

714.18 Evidence of financial responsibility.

1. Except as otherwise provided in subsection 2, every person, firm, association, or corporation maintaining or conducting in Iowa any educational course by classroom instruction or by correspondence or by other delivery method, or soliciting in Iowa the sale of such course, shall file with the college student aid commission all of the following:

a. A continuous corporate surety bond to the state of Iowa in the sum of fifty thousand dollars conditioned on 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 college student aid commission and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.

b. 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.

c. A copy of any catalog, prospectus, brochure, or other advertising material intended for distribution in Iowa. Such material shall state the cost of the educational course offered, the schedule of tuition refunds for portions of the educational 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.

2. A school licensed under the provisions of section 157.8 or 158.7 shall file with the college student aid commission the following:

a. (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 on 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 college student aid commission, in the form prescribed by the commission, a notarized statement attesting to the total amount of tuition collected in the preceding twelve-month period. The commission shall determine the sufficiency of the statement and the amount of the bond. Tuition information submitted pursuant to this subparagraph shall be kept confidential.

(2) If the school has filed a performance bond with an agency of the United States government pursuant to federal law, the college student aid commission shall reduce the bond required by this paragraph "a" by an amount equal to the amount of the federal bond.

(3) 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 college student aid commission and thereafter shall be relieved of liability for any breach of condition occurring after the effective date of the cancellation.

(4) The college student aid commission may accept a letter of credit issued by a bank in lieu of and for the amount of the corporate surety bond required by subparagraphs (1) through (3), as applicable.

b. The statement required in subsection 1, paragraph "b".

c. The materials required in subsection 1, paragraph "c".

[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, §40 – 42; 2009 Acts, ch 12, §15; 2012 Acts, ch 1077, §11, 12

Referred to in §261B.4, 261B.11, 714.19, 714.21, 714.21A, 714.24

[T] Subsection 1 amended

[T] Subsection 2, paragraph a, subparagraphs (1) and (4) amended