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How America’s College-Closure Crisis Leaves Families Devastated

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All across the United States, colleges are disappearing.

As a result, the lives of students and their families have been plunged into unexpected crisis. A *Chronicle* analysis of federal data shows that, in the last five years, about half a million students have been displaced by college closures, which together shuttered more than 1,200 campuses.

That’s an average of 20 campus closures per month. Many of those affected are working adults living paycheck to paycheck, who carried hopes that college would be their path to the middle class.

Most are age 25 or older. About one in four are at least 35 years old.

“ONE class left,” Lisa La More wrote on Facebook last month, after the for-profit college she attended, the Art Institute of California’s San Diego campus, shut down. “Less than 3 weeks from my BS in Graphic and Web. 6 years of my life WASTED. I am 48 years old, with teenage kids. What am I supposed to do now?”

College closures don’t just disproportionately hurt older students. They have severely hit low-income students, too: Nearly 70 percent of undergraduates at closed campuses received need-based Pell Grants. Black and Hispanic students also bear the brunt. About 57 percent of displaced students are racial minorities.

Most of the closures have one thing in common: It was a for-profit college that shut down. Among the more than 1,230 campuses that closed, 88 percent were operated by for-profit colleges. For-profit colleges represent only about one-tenth of U.S. college enrollment, but they account for nearly 85 percent of students displaced by closures in the last five years, according to *The Chronicle*’s analysis. That adds up to roughly 450,000 displaced for-profit college students.

In the last six months, the for-profit college implosions have included Vatterott College, which boasted 15 campuses across the Midwest; Alabama-based Education Corporation of America, which once had 70 campuses nationwide; and Dream Center Education Holdings, which shut down 41 for-profit campuses operating as either the Art Institutes or Argosy University.

Not every displaced student drops out of school entirely. Some colleges might shutter a campus but allow students to continue their education through online courses. But in those instances, the students are not receiving the program they signed up for, on the terms that they wanted.

When a college fully goes out of business, there is no easy fix for the people caught in the crossfire. Closures can be both traumatic and financially ruinous for students — many of whom are single parents like La More. La More told *The Chronicle* that she had completed most of her final class, which required students to put together a full-scale rebranding campaign for a make-believe client. The project was an opportunity for students to demonstrate the skills they had accumulated through years of study.

La More completed every part of the branding campaign except one: a budget for how much to spend on billboards and business cards. The San Diego campus closed before she could complete the budget plan. There were two and a half weeks left in the academic term.

Some Art Institute professors scrambled to issue grades to students for the mostly-completed term. But La More’s instructor did not, she said. In the chaotic moments just before a college closes, its actions are unpredictable, and largely unaccountable.

And so La More won’t graduate.

“I don’t know how they can do this to people,” she said.

Kendrick Harrison is a veteran and former Argosy U. student. He says the college recruiter encouraged him to quit his job and focus on his classes.Bridget Bennett for The Chronicle

'I'm Fighting Like Hell'

Kendrick Harrison, a disabled Army veteran who fought in Iraq, remembers how the recruiter at the for-profit Argosy University encouraged him to quit his job so he could focus on his studies. Veterans are heavily recruited by many for-profit colleges, and they, too, are disproportionately hurt by closures. About 22,000 GI Bill recipients were enrolled at for-profits when the colleges shut down between 2014 and 2018.

Harrison did quit his job as a youth basketball coach and enrolled in Argosy's online business-degree program. The financial aid he received through the GI Bill was more than enough to cover tuition. He could use the leftover money, which students receive as a stipend check, to cover household bills.

Harrison relied on those quarterly checks. But when Argosy University recently ran into financial problems, the college illegally kept the stipend money that belonged to students — nearly $13 million — and spent it on payroll and other overhead expenses, according to the U.S. Department of Education.

Argosy closed its doors last month, when its parent company, a Christian nonprofit named Dream Center Education Holdings, went under. Also closing were four Art Institute campuses operated by

Dream Center. In total, 20 Dream Center campuses went dark, displacing more than 10,000 students.

When Argosy University, a for-profit college system, suddenly closed in March, Kendrick Harrison didn't just lose his foothold in higher education. He and his family lost their home.

What will become of the stipend money? That will be determined in the courts.

The Education Department has posted on its website that federal regulations prevent the agency from solving the issue by steering additional financial-aid funds to Argosy to distribute, or providing the money directly to students. Instead, the federal government is deferring to Mark Dottore, the court-appointed receiver who is managing what remains of Dream Center's assets as the company winds down.

The Education Department says it "expects the receiver, who has control of the institutions and their finances, to resolve this situation."

