

# United States Senate

WASHINGTON, DC 20510

March 8, 2019

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

Dear Secretary DeVos:

We write today to urge the U.S. Department of Education (Department) to take immediate action to assist students in the aftermath of its decision to terminate Argosy University's eligibility for federal Title IV financial aid and reports of Argosy's imminent closure.

On October 17, 2017, the Department gave its preliminary approval to Dream Center Education Holdings (DCEH) to acquire the former for-profit Education Management Corporation campuses—including Argosy University, South University, and the Art Institutes—and convert them to non-profit status. While the Department never granted full approval to the sale and conversion, it failed to condition its preliminary approval on adequate protections for students and taxpayers—setting off a long chain of events that has severely harmed students and wasted taxpayer dollars.

DCEH was recently found by the administrator of a settlement between EDMC and state attorneys general to have misled students about the accreditation status of its Art Institute of Colorado and Illinois Institute of Art campuses.<sup>1</sup> Its Art Institute of Pittsburgh has been in danger of losing accreditation from the Middle States Commission on Higher Education since July 2018. In August 2018, DCEH announced the closure of 30 campuses nationwide, while failing to provide students with accurate and complete information about their options.<sup>2</sup> In January, citing financial instability, several DCEH schools were placed under the control of a court-appointed receiver.<sup>3</sup> Others were transferred to a group called Educational Principle Foundation—in a transaction seemingly orchestrated by the Department and that has raised

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<sup>1</sup> Third Annual Report of the Settlement Administrator under the Consent Judgements with Education Management Corporation (EDMC) As Succeeded by Dream Center Education Holdings. Report by Settlement Administrator Thomas J. Perrelli. October 1, 2017 through September 30, 2018.  
[https://static.wixstatic.com/ugd/60a689\\_17a29c6117724345af1ed98cac2c45e2.pdf](https://static.wixstatic.com/ugd/60a689_17a29c6117724345af1ed98cac2c45e2.pdf)

<sup>2</sup> Senator Richard J. Durbin. (2018, August 3). *Durbin, Murray, Warren, Blumenthal, Brown, Duckworth, Press Secretary DeVos to Assist Students in the Wake of National College Closures*. [Press release]. Retrieved from <https://www.durbin.senate.gov/newsroom/press-releases/durbin-murray-warren-blumenthal-brown-duckworth-press-secretary-devos-to-assist-students-in-the-wake-of-national-college-closures->

<sup>3</sup> Smith, Ashley A. *Inside Higher Ed*. "Nonprofit Dream Center Institutions Placed in Receivership." January 21, 2019. Retrieved from <https://www.insidehighered.com/news/2019/01/21/nonprofit-dream-center-institutions-placed-receivership>

additional questions.<sup>4</sup> Shortly thereafter, Argosy became at risk of losing accreditation when the WASC Senior College and University Commission accrediting agency put the institution on show cause.<sup>5</sup> Earlier this year, students across the country began missing student aid stipends, which they were owed by DCEH/receiver schools, including Argosy.<sup>6</sup> Shocking new reports allege that Argosy and DCEH made false statements and altered its records to the Department to show that students had been paid, when instead the federal aid dollars were used to pay the institution's operating expenses.<sup>7</sup>

The Department's decision<sup>8</sup> on February 27 to cut off Title IV funds from Argosy was a long time coming. But ultimately, it was too little too late for students and taxpayers. On the heels of the Education Corporation of America and Vatterott collapses, the Department, once again, failed to ensure adequate preparations, accommodations, and disclosures for students were in place—causing even more chaos for students.

On March 6, in a court filing, the receiver noted that he does “not have funding to continue to operate the campuses” and sought court approval to close Argosy.<sup>9</sup> Also this week, individual Argosy campuses began notifying students that they were “at risk of closure” today.<sup>10</sup> The Department failed to update its information for students based on these critical developments until today.<sup>11</sup> Despite the writing on the wall since its February 27 decision—that closure was likely and, now, is imminent—the Department continues to waste precious time and fumble its response to students.

