

United States Senate

WASHINGTON, DC 20510

August 3, 2018

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Secretary DeVos:

We write to urge the U.S. Department of Education (“Department”) to take immediate steps to assist students harmed by the closing of colleges owned by Dream Center Education Holdings (DCEH), including many of the Art Institutes (Ai), Argosy University, and South University campuses around the country. We urge the Department to immediately inform students of their right to a closed school discharge, extend the time period under which students qualify for loan relief, and protect students and taxpayers from future harm.

Earlier this month, media reports revealed that DCEH sent an internal memo to employees announcing the closure of 30 of its Ai, Argosy, and South University campuses by the end of this year. The memo noted that the campus closures were the result of a months-long strategic review, indicating the decision was carefully planned by DCEH.¹ At the same time, DCEH failed to have a clear plan in place for students affected by the closures. In fact, many students found out their school was closing through news stories rather than from DCEH or campus officials, leaving them with little information about their options and next steps.

In the weeks since, DCEH remains unacceptably slow in providing information to students; when it has, the information has often been contradictory or incomplete, failing to inform students about their potential eligibility for closed school discharge. We urge the Department to immediately fulfill its responsibility to directly inform students of their right to discharge, provide them with applications, and create an information page on its website to provide resources and up-to-date information for students at closing DCEH institutions – including information on closed school discharge and how students can submit borrower defense claims if they believe they were misled or defrauded.

Specifically, in presenting students with their options, DCEH has failed to provide clear information about their potential eligibility for closed school discharge.² Under federal law,

¹ Eanes, Zachery. “For-Profit School Operator Closing 30 Campuses, Including 3 in NC.” *The News & Observer*, 2 July 2018, www.newsobserver.com/news/local/article214193329.html.

² Dato, Nico. Ai Chicago. Facebook, 10 July 2018, [m.facebook.com/groups/196721303770639?view=permalink;](https://m.facebook.com/groups/196721303770639?view=permalink;\) “FAQ’s Regarding Transition,” Dream Center Education Holdings. Obtained by David Halperin, *The Republic Report*. <https://www.republicreport.org/wp-content/uploads/2018/07/FAQ-for-Ai-Campus-Presidents.pdf>.

student loan borrowers who are enrolled at the time of a school's closure or who withdraw within 120 days of closure are entitled to have their federal student loan debt discharged.³ Without being made aware of the option to receive a loan discharge, students are left to decide between only bad options. They can choose to finish their program at their current DCEH campus before it closes at the end of the year—if such a timeline is even possible—and in some cases graduate without an accredited degree.⁴ They can choose to finish their program online with DCEH or at another DCEH campus – putting their faith in an organization that has already let them down. In some cases, the nearest DCEH campus may be located hundreds of miles away, leaving students with effectively only an online option to continue their education, regardless of whether that is their preferred method of instruction.⁵ Or students must transfer to a non-DCEH institution and likely lose most of the credits they have worked to attain while keeping the debt.

In addition, we also urge you to use your authority, provided under “exceptional circumstances,”⁶ to extend the closed school discharge eligibility period beyond 120 days. The chaotic nature of these closures, and DCEH's failure to provide clear information to students about their potential eligibility for closed school discharges, clearly constitute exceptional circumstances that have put students at risk of a significant disruption to their education or being stuck with loan debt and credits of little value. Further, the opportunity for DCEH to manipulate its closing dates to minimize its liability for closed school discharge – thereby shortchanging students of their rights – demands that you set affirmative dates for student eligibility.

For the Art Institute of Colorado and Illinois Institute of Art (including the Novi, Michigan branch campus), we urge you to extend closed school discharge eligibility back to January 20, 2018 – the date these institutions lost accreditation from the Higher Learning Commission (HLC). At that time, HLC warned that “courses or degrees [from these unaccredited institutions]...may not be accepted in transfer to other colleges and universities or recognized by prospective employers.”⁷ Given reports that DCEH misrepresented its accreditation status to students and failed to provide them with the “proper advisement and accommodations” after the loss of accreditation, as required by HLC, students enrolled at these campuses should be entitled retroactive relief.⁸ For all other closing DCEH campuses, the Secretary should extend closed school discharge eligibility to students going back to July 2, 2018 – the date on which the planned closures were announced internally.