Dottore disclosed last month in a court filing that Argosy had been "altering" financial-aid submissions to the Education Department so that it would appear that student stipends had been paid. That scheme would have allowed financial-aid money to keep flowing to the college, even though students hadn't been paid the money owed to them. Dottore wrote in the court filing that he needed time to "complete a proper, detailed investigation" into the misuse of the student stipend money.

Students like Harrison didn't have the luxury of time. Without his $2,449.15 financial-aid stipend for the final term, he couldn't pay his rent. Harrison and his wife were in court last month in front of an eviction judge, who ordered them to leave their home within 10 days. After struggling to find another apartment, the couple, who have six children, found themselves homeless. They put most of their belongings in storage and spent the night in a hotel room.

Moving Out

The Harrisons and their children pack their belongings after being

Over the past few months, Harrison said, the university repeatedly made excuses for the delayed stipend — at one point blaming the federal government shutdown. Argosy was “willfully deceiving” students, he said.

“I never thought I would be a homeless vet,” Harrison said. “I felt like the tools and the things that the military instilled in me had gave me enough that I would be able to prevent this situation for my family. For life. At all costs.”

The Dream Center did not respond to requests for comment for this article.

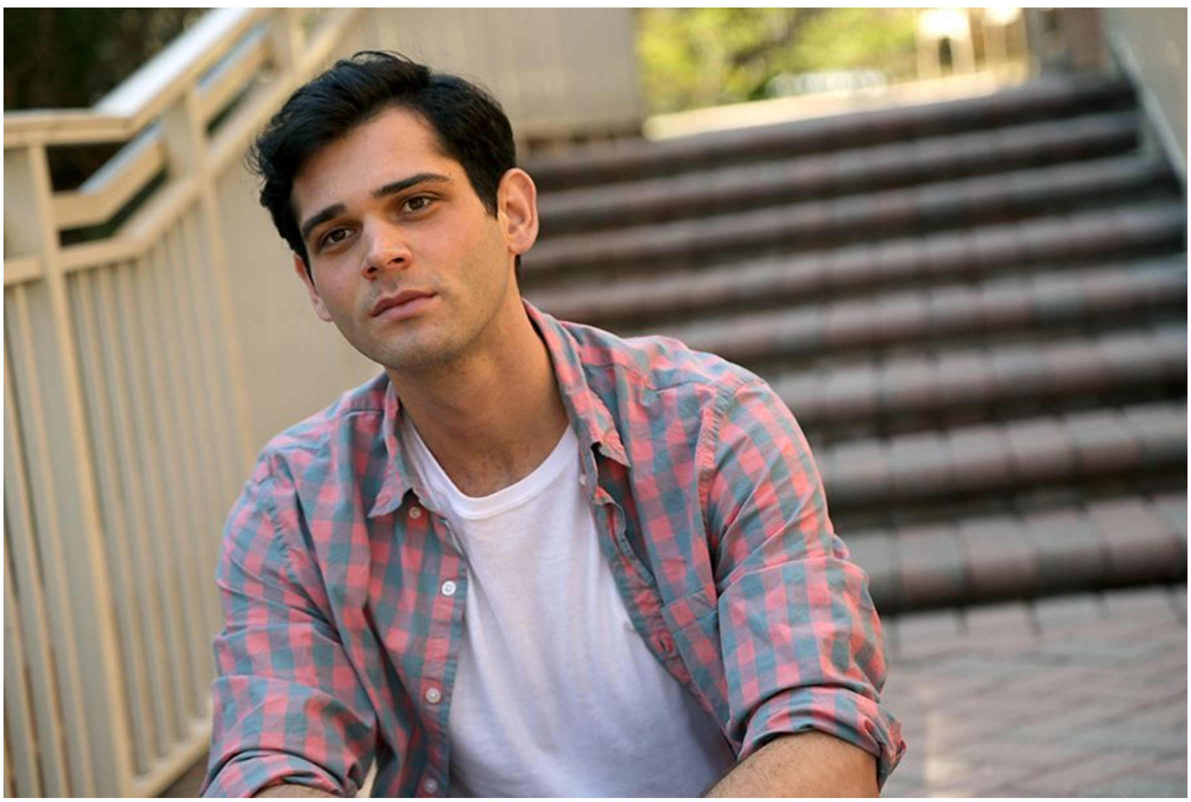
Records obtained by *The Chronicle* from a former Argosy employee show that the university responded to the growing outcry from students by giving its employees a list of “talking points for stipend delays.” Employees were instructed to blame the problem on the fact that Argosy had entered into a court-appointed receivership in January, even though the existence of the receivership alone did not cause the stipend issue, and the receiver has said that others at the company altered records to deceive the Education Department.