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<sup>4</sup>Halperin, David. *Republic Report*. “Dream Center Receiver Says DeVos-Blessed Studio Enterprise is Taking Money for Nothing.” March 4, 2019. <https://www.republicreport.org/2019/dream-center-receiver-says-devos-blessed-studio-enterprise-is-taking-money-for-nothing/>

<sup>5</sup>The Western Association of Schools and Colleges. “Letter from WASC President Jamieenne S. Studley to Argosy University Chancellor Dr. Cynthia Baum.” January 19, 2019. [file:///C:/Users/fr43847/AppData/Local/Packages/Microsoft.MicrosoftEdge\\_8wekyb3d8bbwe/TempState/Downloads/CS-190119\\_Argosy\\_Show%20Cause.pdf](file:///C:/Users/fr43847/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/CS-190119_Argosy_Show%20Cause.pdf)

<sup>6</sup>Leingang, Rachel. *The Arizona Republic*. “Argosy University in Phoenix is Withholding Financial Aid for Students, Who Can't Pay Bills.” February 8, 2019. Retrieved from <https://www.azcentral.com/story/news/local/arizona-education/2019/02/08/argosy-university-withholds-student-financial-aid-amid-accreditation-woes/2774210002/>

<sup>7</sup>Stratford, Michael. *Politico Pro Education*. “Argosy University accused of false submissions to Education Department.” March 4, 2019.

<sup>8</sup>Office of Federal Student Aid at the U.S. Department of Education. “Letter from Director Michael J. Frola to Mark Dottore and Randall K. Barton.” February 27, 2019. Retrieved from <https://studentaid.ed.gov/sa/sites/default/files/argosy-cio-denial-redacted.pdf>

<sup>9</sup>Emergency Mot. To Sell, Transition or Close Argosy University Campuses and Art Institutes Campuses, *Digital Media Solutions, LLC v. South University of Ohio, LLC, et. al.* No. 1:19-cv-145. (United States District Court. Northern District of Ohio Eastern Division). <https://www.republicreport.org/wp-content/uploads/2019/03/2019.03.06-Dkt.-112-Emergency-Motion-to-Sell-Transition-or-Close-Argosy.pdf>

<sup>10</sup>Argosy University. “Letter from Argosy University Chicago Campus President Kevin Beaver to Students regarding risk of closure.” March 2019. <https://mailchi.mp/b43c9ff1b9c0/an-update-from-argosy-university->

<sup>11</sup>U.S. Department of Education. Office of Federal Student Aid. (2019). Information for Argosy University and Art Institute Students: Motion for Emergency Closure. Retrieved from <https://studentaid.ed.gov/sa/about/announcements/dream-center#motion-for-closure>

## TEACH-OUT AGREEMENTS/TRANSFERS

Earlier on the very same day that the Department cut off Title IV funds to Argosy, WASC continued Argosy on “show cause.” WASC’s notice gave Argosy until March 11 to submit teach-out plans.<sup>12</sup> The timing of these actions suggests poor Department-coordination with and direction to WASC.

As a result, when the Department cut off funds to Argosy, teach-out agreements allowing students to continue their studies at quality, not-for-profit institutions were not in place and WASC had not yet secured teach-out plans. The Department’s failure to ensure over the last several months and weeks that Argosy had teach-out agreements in place has exacerbated the chaos for students. The situation is even more difficult for students enrolled in doctoral programs with internship components.<sup>13</sup> The Department must work with WASC, states, and Argosy to immediately execute teach-out agreements that provide options reviewed and vetted by the state for students to continue their studies at high-quality programs at not-for-profit institutions.

The Department must ensure that teach-out and transfer institutions are in good standing, not on heightened cash monitoring or other restrictions, and not facing state or federal investigations or lawsuits. The Department must also ensure that teach-out and transfer institutions guarantee that students’ credits will be accepted, that students will not be charged additional tuition and fees, and that options will include all colleges with similar programs within a reasonable proximity to the Argosy campus and not include exclusively online institutions.

## CLOSED SCHOOL DISCHARGE AND BORROWER DEFENSE

The loss of Title IV funds does not require a school to close. But in this case, Argosy’s extreme financial difficulties made its closure after losing Title IV funds just a matter of time—time that the Department should be using to ensure students are properly informed of their closed school discharge options.

Under federal law, 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.<sup>14</sup> Federal regulation requires the Department to provide, through mail and other means, a closed school discharge application and an explanation of the qualifications and procedures for obtaining and discharge to eligible borrowers when a school closes.<sup>15</sup> The Department should begin fulfilling this responsibility immediately as well as making students

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<sup>12</sup> The Western Association of Schools and Colleges. “Letter from WASC President Jamiene S. Studley to Mark E. Dottore and Joseph Harbaugh.” February 27, 2019.

