

Congress of the United States
Washington, DC 20515

March 13, 2019

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary DeVos,

We write to express concern about the closure of campuses owned by Dream Center Education Holdings, LLC (Dream Center) across the country. Announced on March 8, 2019, this closure leaves 9,600 students with burdensome debt, incomplete degrees, and few options for recourse. These closures signal a pattern of severe mismanagement and dereliction of duty at the U.S. Department of Education (“Department”). Students deserve better.

In March 2017, Dream Center announced its intent to acquire three financially troubled for-profit college chains—Argosy University, The Art Institutes, and South University—operated by Education Management Corporation (EDMC) and convert the campuses to non-profit institutions.¹ Notably, this was not the Department’s first exposure to Dream Center, as the Department under the Obama administration blocked Dream Center from purchasing the now-shuttered ITT Technical Institute.² Inexplicably, the Department, under your leadership, provisionally approved the change in ownership in 2017.

Furthermore, the Department has been complicit in Dream Center’s efforts to mislead students. After the Department’s decision, Dream Center claimed its institutions were operating as non-profit entities.³ However, unbeknownst to students, the Department had only provisionally approved the change in ownership. In early 2018, more serious signs of trouble emerged, as two Dream Center-owned Art Institute campuses were stripped of accreditation.⁴ Dream Center lied about this status on its website and failed to notify students of the impacted institutions’ loss of accreditation, making their credits less likely to transfer and degrees less meaningful.⁵ The Department did nothing while Dream Center actively and willfully misled students at these campuses to believe that their schools were still accredited.

After months of severe and persistent financial woes, including the closure of 30 campuses,⁶ Dream Center filed for receivership in federal court in January 2019.⁷ The Department alleges that the Dream Center receiver illegally used \$13 million of student aid and did not distribute it to students as required by law.⁸ Under the *Higher Education Act of 1965*, institutions can only use Title IV funds for student financial aid. After tuition is paid, institutions are required to give any remaining funds directly to students.⁹ However, Argosy students never received these funds, and many students were forced to take out private loans to cover necessary expenses.¹⁰ While many parties share a responsibility in the mismanagement of these funds, the Department

ignored its responsibilities to protect the integrity of student financial aid programs and refused to provide timely and accurate communication about Argosy University's dire financial situation to its students.

Although the Department recently reversed its 2017 provisional approval and ultimately denied Argosy University's change in ownership and conversion, it is simply too little, too late.¹¹ The Department has a responsibility to protect students and taxpayers – a responsibility it has failed to uphold.

To mitigate the impact of its negligence and mismanagement concerning Dream Center and its holdings, we urge the Department to do the following:

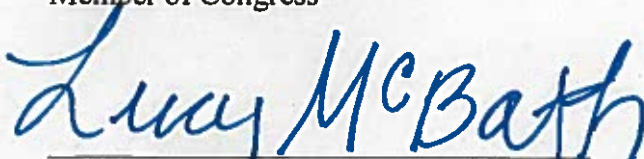
- *Expand the window of eligibility for closed school discharge:* The Department must extend the window of eligibility for a closed school discharge to October 2017, when the Department gave provisional approval for Dream Center to acquire these institutions. Students who enrolled after this date, did so under the assumption that the Department had approved these campuses to operate as non-profit institutions of higher education. Further, Dream Center was aware that its colleges were failing as early as October 2017 and therefore the Department knew or should have known this would likely result in school closures. Students who were blatantly misled by Dream Center and left unprotected by the Department deserve a clean slate.
- *Coordinate with the U.S. Department of Veterans Affairs (VA):* Student veterans and other GI bill beneficiaries might not know they have a right to have their GI bill benefits restored for the current semester. The Department must coordinate with the VA to ensure students receive the needed information.
- *Empower students to make informed decisions about their education futures:* The Department must clearly communicate with impacted students about credit transfer opportunities and work with states and accreditors to ensure students have the option to continue their education at high-quality non-profit institutions. To provide urgent and specific guidance to students about individual situations, the Department should create a Real Time Response Center, a request from the American Psychological Association.
- *Protect students' access to transcripts:* There are reports that students are unable to access their transcripts, which makes it nearly impossible for them to finish their degrees at another institution. The Department must ensure that these students not only have access to their transcripts but that that access is free of charge.
- *Ensure students at formerly Dream Center-owned campuses are protected:* Dream Center sold several financially distressed campuses prior to the March 8, 2019 closures. To avoid this situation from repeating in the near future, we call on the Department to deny any request to convert the tax status of institutions previously owned by Dream Center from for-profit to non-profit. The Department must also monitor these schools and ensure that students are not placed in the same predicament.

