



BRIEF

## Dream Center lawsuit can proceed, federal judge rules

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### Dive Brief:

- A federal judge has denied the Dream Center Foundation's motion to dismiss complaints lodged against it in a lawsuit from former students of a college chain it owned.
- The students allege the schools concealed that they lost their accreditation and that they actively misrepresented their accreditation status, but the Dream Center says the plaintiffs haven't demonstrated to the court that it was involved.
- The decision is a critical step toward the legal process of discovery, which the judge wrote "will be needed to untangle the apparent web of interlocking officers and directors among the Dream Center entities at issue in this case."

### Dive Insight:

The U.S. District Court's order is the latest turn in the faith-based nonprofit's troubled foray into higher education, which began when it bought the college assets of the for-profit operator Education Management Corp. in late 2017 and unraveled a little over a year later. Among the institutions it acquired were the Art Institutes, a chain of for-profit colleges specializing in design disciplines, as well as Argosy and South universities.

As a result of the change in ownership, the Higher Learning Commission, the accreditor for the two Art Institutes named in the lawsuit, downgraded their accreditation status, making them

ineligible to receive federal student aid as of Jan. 20, 2018. However, the students allege the schools continued to present themselves as accredited during that time.

Documents obtained by the U.S. House of Representatives' education committee last year suggest the U.S. Department of Education was aware of the situation and continued to fund the schools. The department said it would retroactively accredit them, though it didn't inform Congress, the committee alleged in a July letter to Education Secretary Betsy DeVos.

Former students from the schools sued the Ed Department in October asking it to void loans made to some Art Institutes students from Jan. 20, 2018 onward. The lawyers for the students said they were unknowingly taking out loans and paying tuition to an unaccredited institution.

The Ed Department has since agreed to cancel federal loans and restore Pell Grant eligibility for students who attended the two Art Institutes campuses involved in the latest order as well as another Art Institute location. The department also said it will extend the period of eligibility during which students at other Dream Center colleges can qualify for closed-school discharges.

The National Student Legal Defense Network, now called Student Defense, which helped bring the lawsuit against the Dream Center and is representing students in the complaint against the Ed Department, said in a statement emailed to Education Dive on Monday that it expects the forthcoming discovery process will reveal "more about how the Foundation prioritized its for-profit school business over the best interests of students."