Argosy’s misappropriation of the money, the department found, demonstrated “a blatant disregard of the needs of its students.”

At Argosy’s campus in Northern Virginia, one student, Zach Appenzeller, recalled an “emotional” town-hall meeting held in February, during which the campus president promised that stipend checks would be arriving by the coming Friday or Monday.

“People were applauding and cheering and tearful,” Appenzeller, 24, said. “No one had received their money, and people were elated.”

Friday came and went. Monday came and went.



Zach Appenzeller, a former student at Argosy’s Northern Virginia campus, created a Facebook page for displaced students and raised money to help those who were struggling.Chronicle photo by Julia Schmalz

After Argosy shut down last month, Appenzeller raised thousands of dollars from family and friends to try to help his classmates, many of whom were in a deep financial hole because of never receiving their stipends. There was a single mother with a special-needs child who needed extra care. There were students who didn't have money for food.

When Appenzeller read about Harrison's eviction in *The Chronicle,* he donated to the veteran's fund-raising efforts.

Appenzeller also met with the office of his U.S. senator, Mark Warner.

"I'm fighting like hell to make sure that people are OK," he said, "and more importantly, that this never happens again."

A Surge in Closures

The increased frequency of for-profit campus closures is a problem that the Trump administration inherited. The number of shuttered colleges per year surged from 50 in 2009 to a peak of 448 in 2016. Around 175 closures occurred in each of the past two years.

The industry's trade group, Career Education Colleges and Universities, acknowledges that it is a problem that so many college students are being displaced by closures.

But for the most part, the group's chief executive, Steve Gunderson, doesn't think for-profit colleges themselves are to blame. The industry's reputation and its financial footing, he said, were damaged by the Obama administration, which put in place a set of stricter regulations designed to protect students.

The previous administration also revoked an accreditor seen as overly lenient on for-profit colleges, while citing specific examples of for-profits' misbehavior to justify its tougher stance.

"You can't declare war on a sector without having a huge negative impact," Gunderson said. Students, he argued, end up getting hurt in the process.

U.S. Sen. Dick Durbin, an Illinois Democrat, lays the blame for recent for-profit college closures squarely at the feet of the industry. At a House appropriations subcommittee hearing last month, Durbin rattled off the names of for-profits that had closed within the last few months. "The collapse of these schools tells you they're not even good economic and financial models," said Durbin, who has pushed for stricter oversight of the industry. "They take all the money they can, and then run for the border."

Education Secretary Betsy DeVos has staffed her department with former for-profit college executives, and the Trump administration has scaled back oversight of these institutions. DeVos allowed Dream Center — which had no higher-education experience — to purchase the Art Institute and Argosy campuses in 2017. It was a controversial decision, as the Obama administration had previously rejected Dream Center's attempt to buy a different for-profit college chain.

In addition to allowing unproven, inexperienced operators like Dream Center to run for-profit systems, DeVos's Education Department has also scaled back efforts to help the students displaced by for-profit failures. A key example is what happens to those students' loan debt. Under a decades-old federal law, students who are attending a college that closes (or who withdraw shortly before the college shuts down) are entitled to have their federal loans forgiven. The logic is simple: Students borrowed the money with the intention of earning a specific degree, and the college going out of business denied them that opportunity.

The Obama administration studied how well that law was working. It found evidence that many students who attended closed colleges had neither moved on to study elsewhere nor asked for loan forgiveness. In all likelihood, these students had simply given up on college and were carrying debt they didn't have to.

So the Obama administration created an "automatic closed school discharge" for these students. Three years after a college closes, if a student isn't using those credits, the loans automatically go away. The provision was part of a regulatory package known as "borrower defense to repayment," released in the waning months of the Obama presidency.

