

February 5, 2020

ATTORNEY GENERAL RAOUL SEEKS EXPANDED LOAN DISCHARGE FOR STUDENTS OF CLOSED DREAM CENTER SCHOOLS

AG Raoul & 25 Attorneys General Call on U.S. Department of Education to Extend Federal Student Loan Discharge to All Former Dream Center Students

Chicago — Attorney General Kwame Raoul today joined a bipartisan coalition of 26 attorneys general in renewing their request that U.S. Department of Education Secretary Betsy DeVos use her authority to enable the discharge of federal student loans held by all students who were enrolled in now-closed schools operated by Dream Center Education Holdings, LLC.

“The Department of Education is unfairly limiting relief that should be available to students who took out loans to pay for a school that is now closed,” Raoul said. “Deserving students, through no fault of their own, have been unfairly burdened with overwhelming debt loads and left without a degree. I urge the department to do the right thing by taking action to discharge the loans of thousands of students in Illinois who were misled by their schools.”

Dream Center, a California-based nonprofit, went into receivership in January 2019. Under the federal closed school discharge regulation, former students may be eligible for a 100 percent discharge of their federal student loans if they were unable to complete their program because their school closed. The closed school discharge is only allowed for students who were enrolled at the time the school closed, were on an approved leave of absence when the school closed, or withdrew within 120 days of the school’s closure, unless the secretary of the Department Education approves a longer period.

In an October 2019 letter, Raoul and a coalition of attorneys general called on DeVos to exercise her legal authority to expand the group of students eligible for the closed school discharge in order to account for Dream Center’s extraordinary misconduct and mismanagement. In November 2019, DeVos announced that she would extend the closed school discharge only for a very small number of former Dream Center students who were not previously eligible.

In [today's letter](#), Raoul and the coalition urge the U.S. Department of Education to go further and provide debt relief to all Dream Center students unfairly strapped with burdensome debt for which they have little to show. The coalition again outlined Dream Center’s misconduct and the mismanagement that prevented students from obtaining degrees and unfairly left them to repay federal student loan debt that they contracted to attend the failed schools.

The Illinois Attorney General’s office has long been a national leader in investigating and enforcing consumer protection violations in the higher education field. Attorney General Raoul has overseen the rollout of the state’s first Student Loan Ombudsman, a position created by the Student Loan Servicing Rights Act, to provide resources for student borrowers who are struggling to make student loan payments. In June 2019, Raoul and Colorado Attorney General Phil Weiser were the first state attorneys general to call for an extended closed school discharge period in connection with Dream Center owned Illinois Institute of Art. Raoul also called on the Department of Education to forgive the federal loans of students who attended the Illinois Institute of Art and were misled by that school’s failure to disclose its lack of accreditation, a step the department followed through with in November 2019.

Student borrowers who have questions or are in need of assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456. Borrowers can also [file complaints on the Attorney General's website](#).

Joining Raoul in today's letter are the attorneys general of California, Colorado, Connecticut, Delaware, the District of Columbia, Hawaii, Idaho, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Dakota, Tennessee, Vermont, Virginia, Washington, and Wisconsin.



ELLEN F. ROSENBLUM
ATTORNEY GENERAL

STATE OF OREGON
OFFICE OF THE ATTORNEY GENERAL

STATE OF MINNESOTA
OFFICE OF THE ATTORNEY GENERAL



KEITH ELLISON
ATTORNEY GENERAL

February 4, 2020

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

Dear Madam Secretary:

On October 17, 2019, we, the Attorneys General of Oregon, Minnesota, California, Colorado, Connecticut, Delaware, District of Columbia, Hawaii, Idaho, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, South Dakota, Tennessee, Vermont, Virginia, Washington and Wisconsin requested that you exercise your authority to extend closed school discharge eligibility to former students of schools shuttered by Dream Center Education Holdings, LLC (“DCEH”). Our letter detailed DCEH’s gross mismanagement of the schools, and its numerous violations of federal and state law that preceded the schools’ closures. We noted that as Secretary of Education, you can relieve the harm that student borrowers experienced by taking on debt to attend a DCEH school. Specifically, we requested extension of closed school discharge eligibility to students enrolled at a DCEH-operated school on or after October 17, 2017, the date in which DCEH began its ill-fated operation of the schools.