<https://wascsenior.app.box.com/s/8k6mnz4ub05vlp73w2uiozqstbgeglD>

<sup>13</sup> American Psychological Association. “Letter from APA CEO Arthur C. Evans, Jr. to Secretary Betsy DeVos regarding APA-accredited Programs at Argosy University.” March 1, 2019.

[http://cqrcengage.com/apapolicy/file/Fco4oOSxR4P/APA%20Letter%20to%20Secretary%20DeVos%20\(March%202019\).pdf](http://cqrcengage.com/apapolicy/file/Fco4oOSxR4P/APA%20Letter%20to%20Secretary%20DeVos%20(March%202019).pdf)

<sup>14</sup> 34 C.F.R. § 685.214

<sup>15</sup> 34 C.F.R. § 685.214(f)

aware of their right to apply for borrower defense discharges. The Department should make public all general information being sent directly to students.

We also urge you to use your authority, provided under “exceptional circumstances,”<sup>16</sup> to extend the closed school discharge eligibility period to any student who withdrew on or after October 17, 2017, when the Department provided its preliminary approval of Argosy’s change in ownership and conversion to non-profit status as part of the DCEH/EDMC transaction. Almost immediately after DCEH’s announcement of its intention to acquire EDMC schools, concerns began to be raised publicly about the transaction’s potential negative consequences for students. The Department had an opportunity to condition its October 17, 2017, preliminary approval on protections for students and taxpayers, but failed to do so. Since then, DCEH’s predatory practices, mismanagement, and financial troubles have led to voluminous public reporting in the media. Therefore, any student who withdrew on or after October 17, 2017, could have reasonably believed their school to be a sinking ship. The Department should not penalize these students for taking the reasonable step of abandoning a sinking ship by denying them federal closed school discharge eligibility.

Reports suggest that Argosy now rivals ITT Tech for the amount of loans that could be discharged to students—nearly \$500 million.<sup>17</sup> The Department must hold DCEH financially liable for the cost of any closed school discharges or borrower defense relief claims, to ensure taxpayers are not left holding the bag for DCEH’s misconduct and mismanagement.

### **SEMESTER DEBT CANCELLATION**

We are appalled that the Department cannot account for millions in federal student aid funds owed to students—and on which many rely for living expenses. Many of these students are unable to pay their rent, put food on the table, or meet other critical financial obligations as a result. In response, it was reported through the media that the Department will cancel federal student loans taken out by Argosy students for the current semester.<sup>18</sup> Unfortunately, this will do nothing to help students who needed those funds to support themselves and their families. What’s more, we understand that the Department has not made this announcement through its information page or affirmatively notified students directly of the debt cancellation. It is unreasonable and callous for the Department to think that it is sufficient to update students through the press. The Department must immediately notify students directly of its decision to cancel their entire student loan debt for the current semester.

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<sup>16</sup> 34 C.F.R. § 685.214(c)(1)(i)(B)

<sup>17</sup> Stratford, Michael. *Politico Pro Education*. “Argosy University accused of false submissions to Education Department.” March 4, 2019.

<sup>18</sup> Douglas-Gabriel, Danielle. *Washington Post*. “Education Department steps in to help Argosy University students shorted \$13 million in financial aid.” February 18, 2019.  
[https://www.washingtonpost.com/education/2019/02/19/education-dept-steps-help-argosy-university-students-shorted-million-financial-aid-dollars/?utm\\_term=.21817ba8d2d8](https://www.washingtonpost.com/education/2019/02/19/education-dept-steps-help-argosy-university-students-shorted-million-financial-aid-dollars/?utm_term=.21817ba8d2d8)

## DISCLOSURES/WEBINARS

We have been disappointed by the Department's failure to provide meaningful, timely, and direct disclosures to students throughout this saga—especially as many students continue to miss thousands in federal student aid funds that they counted on to cover living expenses. Students have been forced to rely on information in the media, rumors, and unreliable information sessions conducted by DCEH/the receiver. The Department must continue to update its information page for students and immediately announce a series of Department-led webinars to publicly answer student questions—including providing information about options for students to continue their education at quality not-for-profit institutions and information related to student aid funds owed to students.

