

**House Study Bill 71 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
EDUCATION/COLLEGE STUDENT  
AID COMMISSION BILL)

**A BILL FOR**

1 An Act relating to certain responsibilities of the college  
2 student aid commission under the federal Higher Education  
3 Act of 1965.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8A.504, subsection 1, paragraph c,  
2 subparagraph (2), Code 2013, is amended to read as follows:

3 (2) An amount that is due because of a default on a  
4 ~~guaranteed student or parental~~ loan under chapter 261.

5 Sec. 2. Section 8A.504, subsection 4, Code 2013, is amended  
6 to read as follows:

7 4. The director shall have the authority to enter into  
8 reciprocal agreements with the departments of revenue of other  
9 states that have enacted legislation that is substantially  
10 equivalent to the setoff procedure provided in this section  
11 for the recovery of an amount due because of a default on a  
12 ~~guaranteed student or parental~~ loan under chapter 261. A  
13 reciprocal agreement shall also be approved by the college  
14 student aid commission. The agreement shall authorize the  
15 department to provide by rule for the setoff of state income  
16 tax refunds or rebates of defaulters from states with which  
17 Iowa has a reciprocal agreement and to provide for sending  
18 lists of names of Iowa defaulters to the states with which Iowa  
19 has a reciprocal agreement for setoff of that state's income  
20 tax refunds.

21 Sec. 3. Section 261.37, subsection 7, Code 2013, is amended  
22 to read as follows:

23 7. To establish an effective system for the collection  
24 of delinquent loans, including the adoption of an agreement  
25 with the department of administrative services to set off  
26 against a defaulter's income tax refund or rebate the amount  
27 that is due because of a default on a ~~guaranteed or parental~~  
28 loan made under this division. The commission shall adopt  
29 rules under chapter 17A necessary to assist the department of  
30 administrative services in the implementation of the student  
31 loan setoff program as established under section 8A.504.  
32 The commission shall apply administrative wage garnishment  
33 procedures authorized under the federal Higher Education Act of  
34 1965, as amended and codified in 20 U.S.C. § 1071 et seq., for  
35 all delinquent loans, including loans authorized under section

1 261.38, when a defaulter who is financially capable of paying  
2 fails to voluntarily enter into a reasonable payment agreement.  
3 In no case shall the commission garnish more than the amount  
4 authorized by federal law for all loans being collected by the  
5 commission, including those authorized under section 261.38.

6 Sec. 4. Section 261.38, subsections 1, 3, and 4, Code 2013,  
7 are amended to read as follows:

8 1. The commission shall establish ~~a loan reserve account~~  
9 ~~and~~ an agency operating account as authorized by the federal  
10 Higher Education Act of 1965. The commission shall credit to  
11 ~~these accounts~~ this account all moneys provided for the state  
12 student loan program by the United States, the state of Iowa,  
13 or any of their agencies, departments, or instrumentalities,  
14 as well as any funds accruing to the program which are not  
15 required for current administrative expenses. The commission  
16 may expend moneys in the ~~loan reserve and~~ agency operating  
17 ~~accounts~~ account as authorized by the federal Higher Education  
18 Act of 1965.

19 3. Notwithstanding section 8.33, funds on deposit in the  
20 ~~loan reserve and~~ agency operating ~~accounts~~ account shall not  
21 revert to the state general fund at the close of any fiscal  
22 year.

23 4. The treasurer of state shall invest any funds, ~~including~~  
24 ~~those in the loan reserve and~~ agency operating ~~accounts~~  
25 account, and, notwithstanding section 12C.7, the interest  
26 income earned shall be credited back to the ~~appropriate~~ agency  
27 operating account.

28 Sec. 5. Section 261.38, subsection 2, Code 2013, is amended  
29 by striking the subsection.

30 Sec. 6. REPEAL. Sections 261.39 and 261.41, Code 2013, are  
31 repealed.

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#### EXPLANATION

33 This bill makes changes to Code chapter 261 in response to  
34 recent changes in the federal Higher Education Act of 1965, as  
35 amended. The bill eliminates references to guaranteed student

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1 or parental loans and to the loan reserve account, and repeals  
2 related Code provisions.