligible education expenses incurred by the trustor for the beneficiary, the college aid commission shall make distribution of moneys in the Iowa college trust fund that have been designated for the trustor in an amount not to exceed the difference between the certified eligible education expenses of the beneficiary for the year and the distribution from the education savings account.

When a beneficiary is no longer eligible for distribution of funds from an education savings account, any funds remaining in the Iowa college trust fund that have been designated for that beneficiary shall have the designation removed.

For the purposes of this subsection, an education savings account is a trust created or organized in the United States for the exclusive benefit of the one individual named by the trustor.

2. The trust must meet the following requirements:

a. The trustee must be a bank, credit union, savings and loan association, or a person who demonstrates to the satisfaction of the director of the department of revenue and finance that the manner in which the person will administer the trust will be consistent with the requirements of this section.

b. The trust funds shall not be invested in life insurance contracts.

c. The interest of the trustor in the balance of the trust shall be nonforfeitable.

d. The assets of the trust shall not be commingled with other property except in a common trust fund or a common investment fund.

e. The books and records of the trust shall be kept in accordance with this subsection using the tax year of the trustor and the tax year shall be specified in the governing instrument.

f. The trust shall be created to be an education savings account for the benefit of one named individual, and the date of birth of the named individual shall be specified. A trustor may establish only one trust under this subsection.

g. Contributions shall be accepted only from the trustor.

h. Contributions shall be accepted only in cash.

i. If the beneficiary is not the trustor, a balance in the account on the day after the day on which the beneficiary attains thirty years of age, or, if earlier, the date on which the beneficiary dies, shall be distributed on that date; ninety percent to the trustor and ten percent to the college aid trust fund established in section 261.90.

j. If the beneficiary is the trustor, a balance in the account on the day after the day on which the beneficiary attains sixty-five years of age, or, if earlier, the date on which the beneficiary retires or dies, shall be distributed on that date, ninety percent to the trustor, or the trustor's estate, and ten percent to the college aid trust fund established in section 261.90.

k. A beneficiary may be the named individual in only one education savings account.

3. For purposes of this section, the following definitions apply:

a. "Named individual" or "beneficiary" means an eligible individual specified in the written governing instrument of an education savings account.

b. "Eligible individual" means an individual who is the trustor of the account or is a son, daughter, stepson, or stepdaughter of the trustor of the account, or a descendant of any of the individuals listed.

4. For purposes of this section, a custodial account shall be treated as a trust if the assets of the account are held by a bank, credit union, savings and loan association, or another person who demonstrates to the satisfaction of the director, that the manner in which that person

will administer the account will be consistent with the requirements of this subsection, and if the custodial account would, except for the fact that it is not a trust, constitute an education savings account. In the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of the account shall be treated as the trustee of the account.

Sec. 26. Sections 261.36, 261.39, 261.40, 261.72, and 261.84, Code 1989, are amended by striking from the sections the words "student loan" and inserting in lieu thereof the word "loan payment".

Approved June 5, 1989

CHAPTER 301

RURAL COMMUNITY 2000 PROGRAM

H.F. 703

AN ACT relating to the financing for the rural community 2000 program and authorizing the issuance of bonds and notes by the Iowa finance authority for the program.

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

Section 1. Section 15.281, Code 1989, is amended to read as follows:

15.281 ~~COMMUNITY AND RURAL DEVELOPMENT LOAN~~ RURAL COMMUNITY 2000 PROGRAM.

This part shall be known as the "~~Community and Rural Development Loan~~ Rural Community 2000 Program".

Sec. 2. Section 15.282, Code 1989, is amended to read as follows:

15.282 PURPOSE.

The purpose of this part is to assist communities and rural areas of the state with their development and governmental responsibilities by providing low-interest and no-interest loans or grants for traditional infrastructure, new infrastructure, and housing.

Sec. 3. Section 15.283, Code 1989, is amended by adding the following new subsections:

NEW SUBSECTION. 5. The department may establish an interest or principal payment program to pay up to all the interest or an amount of principal equal to the total interest amount due on municipal bonds sold by the local community as authorized by this section. The department may use part or all of the moneys available for traditional or new infrastructure assistance for the interest or principal payment program. The program shall only be available to communities which demonstrate a substantial local effort to assist in community development. The department shall develop rules defining "substantial local effort".

NEW SUBSECTION. 6. Notwithstanding subsection 4, for the fiscal year beginning July 1, 1989, all funds allocated under this program for housing shall be applied to programs under section 220.100, subsection 2, paragraphs "b" and "c".

Sec. 4. Section 15.284, subsection 2, unnumbered paragraph 1, Code 1989, is amended to read as follows:

Any Iowa city or county is eligible to apply for loans or grants from this category. Along with the application, the city or county shall submit the following:

Sec. 5. Section 15.284, subsection 5, Code 1989, is amended to read as follows:

5. The interest rate ~~shall~~ for a loan, if assessed, may range from zero to five percent. The department may charge applicants an administration fee, not to exceed one percent of the