The Department must coordinate with other federal and state agencies to ensure students are fully aware of all their options for the restoration of tuition payments or benefits. Students should also be informed if their state has a tuition recovery fund and how to apply.

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 their options to have their benefits restored for the current term.

## TRANSCRIPTS/STUDENT RECORDS

In cases of precipitous closures or where a school is under heavy financial and administrative distress, students often report difficulty securing their transcripts and student records. Some states have already taken steps to secure these materials for students in their respective states. The Department must ensure that students in all states have access to their transcripts and personal records free of charge and that those materials are secured for future retrieval.

## OTHER RECEIVER SCHOOLS

In addition to providing immediate assistance to Argosy students, we urge the Department to take actions to protect students who are currently enrolled at remaining non-Argosy receiver schools that were not subject to the Department's February 27 action. These students are subject to many of the same risks as Argosy students—including missing student aid funds<sup>19</sup> and the potential financial collapse and loss of accreditation of their schools.<sup>20</sup> These schools are controlled by the same receiver that the Department found was not financially responsible nor administratively capable in its decision to cut off Title IV funds to Argosy.

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<sup>19</sup> Moore, Daniel. *Pittsburgh Post-Gazette*. "Education Department Finding Severs Federal Student Aid to Argosy University." February 28, 2019. Retrieved from <https://www.post-gazette.com/business/career-workplace/2019/02/28/Education-Department-Pittsburgh-Art-Institute-Argosy-student-loan-aid-Dream-Center/stories/201902280131>

<sup>20</sup> Middle States Commission on Higher Education. Statement on Pittsburgh and Philadelphia Art Institutes Show Cause. Issued July 19, 2018. Retrieved from <https://www.msche.org/msche-statement/>

Specifically, the Department must ensure that teach-out agreements are in place and that students at these schools are informed of their options to continue their studies at high-quality not-for-profit institutions. It must also immediately prohibit new Title IV enrollments at these schools to ensure additional students are not put at risk.

We appreciate your immediate attention to our concerns and ask for a reply no later than March 22. Thank you.

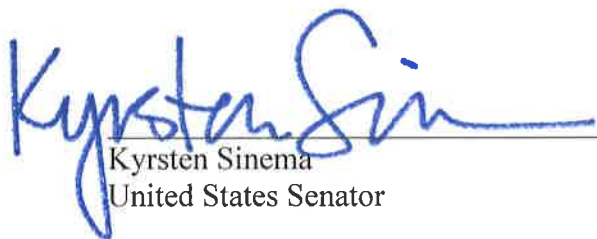
Sincerely,



Richard J. Durbin  
United States Senator



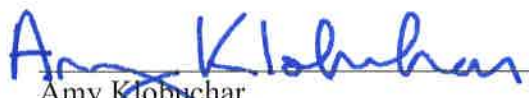
Tina Smith  
United States Senator



Kyrsten Sinema  
United States Senator



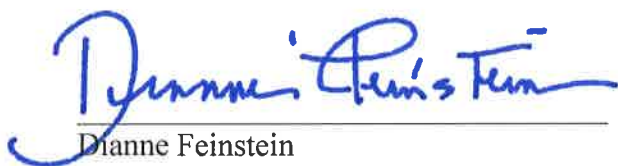
Mazie K. Hirono  
United States Senator



Amy Klobuchar  
United States Senator



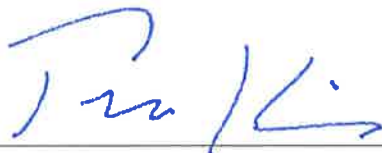
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United States Senator



Tammy Duckworth  
United States Senator



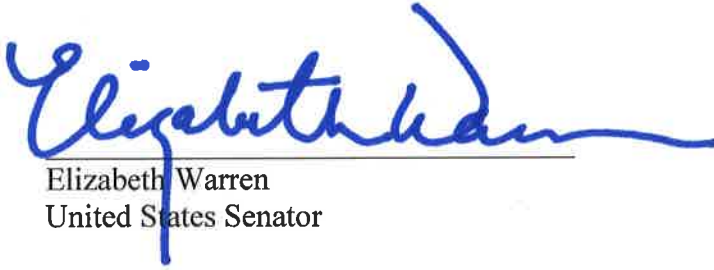
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Brian Schatz  
United States Senator



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Sherrod Brown  
United States Senator



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Elizabeth Warren  
United States Senator