



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

May 9, 2019

Honorable Richard J. Durbin
United States Senate
Washington, DC 20510

Dear Senator Durbin:

Thank you for your letter regarding the July-December 2018 closure and teach-out of a number of campuses operated by Dream Center Educational Holdings (“DCEH”). Your letter was forwarded to my office, and I am pleased to respond. I am also sending identical responses to the cosigners of your letter.

I apologize for the Department’s delay in responding to your letter, but I want to assure you that ever since the Department learned of the impending closures in mid-June 2018, we actively monitored the situation, working with DCEH and with accrediting agencies, States, and potential transfer schools. As a result, the campuses that closed at the end of December 2018 (“Closed Campuses”) did so through an orderly teach-out, which in each case was approved by the relevant accreditor. Since the public announcement in early July 2018, a significant number of students have transferred to other DCEH campuses or transfer schools to complete their education; however, when the Art Institute-Pittsburgh was put on show cause, we informed DCEH that they could not transfer any Art Institutes students to the online programs.

The Department required DCEH to notify all students in writing of their closed school loan discharge opportunities and to provide students with the link to the Department’s closed school loan discharge page on the Federal Student Aid website, which provides instructions for how to make that request. In addition, we instructed DCEH to obtain a signature from each student on the written notice as evidence that the student had been made aware of all of the available options, including the availability of closed school loan discharges. In addition, DCEH offered a \$5,000 transfer scholarship to students at the closing campuses who would not complete their programs by the closure date and wished to transfer to another institution. In late July we learned that DCEH had included a release provision as a condition to those scholarships. On July 25, 2018, we asked DCEH to provide us with a copy of the document, which they did on July 26, 2018. Upon review of that document we notified DCEH that requiring a waiver or release was unacceptable, and we directed DCEH to remove it from the form and to provide updated forms to students, including those who already signed the original form.

The Department was in regular contact with DCEH and its accreditors and State agencies to ensure that DCEH adhered to the requirements of an orderly teach-out, including providing accurate information to faculty, staff and students. In one of our early conversations with accreditors, the Higher Learning Commission (“HLC”) advised the Department that the Art Institute of Colorado and the Illinois Institute of Art (the “Art Institutes”) websites indicated that the schools remained accredited, despite the fact that HLC had put them into Change of Control

Candidacy status (“CCC-Status”), which HLC treated as a non-accredited status as of the date of the change of ownership. We immediately directed DCEH to update the Art Institutes’ websites to reflect the status that HLC had imposed, and we confirmed with HLC that the modifications to the website were acceptable to HLC.

Nevertheless, the confusion about the Art Institutes’ accreditation status caused the Department to closely review HLC’s policies and procedures about its CCC-Status. During the course of this review, the Department also watched a video of a meeting with HLC site visitors, faculty and students at the Chicago campus.* In that video the HLC site visitors appeared to consider CCC-Status as a technical interim phase as a result of the change of ownership, similar to a probation or show cause. Having reviewed HLC’s policies and procedures, its communications with the Art Institutes and the site visit video, the Department is concerned that HLC’s CCC-Status is in violation of HLC’s own policies as well as the Department’s recognition criteria because HLC has used the status to convert two accredited schools to nonaccredited status solely as a result of a change in ownership without putting them on probation or show cause, or otherwise affording them the due process protection of an actual adverse action.

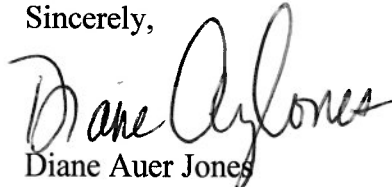
While HLC had every right to remove accreditation from the Art Institutes, the Department will examine whether the agency has followed the appropriate procedures to do so. The Department’s regulations do not provide for an adverse action that would revoke accreditation and at the same time award candidacy status. Indeed, the letter advising the Art Institutes of their CCC-Status refers to the status as a “preaccreditation status.” Accordingly, the Department intends to conduct a review of HLC’s candidacy and preaccreditation standards and its application of those standards, including with regard to the Art Institutes.

In response to your further question, we do not generally plan to extend the closed school loan discharge period beyond the 120 days stated in our regulations. However, recognizing that the situation for students at the Art Institutes (Colorado and Illinois) is more complex because of HLC’s imposition of CCC-Status on those schools, and what that status potentially means for students enrolled in the Art Institutes during the period of CCC-Status, the Department is reviewing whether it should extend the 120-day discharge period for those students back to January 20, 2018, as you have suggested. In addition, students at all of the Closed Campuses were provided with a number of options, including completing their programs at their closing campuses if they were close to completion at the time of the closure announcement, transferring to another institution with the support of a \$5,000 scholarship, or leaving the institution and applying for a closed school loan discharge. Those students who planned to complete their program at the Closed Campuses had the opportunity they were promised, and others have transferred with additional funds provided by the scholarship. In addition, we will process closed school loan discharge applications as we receive them, or upon the borrower’s eligibility for automatic closed school loan discharge under the 2016 Borrower Defense regulations.

* YouTube, HLC Meeting with Student Art Institute of Chicago, available at <https://www.youtube.com/watch?v=-Bn0qKMNqIM> (July 16, 2018).

Thank you for your continuing interest in DCEH schools. Should you or your staff have additional concerns about this matter, please contact the Office of Legislation and Congressional Affairs at (202) 401-0020.

Sincerely,

A handwritten signature in black ink that reads "Diane Auer Jones". The signature is written in a cursive style with a large, looped initial "D".

Diane Auer Jones
Principal Deputy Under Secretary
Delegated the Duties of Under Secretary