We look forward to your written response to confirm that these necessary steps are taken no later than March 27.

Sincerely,


SUSAN A. DAVIS
Member of Congress


PRAMILA JAYAPAL
Member of Congress


LUCY MCBATH
Member of Congress



SUSIE LEE
Member of Congress


J. LUIS CORREA
Member of Congress

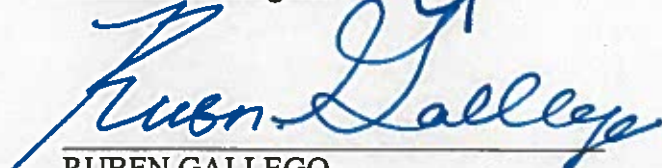

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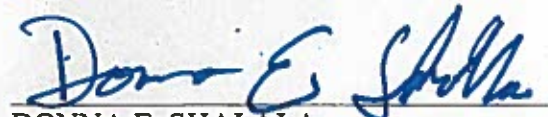

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JOSEPH D. MORELLE
Member of Congress



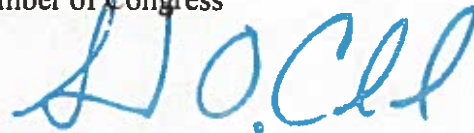
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Member of Congress



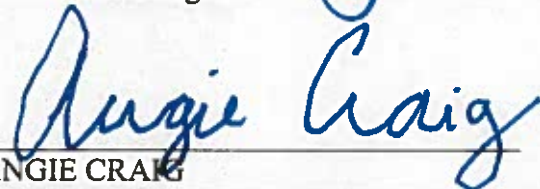
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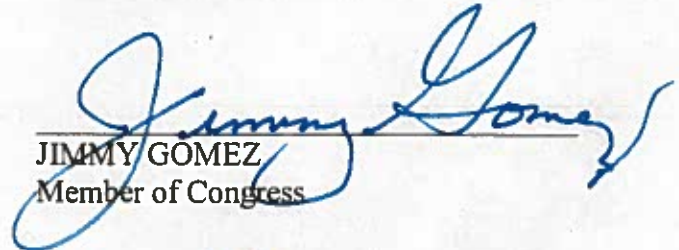
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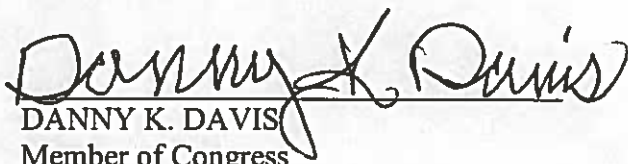
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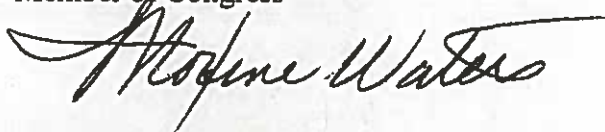
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MARCY KAPTUR
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MAXINE WATERS
Member of Congress



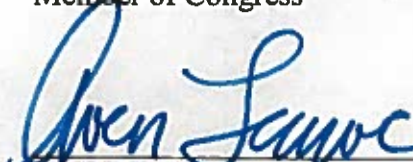
SUZANNE BONAMICI
Member of Congress



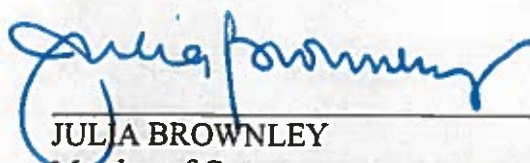
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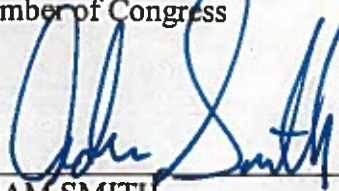
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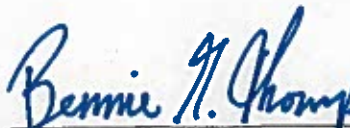
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JACKIE SPEIER
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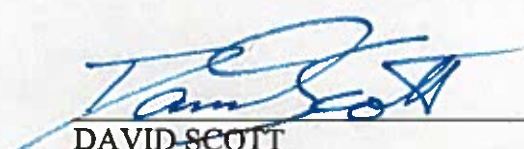