We were encouraged to see an announcement on November 8, 2019 that you extended the lookback period of eligibility for some students who attended DCEH schools. Unfortunately, the announcement reveals that only 24 DCEH-owned campuses that closed in December 2018 would be subject to relief. For those schools, the lookback period was extended to June 29, 2018—which amounts to just a few weeks more than provided under the default 120-day lookback period. As a result of these limitations, very few additional students who could not finish their degree have been made eligible for closed school discharge.

Twenty-five DCEH campuses stayed afloat into 2019 before closing; former students of these schools also deserve extension of closed school discharge.¹ These students too were left unable to complete a degree they were promised and that they spent hard-earned time and money to earn. As our October 17, 2019 letter details, DCEH’s mismanagement, financial instability, and

¹ We understand these schools include Argosy campuses in Santa Ana, the Twin Cities, Atlanta, Washington D.C., Honolulu, Phoenix, San Francisco, Tampa, Maui, Hilo, Seattle, Dallas, Los Angeles, Salt Lake City, Chicago, North Hollywood, San Diego, Salt Lake City, Chandler, and Marietta, along with Art Institute campuses in Pittsburgh and Seattle.

misleading statements to students gave every reason to cease enrollment more than 120 days before the final closure date. Students who were compelled to withdraw because of DCEH's extraordinary misconduct should not be further punished with student debt for a school that did not fulfill its commitments. It is wrong to force students to pay for something they did not receive.

For the schools that you authorized an extended period of eligibility, it is unclear why the period is only being extended by a few weeks (i.e., for schools that closed in December 2018, eligibility is extended from August 2018 back to June 29, 2018). As we discussed in our previous letter, the latest possible starting point for a fair closed-school lookback period is the day when DCEH took over, which was October 17, 2017. This takeover was never actually approved in a final decision by ED.² From the day DCEH took over, as specified in our previous letter, ownership violated state and federal laws, showed clear financial and administrative incapacities, and misled students. The many examples cited in our letter constitute clear circumstances justifying an extension of the lookback period under the rule.³

We reiterate our detailed request to extend closed school discharge for students who suffer from the extraordinary circumstances surrounding DCEH's demise. All students at DCEH schools that closed in 2018 and 2019 should be entitled to relief from loans taken out to get a degree they could not obtain, and the students should not be denied relief because they ended their enrollment during a time of turmoil and mismanagement by the schools' ownership.

Sincerely,



Ellen F. Rosenblum
Oregon Attorney General



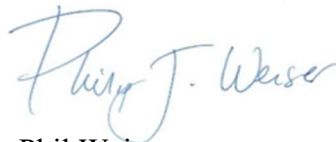
Keith Ellison
Minnesota Attorney General

² See 34 C.F.R. § 600.31(d) (requiring ED approval of conversion to non-profit status).

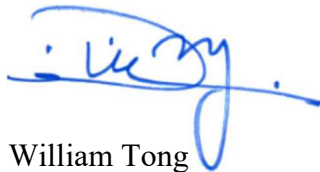
³ 34 C.F.R. § 685.214(c)(i)(B).



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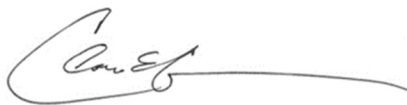
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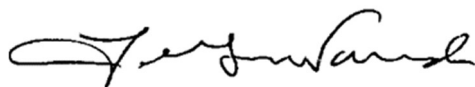
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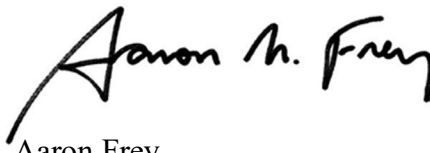
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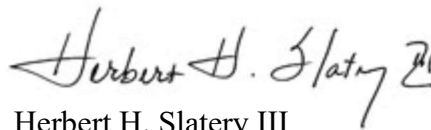
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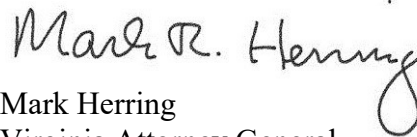
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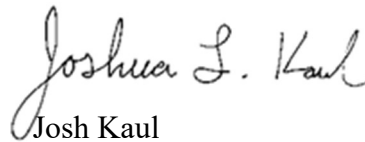
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