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Bipartisan Coalition of 30 Attorneys General Urge US Department of Education Secretary to Increase Number of Students Entitled to Debt Relief

HONOLULU – Attorney General Clare E. Connors joined a bipartisan coalition of 30 state Attorneys General requesting that U.S. Department of Education Secretary Betsy DeVos exercise her authority to extend the close school discharge timeframe for students who were enrolled in schools operated by the Dream Center Education Holdings, LLC (DCEH). The letter details extraordinary misconduct and mismanagement by DCEH, which prevented students from obtaining degrees, and unfairly left them to repay federal student-loan debt from their time attending the failed schools.

“DCEH’s egregious mismanagement loaded students with debt but denied them degrees,” said Attorney General Connors. “The opportunity for debt relief should be extended in this extraordinary situation.”

The Attorneys General write in the letter that a “wide variety of regulators, including the U.S. Department of Education have found that DCEH violated numerous federal and state laws, was noncompliant with accreditors and grossly mismanaged its schools—including Argosy University, the Art Institutes, and South University—leading to the schools’ recent closures. These closures prevented students from completing their programs of study, leaving borrowers with substantial student loan debt and nothing to show for it.”

Under closed school discharge, 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. 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 approves a longer period.

The letter details the myriad of ways in which DCEH violated federal and state law, and grossly mismanaged the schools, which led to the schools' rapid closures in less than 18 months after DCEH acquired the entities. Two egregious examples include:

(1) DCEH failed to inform students that the two of its schools lost their accreditation for several months—during which time students registered for additional terms and incurred additional debts, for credits that could not be used.

(2) DCEH failed to distribute over \$16 million in federal loan credit balance refunds to students. These were student loan stipends that often used for food and housing expenses.

In Hawaii, 776 students were enrolled at one of Argosy University's three Hawaii campuses within weeks of Argosy University's closure in March 2019. Thirteen Hawaii students were enrolled at DCEH schools online at the time of those schools' closure. There may be other Hawaii students eligible for closed school discharge if they withdrew from a DCEH school before closure.

The letter was led by the Attorneys General of Oregon and Minnesota, and co-signed by the Attorneys General of California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, Virginia, Washington and Wisconsin.

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