BARBARA LEE
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ALAN LOWENTHAL
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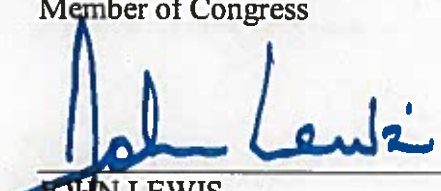

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ANNA G. ESHOO
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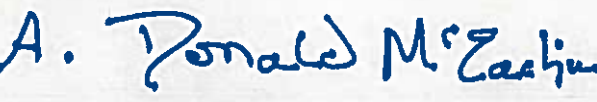

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Member of Congress


TERRI A. SEWELL
Member of Congress

¹ Moore, J. (2017). L.A. Based Dream Center Foundation Completes Transition of South University, Argosy University, Western State College of Law and Art Institutes to Nonprofit Institutions. *PRWeb*. Retrieved from <https://www.prweb.com/releases/2017/10/prweb14823637.htm>

² Hensley-Clancy, M. (2017). How The For-Profit College Art Institutes Found A Savior With Christian Roots. *Buzzfeed News*. Retrieved from <https://www.buzzfeednews.com/article/mollyhensleyclancy/edmc-dream-devos>

³ 25 Art Institutes Locations Are Now Non-Profit. (2017). *The Art Institutes Blog*. Retrieved from <https://www.artinstitutes.edu/about/blog/25-art-institutes-locations-are-now-non-profit>.

⁴ Perrelli, T.J. (2017). Third Annual Report of the Settlement Administrator Under the Consent Judgments with Education Management Corporation (EDMC) as Succeeded by Dream Center Education Holdings: *Jenner and Block LLP*. Retrieved from https://static.wixstatic.com/ugd/60a689_17a29c6117724345af1ed98cac2c45e2.pdf.

⁵ Moore, J. (2017). L.A. Based Dream Center Foundation Completes Transition of South University, Argosy University, Western State College of Law and Art Institutes to Nonprofit Institutions. *PR Newswire*. Retrieved from <https://www.prweb.com/releases/2017/10/prweb14823637.htm>.

⁶ Smith, A.A. (2018). Art Institutes and Other Former For-Profit Institutions Closing. *Inside Higher Ed*. Retrieved from <https://www.insidehighered.com/news/2018/12/10/dream-center-colleges-closing-years-end>.

⁷ Smith, A.A. (2019). Nonprofit Dream Center Institutions Placed in Receivership. *Inside Higher Ed*. Retrieved from <https://www.insidehighered.com/news/2019/01/21/nonprofit-dream-center-institutions-placed-receivership>.

⁸ Moore, D. (2019). \$13 million in financial aid missing? Federal receiver tries to track down money from Art Institute owners. *Pittsburgh Post-Gazette*. Retrieved from <https://www.post-gazette.com/business/career-workplace/2019/02/13/Financial-aid-Art-Institute-Dream-Center-Education-Holdings-EDMC-Mark-Dottore/stories/201902130104>.

⁹ 20 U.S.C. § 1094(a)(1)(requiring institutions to use Title IV funds "solely for the purpose specified in and in accordance with the provision of [the program under which it receives those funds]).

¹⁰ Douglas-Gabriel, D. (2019). Education Dept. steps in to help Argosy University students shorted \$13 million in financial aid. *The Washington Post*. Retrieved from <https://www.washingtonpost.com/education/2019/02/19/education-dept-steps-help-argosy-university-students-shorted-million-financial-aid-dollars/>

¹¹ Douglas-Gabriel, D. (2019). Trump administration pulls federal student aid from Argosy University. But is it too little too late? *Washington Post*. Retrieved from https://www.washingtonpost.com/education/2019/02/27/trump-administration-pulls-federal-student-aid-argosy-university-is-it-too-little-too-late/?utm_term=.0808fc6a718a.