

House Study Bill 540 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON HIGHER
EDUCATION BILL BY CHAIRPERSON
COLLINS)

A BILL FOR

1 An Act providing for partial liability of regents institutions
2 for defaulted educational loans.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. NEW SECTION. **262C.1 Definitions.**

2 As used in this chapter, unless the context otherwise
3 requires:

4 1. "Borrower" means the same as defined in section 261F.1.

5 2. "Educational loan" means an educational loan, as defined
6 in section 261F.1, for which a loan agreement is entered into on
7 or after July 1, 2026.

8 3. "Institution" means an institution of higher education
9 governed by the state board of regents.

10 Sec. 2. NEW SECTION. **262C.2 Default on educational loan —**
11 **liability of institution.**

12 If a borrower defaults on an educational loan obtained to
13 pay for or finance the higher education expenses of a student
14 incurred during the student's enrollment at an institution,
15 the institution shall be liable for twenty-five percent of
16 the amount owed by the borrower as a result of the default.
17 The institution's liability shall offset twenty-five percent of
18 the borrower's liability for the default. The institution's
19 liability shall be governed by the same terms as the borrower
20 unless otherwise negotiated by the institution.

21 EXPLANATION

22 The inclusion of this explanation does not constitute agreement with
23 the explanation's substance by the members of the general assembly.

24 This bill relates to borrowers of educational loans, as those
25 terms as defined under current law.

26 The bill provides that if a borrower defaults on an
27 educational loan obtained to pay for or finance the higher
28 education expenses of a student incurred during the student's
29 enrollment at an institution of higher education governed by the
30 state board of regents, the institution shall be liable for 25
31 percent of the amount owed by the borrower as a result of the
32 default. The institution's liability shall offset 25 percent
33 of the borrower's liability for the default. The institution's
34 liability shall be governed by the same terms as the borrower
35 unless otherwise negotiated by the institution.