

714.18 Evidence of financial responsibility.

1. 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, in a format prescribed by the commission, all of the following:

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 determined in accordance with [subsection 2](#), whichever is less, conditioned on the faithful performance of all contracts and agreements with students made by such person, firm, association, or corporation, or their salespersons. 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. A school that files with the college student aid commission a continuous corporate surety bond in a sum less than fifty thousand dollars shall provide to the college student aid commission, in the format prescribed by the commission, a notarized statement attesting to the total amount of tuition the school charged to students in the immediately preceding fiscal year. The commission shall determine the sufficiency of the statement and the amount of the bond or, as permitted under [subsection 3](#), letter of credit. Tuition information submitted pursuant to [this subsection](#) shall be kept confidential.

b. 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.

3. a. The college student aid commission may accept a letter of credit issued by a state or federally chartered bank or credit union in lieu of and for the amount of the corporate surety bond required under [subsection 2](#).

b. For purposes of [this chapter](#) and [chapter 261B](#), a letter of credit must meet all of the following conditions:

(1) Be payable to the commission.

(2) Be valid for a period of at least one year from the date of issuance and subject to renewal as required by the commission.

(3) Allow the commission to draw one or multiple installments of the total letter of credit amount upon making the required presentations to the issuer.

c. For purposes of [this section](#), "letter of credit" means a financial instrument subject to the provisions of [chapter 554, article 5](#), with irrevocable terms and conditions that cannot be modified or canceled after issuance without the consent of all of the parties.

4. If a letter of credit accepted by the college student aid commission under [subsection 3](#) is canceled, revoked, not renewed, or otherwise fails to be of full force and effect, the school shall comply with the provisions of [subsection 2](#).

5. [This section](#) shall not apply to the provision of an educational course of flight instruction under regulations promulgated by the federal aviation administration for which students do

not pay tuition in advance of instruction and which students may cancel at any time with no further monetary obligation.

[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; 2015 Acts, ch 140, §50, 51, 53, 54; 2021 Acts, ch 158, §3 – 5

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