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DeVos cancels nearly \$11 million in student loans that the Education Dept. sent to unaccredited for-profit colleges



Saying “students were failed and deserve to be made whole,” Education Secretary Betsy DeVos is forgiving loans that students took out to attend now-defunct schools. (Alex Edelman/Bloomberg News)

By [Danielle Douglas-Gabriel](#)

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The Education Department said Friday it will cancel federal loans provided last year to students at four Art Institutes locations after revelations that officials knew the for-profit colleges were not accredited and ineligible to receive such aid.

[Trump administration let nearly \\$11 million in student aid go to unaccredited for-profit colleges](#)

The federal agency has been embroiled in controversy over its efforts to shield Dream Center Education Holdings, owner of the Art Institutes and Argosy University, from the consequences of lying to students about the accreditation of its since-closed schools. Documents released in October by the House Education and Labor Committee show the department provided \$10.7 million in federal loans and grants to students at Art Institutes locations while the schools were not fully accredited. Now those loans will be forgiven.

On Friday, Education Secretary Betsy DeVos placed blame on the accreditor, the Higher Learning Commission, for harming students by withholding its seal of approval from failing for-profit schools and heralded the department's actions as an effort to right the wrong.

"The Department is committed to holding institutions and accreditors accountable to the students they serve," DeVos said in a statement. "In this instance, students were failed and deserve to be made whole."

While the Higher Learning Commission applauded the Education Department's action, the accreditor said Dream Center's duplicity remains at the heart of the matter. Neither the Art Institute of Colorado, the Art Institute of Michigan nor the Illinois Institute of Art in Chicago and Schaumburg held the accrediting commission's seal of approval in the 2018 spring semester. In reviewing Dream Center's 2017 acquisition of the chain, the accreditor raised concerns about the quality of education at the campuses and downgraded their status for up to four years.

The accreditor issued a public notice in January 2018 and instructed Dream Center to inform students, but the Los Angeles company, which could not be reached for comment, continued to advertise that the schools were accredited.

"The institutions did not appropriately inform their students as was required and specifically instructed by" the Higher Learning Commission, said Steve Kauffman, spokesman for the accreditor.

In Friday's announcement, the Education Department criticized the accrediting commission's downgrade as a "newly developed and improperly defined accreditation status," but Kauffman said the policy has been in place since 2009. He noted that the accrediting commission not only posted information about the Art Institutes campuses on its website but simultaneously notified state education agencies and the Education Department.

Still, the federal agency continued issuing loans to Art Institutes students, even though for-profit colleges must be fully accredited to participate in federal student aid programs.

The for-profit schools' downgraded designation as "preaccredited" institutions prohibited the receipt of federal student aid, although nonprofit schools with the same status can receive aid. To fix the problem, the department in May 2018 retroactively designated the schools as nonprofits effective Jan. 20, 2018, the date they lost their accreditation, according to letters obtained by the House committee.

The department insists the schools were fully accredited until they closed.

The Education Department will grant debt relief to 1,500 students who took out loans to attend the four Art Institutes campuses between Jan. 20, 2018, and Dec. 14, 2018. The cancellation applies only to that period. Students who burned through federal Pell grants to attend the schools that closed before they could graduate will also have their eligibility for Pell aid restored.

DeVos is also extending the window for another form of debt cancellation, known as a closed school discharge. Students are eligible for the discharge if they were enrolled when a school closed, were on an approved leave of absence or had withdrawn within four months of the closure. Transferring elsewhere to complete a degree makes students ineligible.

Instead of the standard four-month period, the department is expanding the time frame to six months for [students at 24](#) other Dream Center schools — including Argosy locations — that closed. The agency estimates the change will benefit 285 people. Eligible borrowers will be contacted by their student loan servicers.

The extension falls short of what liberal lawmakers requested. In March, 81 congressional Democrats [urged](#) DeVos to lengthen the timeline to October 2017, when the department approved Dream Center's acquisition of the schools. Because the department rescinded its approval after learning Dream Center misappropriated more than \$13 million in federal student aid, lawmakers argue that students should not be on the hook for loans made since then.

[Trump administration pulls federal student aid from Argosy University. But is it too little too late?](#)

DeVos and the department are being sued by former Art Institute of Colorado and Illinois Institute of Art students on allegations they unlawfully issued loans that the students say they should not have to pay. The case is still in play until attorneys for the group can confirm the logistics of the Education Department's announcement. Robert J. Infusino, one of the students involved in the case, was thrilled to learn Friday that at least some of the \$28,000 in debt he amassed at the Illinois Institute of Art would be forgiven.

“The whole time since we found out that our school wasn’t accredited, we’ve been asking the department to stand up for students,” Infusino said in a statement. “I’m happy they finally agreed, instead of fighting our lawsuit.”

While Friday’s announcement is welcomed vindication, Eric Rothschild, an attorney at the National Student Legal Defense Network representing the students, said it doesn’t absolve the department from culpability.

“The accreditor, whether you agree or disagree with its decision, was always upfront while the schools and the department were consistently concealing information from the students,” Rothschild said. “The relief granted here demonstrates that the department recognizes its own responsibility for what happened, no matter how they try to rationalize it.”

<https://www.washingtonpost.com/education/2019/11/08/devos-cancels-nearly-million-student-loans-that-education-dept-sent-unaccredited-for-profit-colleges/>