³ 34 C.F.R. § 685.214

⁴ “Public Disclosure: Illinois Institute of Art and Art Institute of Colorado.” Higher Learning Commission, 20 January 2018, Updated 7 July 2018.

⁵ Williams, Annabelle. “Art Institute of Philadelphia closing leaves students and employees with hard decisions.” *The Philadelphia Inquirer*, 12 July 2018, <http://www.philly.com/philly/business/art-institute-closing-philadelphia-dream-center-loans-20180712.html>.

⁶ 34 C.F.R. § 685.214(c)(1)(i)(B)

⁷ “Public Disclosure: Illinois Institute of Art and Art Institute of Colorado.” Higher Learning Commission, 20 January 2018.

⁸ Moore, Daniel. “Deal under Scrutiny as Art Institutes Face Accreditation Setbacks.” *Pittsburgh Post-Gazette*, 19 July 2018, www.post-gazette.com/business/career-workplace/2018/06/19/Deal-under-scrutiny-Art-Institutes-accreditation-setbacks-dream-center/stories/201806140022; “Public Disclosure: Illinois Institute of Art and Art Institute of Colorado.” Higher Learning Commission, 20 January 2018.

Finally, we are concerned by reports that, as a condition of receiving a \$5,000 tuition grant to transfer to non-DCEH institutions, students are required to sign forms which attempt to shield DCEH and its institutions from liability.⁹ We urge the Department to demand DCEH cease this manipulation of students, which pushes them into giving up their legal rights while under duress of DCEH's own making. At the very least, the Department must make clear that these dubious forms have no impact on a students' ability to seek and receive a closed school discharge or discharge under the borrower defense provision of the Higher Education Act.

The evidence is mounting that long-held doubts about DCEH's commitment to students, and its ability to properly manage institutions of higher education, were well founded.¹⁰ Another troubled for-profit conversion prepares to leave thousands of students holding millions of dollars in useless debt, it is the obligation of the Department to do everything in its power to make sure that students are fully informed of available options and to protect against additional students and taxpayers dollars being put at risk. We look forward to your prompt response.

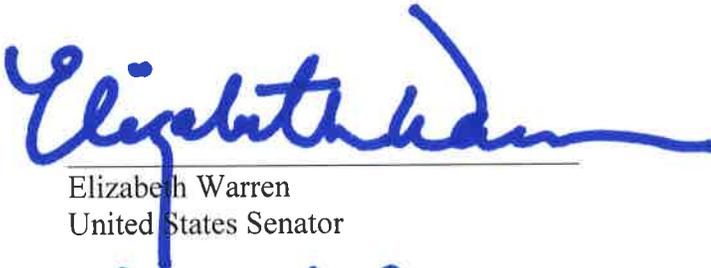
Sincerely,



Richard J. Durbin
United States Senator



Patty Murray
United States Senator



Elizabeth Warren
United States Senator



Richard Blumenthal
United States Senator



Sherrod Brown
United States Senator



Tammy Duckworth
United States Senator

⁹ "External Transfer Student Release Form." The Art Institutes. Obtained by David Halperin, *The Republic Report*. <https://www.republicreport.org/wp-content/uploads/2018/07/Ai-rell.jpg>.

¹⁰ "Warren, DeLauro, Durbin, Brown, and Harris Urge Careful Review by Accreditors of EDMC's Sale of For-Profit Colleges." *Warren.Senate.Gov*, 22 June 2017, www.warren.senate.gov/newsroom/press-releases/warren-delauro-durbin-brown-and-harris-urge-careful-review-by-accreditors-of-edmc-and-039s-sale-of-for-profit-colleges.