

United States Senate

WASHINGTON, DC 20510

December 21, 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 the Missouri-based Vatterott Educational Centers, Inc. (Vatterott) campuses, including its L’Ecole culinary schools, around the country.

On December 17, 2018, Vatterott announced its immediate closure—interrupting the educational pursuits of approximately 2,300 students nationwide including around 500 veterans using GI Bill benefits. Vatterott had previously announced the closure of five campuses nearly one year ago—including its campus in Quincy, Illinois.¹

But Vatterott had been on the financial brink for some time. The failing company had been in a Missouri state receivership since 2017. Since at least 2010, Vatterott had a failing financial responsibility composite score meaning that the Department deemed it to be “not financially responsible.” Vatterott’s most recent financial composite score was -1.0—the lowest possible. Due to these ongoing financial concerns, the Department had also placed Vatterott onto Heightened Cash Monitoring 1, and secured a letter of credit equaling \$12.5 million and \$300,000 in escrow.

On May 23, 2018, the Accrediting Commission of Career Schools and Colleges (ACCSC) placed each school in the Vatterott system on probation due to financial concerns.² And on December 5, 2018, ACCSC withdrew accreditation from Vatterott’s Berkley, Missouri, campus due to poor student outcomes and administrative capability concerns.³

¹ Herald-Whig. *Vatterott College to Close in October*. January 11, 2018.

<https://www.whig.com/20180111/vatterott-college-to-close-in-october#>

² Accrediting Commission of Career Schools and Colleges to Vatterott Educational Centers, Inc. President regarding System-wide Probation Order. May 23, 2018. http://www.accsc.org/UploadedDocuments/2018/Probation-Letters/Vatterott-SAL-05-2018-SW-FRC_Redacted.pdf

³ Accrediting Commission of Career Schools and Colleges to Vatterott College Director of Berkeley Campus regarding revocation of accreditation. December 5, 2018.

<http://www.accsc.org/UploadedDocuments/2018/Withdrawal-Denial-Letters/Vatterott-College-Berkeley-Redacted.pdf>

On October 31, 2018, the Department increased its financial oversight of Vatterott by placing the company on Heightened Cash Monitoring 2, due to Vatterott's ongoing financial troubles and failure to complete a sale as it had intended. We understand, at that time, the Department also notified Vatterott that it could not disburse Title IV funds to cover newly enrolling students.

Like Corinthian, ITT Tech, and Education Corporation of America before it, the sudden closure of Vatterott due to years of financial instability and underperformance will leave students with many questions and forced to make difficult personal decisions about how to move forward. In order to allow students to make the best decisions for themselves, the Department must take the lead in ensuring that students are receiving clear and accurate information from all sources. For its own part, the Department must immediately create an information page on its website and notify its borrower helpline representatives of Vatterott's closure—providing them with accurate information to answer students' questions.

Closed School Discharge

Under the Higher Education Act, 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. The Department must ensure that Vatterott is complying with federal regulations to provide all enrolled students with a closed school discharge application and written disclosure describing the benefits and consequences of a closed school discharge as an alternative to completing their educational program through a teach-out agreement.⁴ The Department should also ensure that any information provided to students by ACCSC or state authorizers also provides students information about eligibility and applying for closed school discharges and the availability of any state tuition recovery funds. In addition, the Department must provide affected Vatterott students with this information—including the date for closed school eligibility—and closed school discharge applications pursuant to its responsibilities under 34 C.F.R. § 685.214.

We urge you to use your authority, provided under “exceptional circumstances,” to extend the closed school discharge eligibility period beyond 120 days.⁵ The sudden and chaotic nature of these closures 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. We recommend that you extend the closed school discharge window to May 23, 2018 when ACCSC put all Vatterott schools on probation for financial concerns—an indication to students that their school may be in trouble. ACCSC's public probation notice to Vatterott included the warning that if the company did not take corrective action to stabilize its finances and provide sufficient evidence of such to the accreditor, it could face a “revocation of

⁴ 34 CFR § 668.14 (2016).

⁵ 34 C.F.R. § 685.214(c)(1)(i)(B) (2016).

accreditation action.”⁶ Because this notice was public and ACCSC posts the probation status of schools on its website,⁷ any student who withdrew since May 23 could reasonably and rightfully have been concerned about the school’s financial stability and should be eligible for closed school discharge.

