

#### **714.18 Evidence of financial responsibility.**

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 secretary of state:

1. A continuous corporate surety bond to the state of Iowa in the sum of fifty thousand dollars conditioned for the faithful performance of all contracts and agreements with students made by such person, firm, association, or corporation, or their salespersons; 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 secretary of state and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.
2. A statement designating a resident agent for the purpose of receiving service in civil actions. In the absence of such designation, service may be had upon the secretary of state if service cannot otherwise be made in this state.
3. A copy of any catalog, prospectus, brochure, or other advertising material intended for distribution in Iowa. Such material shall state the cost of the course offered, the schedule of refunds for portions of the course not completed, and if no refunds are to be paid, the material shall so state. Any contract induced by advertising materials not previously filed as provided in this chapter shall be voidable on the part of the pupil or any person liable for the tuition provided for in the contract.

4. A school licensed under the provisions of section 157.8 or 158.7 shall file with the secretary of state:

*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 secretary of state, in the form prescribed by the secretary, a notarized statement attesting to the total amount of tuition collected in the preceding twelve-month period. The secretary 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 secretary of state 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 secretary of state and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.

The secretary of state 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.

[C66, 71, 73, 75, 77, § 713A.2; C79, 81, § 714.18]

85 Acts, ch 212, § 21; 89 Acts, ch 240, § 6; 90 Acts, ch 1222, § 1, 2; 2002 Acts, ch 1140, §4042