

Regulatory Analysis Template

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Agency Name Bureau of Iowa College Aid Rule # _____

Iowa Code Section Authorizing Rule 256.178 and 256.197(7)

State or Federal Law(s) Implemented by the Rule 256.197(7)

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

Date/Time: 4/8/2025 4 p.m.

Location: Room B50, Grimes State Office Building, Des Moines, Iowa

Any interested person may submit written comments concerning this regulatory analysis. Written comments in response to this regulatory analysis must be received by the Department no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Contact Name

David Ford, Bureau Chief, Bureau of Iowa College Aid

Address

400 E 14th Street, Des Moines, IA 50319

Email and/or phone number

david.ford@iowa.gov

Purpose and summary of proposed rule:

Commission plans to rescind and adopt a new Chapter 37, pursuant to Executive Order 10 (January 10, 2023). New Chapter 37 is proposed to ensure the Commission meets the requirements set forth in law by adopting rules to provide for an effective system of collecting defaulted obligation owed to the Commission. The proposed rulemaking illustrates the mechanisms and references the processes the Commission utilizes in the collection of defaulted obligations.

Analysis of Impact of Proposed Rule

1. Persons affected by the proposed rule

- Classes of persons that will bear the costs of the proposed rule:

Since the rulemaking leverages existing processes at both the federal and state level, the costs incurred by the public, the Commission and other entities are expected to be as minimal as possible.

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- Classes of persons that will benefit from the proposed rule:

Debtors and the Commission will benefit from the rulemaking since it clarifies the consistent processes by which the Commission will utilize to collect upon defaulted obligations.

Impact of the proposed rule, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred

- Quantitative description of impact:

The rulemaking does not impose measurable costs beyond those imposed by law.

- Qualitative description of impact:

The rulemaking does not impose measurable costs beyond those imposed by law.

2. Costs to the state

- Implementation and enforcement costs borne by the agency or any other agency:

The proposed rulemaking leverages existing processes for administrative wage garnishment and low tax offsets. As such, costs borne to the agency and other agencies should be minimal.

- Anticipated effect on state revenues:

The proposed rulemaking is not anticipated to have any effect on state revenues beyond that of the legislation it is intended to implement.

3. Comparison of the costs and benefits of the proposed rule to the costs and benefits of inaction

The rulemaking provides clear processes that will be utilized in the collection of defaulted obligations. The cost of inaction would be not collecting upon the defaulted obligations of individuals who have the means to repay those obligations. The rule also publicly illustrates the means by which the commission will collect upon defaulted obligations.

4. Determination if less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule

The Commission has not identified a more cost-effective alternative to the processes identified in the collection of defaulted obligations.

5. Alternative methods considered by the agency

- Description of any alternative methods that were seriously considered by the agency:

No other methods were seriously considered by the Commission since the method proposed is the most cost-efficient and seamless for all entities involved.

- Reasons why they were rejected in favor of the proposed rule:

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NA

Small Business Impact

If the rule will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rule on small business:

- Establish less stringent compliance or reporting requirements in the rule for small business.
- Establish less stringent schedules or deadlines in the rule for compliance -or reporting requirements for small business.
- Consolidate or simplify the rule's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rule for small business.
- Exempt small business from any or all requirements of the rule.

If legal and feasible, how does the rule use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking is not expected to impact small businesses.

Text of Proposed Rule:

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Item 1. Rescind 283-Chapter 37 and adopt the following **new** chapter in lieu thereof:

CHAPTER 37

DEBT COLLECTION

283—37.1(256) Definitions.

37.1(1) A “debtor” is a person who has defaulted on any obligation owed to or collected by the commission.

37.1(2) A debtor is in “default” if:

a. The debtor becomes obligated to repay the commission under any loan repayment program administered by the commission, and fails to make an agreed payment within 30 days of the agreed due date; or

b. The debtor becomes obligated to repay the commission under any forgivable loan program administered by the commission, and fails to make an agreed payment within 30 days of the agreed due date; or

c. The debtor enters into a written repayment agreement with the commission and fails to make an agreed payment within 30 days of the due date stated in the repayment agreement.

37.1(3) The phrase “defaulted obligation owed” means the total amount of the debtor’s obligation, including principal and unpaid accrued interest, and may include collection costs and other allowable fees.

283—37.2(256) Administrative wage garnishment procedures. The commission shall use the general administrative wage garnishment procedures established in 34 CFR Part 34 et seq., as of July 1, 2024, in the collection of all defaulted obligations owed to the commission. Administrative hearings will be governed by 283 – Chapter 4.

283—37.3(261) Offset against state income tax refund or rebate. The commission may make a claim against a defaulted borrower’s state income tax refund or rebate to receive a payment against defaulted obligation owed pursuant to 701 IAC Chapter 26.