Transfer/Teach-out Options

As required by ACCSC, Vatterott has maintained teach-out plans that were last updated in November. According to the company, it will be reaching out to other institutions identified to have similar programs to begin developing teach-out and transfer agreements. The Department must ensure that students are only provided transfer options that have been reviewed and approved by state agencies and ensure that the state does not approve any teach-out or transfer agreement between Vatterott and any other financially unstable or predatory for-profit college—especially those facing state or federal investigations or lawsuits, accreditation sanctions, or ongoing monitoring for financial responsibility. It would add insult to injury to allow Vatterott students to be lured or pushed, with the Department’s complicity, into the open arms of one of these institutions. Transfer institutions must also guarantee students that their credits will be accepted and that students will not be charged additional tuition and fees. We urge the Department to ensure transfer options are within reasonable proximity to the closing institution and are not exclusively online institutions. The Department should ask states to provide students with each transfer institution’s completion, student debt, and earnings outcomes to help students easily evaluate transfer opportunities.

Financial Aid Transfer and Restoration

If and when students choose to transfer, the Department must coordinate with the closing Vatterott campuses and ACCSC to ensure that all student aid and institutional scholarships will seamlessly transfer over to new institutions. The Department must also notify students promptly of their ability to get Pell Grants restored and halt collections activity on federal student loans owed by students that attended Vatterott.

Transcripts and Documents

As Vatterott shuts down its operations, it is critical that students still be able to access their own transcripts and records and receive corrections as necessary. We urge the Department to work immediately with the company, ACCSC, and state authorizers to secure Vatterott student documents and establish a permanent location for their safekeeping and student access. The Department must ensure that its own Vatterott information webpage and any information provided to students by Vatterott, ACCSC, or state authorizers provides students information about how to obtain their transcripts and records, free of charge.

⁶ Accrediting Commission of Career Schools and Colleges to Vatterott Educational Centers, Inc. President regarding System-wide Probation Order. May 23, 2018. http://www.accsc.org/UploadedDocuments/2018/Probation-Letters/Vatterott-SAL-05-2018-SW-FRC_Redacted.pdf

⁷ Accrediting Commission of Career Schools and Colleges. Public Notice of Probation updated as of September 6, 2018. <http://www.accsc.org/Commission-Actions/Accredited-Schools-on-Probation.aspx>

Student Complaints and Borrower Defense

The Higher Education Act entitles borrowers whose schools defrauded them to complete federal student loan discharges under a provision known as borrower defense. The Department must ensure that its own Vatterott information webpage and any information provided to students by Vatterott, ACCSC, or state authorizers provide students with information about eligibility and applying for borrower defense discharges, in addition to information about closed school discharge.

Additionally, students deserve to be able to seek redress, directly from Vatterott, in a court of law for any misconduct or abuse they may have experienced or observed in the lead up to the company's collapse. Like Corinthian and ITT Tech, Vatterott required students to sign pre-dispute arbitration clauses as a condition of enrollment. The practice prevents students from bringing suit against the school for wrongdoing. As a condition of a school receiving Title IV funds, these mandatory arbitration provisions are invalid under federal law.⁸ Therefore, the Department must ensure that students are not improperly denied their legal rights and day in court to pursue any claims they may have against Vatterott.

Coordination with Veterans Affairs

The Department must also work with the U.S. Department of Veterans Affairs to ensure accurate information is being provided to GI bill beneficiaries regarding students' remaining benefits, including housing, and options for benefit restoration for the current term.

There is no time to waste in taking these key steps to assist Vatterott students. The Department has the ability to mitigate the chaos and confusion that comes along with the precipitous closure of an institution of higher education and, for the sake of students, we encourage you to do so.

We ask for a response no later than January 11, 2019. Thank you.

Sincerely,



Richard J. Durbin
United States Senator



Elizabeth Warren
United States Senator

⁸ 34 CFR § 685.300 (2016).



Richard Blumenthal
United States Senator



Tammy Duckworth
United States Senator



Sherrod Brown
United States Senator

cc: The Honorable Robert Wilkie, Secretary, Department of Veterans Affairs