

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 such course of instruction by classroom instruction or by correspondence or other distance delivery method, or soliciting in Iowa the sale of such course, shall file with the college student aid commission the following:

a. 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 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 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.

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 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 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 from a bank in lieu of the corporate surety bond required by this paragraph "a".

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

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

Section History: Early Form

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

Section History: Recent Form

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
Referred to in § 714.19, 714.21, 714.21A, 714.22

714.19 NONAPPLICABILITY.

None of the provisions of sections 714.17 to 714.22 shall apply to the following:

1. Colleges or universities authorized by the laws of Iowa or any other state or foreign country to grant degrees.
2. Schools of nursing accredited by the board of nursing or an equivalent public board of another state or foreign country.
3. Public schools.
4. Private and nonprofit schools recognized by the department of education or a local school board for the purpose of complying with chapter 299 and employing certified teachers.
5. Nonprofit schools exclusively engaged in training persons with physical disabilities in the state of Iowa.
6. Schools and educational programs conducted by firms, corporations, or persons for the training of their own employees, for which no fee is charged.
7. Seminars, refresher courses and schools of instruction sponsored by professional, business, or farming organizations or associations for the members and employees of members of such organizations or associations.
8. Private business schools accredited by the accrediting commission for business schools or an acknowledged accrediting agency.
9. Private college preparatory schools accredited or probationally accredited under section 256.11, subsection 13.

Section History: Early Form

[C66, 71, 73, 75, 77, § 713A.3; C79, 81, § 714.19]

Section History: Recent Form

86 Acts, ch 1245, § 1498; 89 Acts, ch 240, § 7; 96 Acts, ch 1129, §108; 2001 Acts, ch 24, §59
Referred to in § 714.22

714.20 ONE CONTRACT PER PERSON.

It shall be unlawful to sell more than one lifetime contract to any one person.

Section History: Early Form

[C66, 71, 73, 75, 77, § 713A.4; C79, 81, § 714.20]
Referred to in § 714.19, 714.21, 714.21A, 714.22

714.21 PENALTY.

Violation of any of the provisions of section 714.17, 714.18 or 714.20 shall be a serious misdemeanor.

Section History: Early Form

[C66, 71, 73, 75, 77, § 713A.5; C79, 81, § 714.21]
Referred to in § 714.19, 714.22

714.21A CIVIL ENFORCEMENT.

A violation of chapter 261B, or section 714.17, 714.18, 714.20, 714.23, or 714.25 constitutes an unlawful practice pursuant to section 714.16.

Section History: Recent Form

2009 Acts, ch 12, §16
Referred to in § 714.19

714.22 TRADE AND VOCATIONAL SCHOOLS -- EXEMPTION -- CONDITIONS.

The provisions of sections 714.17 through 714.21 shall not apply to trade or vocational schools if they meet either of the following conditions:

1. File a bond or a bond is filed on their behalf by a parent corporation with the college student aid commission as required by section 714.18.
2. File an annual sworn statement, or such statement is filed on their behalf by a parent corporation, certified by a certified public accountant, showing all assets and liabilities of the trade or vocational school and the assets of any parent corporation. The statement shall show the trade or vocational school's net worth, or the net worth of the parent corporation, to be not less than five

times the amount of the bond required by section 714.18. If a parent corporation files the statement or its net worth is included in the statement to comply with this subsection, the parent corporation shall appoint a registered agent and otherwise is subject to section 714.18, subsection 1, paragraph "b", and is liable for the breach of any contract or agreement with students as well as liable for any fraud in connection with the contract or agreement or for any violation of section 714.16 by the trade or vocational school or any of its agents or salespersons.

Section History: Early Form

[C73, 75, 77, § 713A.6; C79, 81, § 714.22]

Section History: Recent Form

85 Acts, ch 212, §21; 86 Acts, ch 1237, § 43; 2002 Acts, ch 1140, §43; 2005 Acts, ch 19, §118; 2009 Acts, ch 12, §17
Referred to in § 714.19