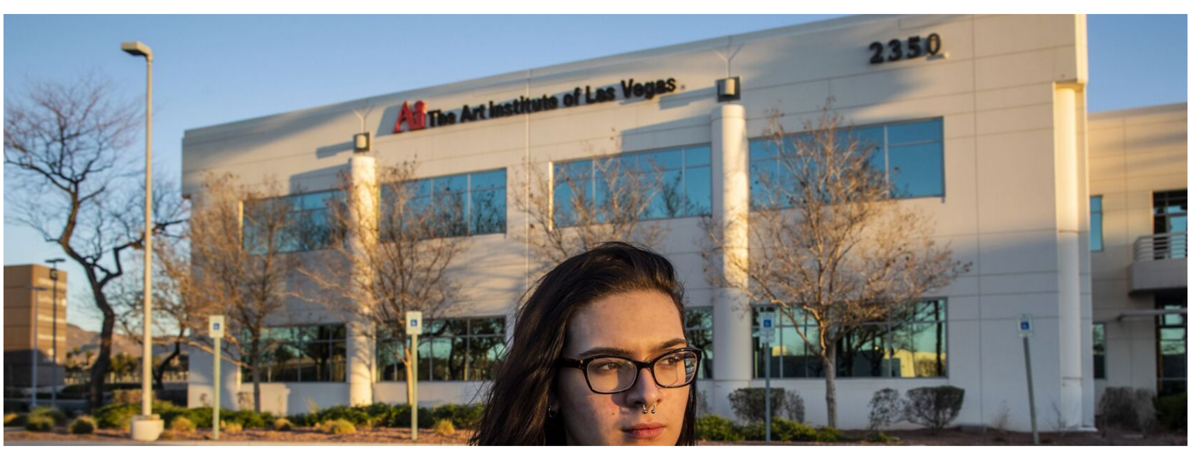
DeVos repeatedly delayed implementing the borrower-defense regulations — a judge in September called those delays "arbitrary and capricious," and ordered the rules to immediately take effect.

In November, a consumer group sued, alleging that the Education Department was still dragging its feet in processing automatic discharges. Since that lawsuit, the department has picked up the pace – discharging more than $158 million in loans (affecting 15,000 borrowers).

But at the same time, the Trump administration has been working on its own proposed rewrite of the borrower-defense regulations. An early version of that plan eliminated automatic closed-school discharges, and it sought to drastically reduce the number of students who would qualify for closed-school loan forgiveness if they asked for it.

The administration's proposal was to deny discharges to students from closed colleges that offered "teach-outs," which are an alternate pathway for students to finish their programs and graduate.

Some colleges have shut down without arranging teach-outs. At the colleges that do provide them, the quality varies. In the worst cases, students end up at a transfer college that neglects them or demands additional money. Or a college remains partially open and provides the teach-out itself as it winds down operations. In that scenario, the quality of instruction can deteriorate rapidly as employees leave and equipment isn't maintained.



Natalie Kalupski moved to Las Vegas to attend the Art Institute there after her campus in Schaumburg, Ill., closed down. She arrived to find that the Las Vegas campus had just laid off all its full-time faculty.Joe Buglewicz for The Chronicle

‘I Was Angry’

For example, Dream Center’s Art Institutes shut down a dozen locations in December, including the Illinois Institute of Art in Schaumburg, where Natalie Kalupski was studying graphic design. The company offered a 50-percent tuition discount to students who were willing to take their teach-out at another Art Institute campus.

Eager for a change from the Midwestern cold, Kalupski took a chance. She transferred to the Art Institute’s Las Vegas campus. Kalupski packed up her white 2012 Ford Escape and set out for the 27-hour drive to her new home.

Her initial enthusiasm faded on her first day of classes in Las Vegas, in October. That’s when she found out that her new campus had just laid off or demoted all of its full-time faculty. There were other signs of trouble: Half of the campus was shut down because of low enrollment, she said, and student housing had also been closed. Before the move, Kalupski said, she asked about the conditions in Las Vegas, and was given false assurances by Art Institutes officials.

“For a little while, I was blaming myself for not asking more questions, but I felt like I interrogated them before I agreed to come out here,” Kalupski, 19, said. “I was angry.”

Dream Center officials did not respond to a request for comment about Kalupski’s complaints. The Las Vegas campus remains open, despite the shutdown of Dream Center colleges. A local investor group swooped in to buy the location. But Kalupski still wonders if her second campus will close before she finishes her program.

In recent months, the Trump administration said it was no longer planning to deny loan forgiveness based on the availability of teach-outs. The Education Department is now attempting a second rewrite of the Obama regulations. It is unclear at this point how the department will propose tackling closed-college loan forgiveness, or the issue of college closures in general.

Whatever the department decides could ultimately affect lots of students at nonprofit colleges too. One reason: Changing U.S. population demographics mean universities are going to be competing for a smaller pool of college-aged students — a change that is particularly challenging for some New England liberal-arts colleges, which might not survive.

‘The Rug Is Pulled Out’

For-profit college closures can be sudden. Students might receive only a couple of days of advance notice, or maybe no notice at all.

Students at Harrison College — a small, Indianapolis-based for-profit chain that closed in September — found out what was happening from social media and their local TV news. The month before, Harrison College quietly sold its downtown Indianapolis campus for $6.3 million. Students continued attending class as usual, unaware that the transaction had occurred.

Holly Dumas was one of them. Dumas had pursued a nursing degree while serving as the caregiver for both her elderly mother and her disabled husband, who suffers from a traumatic brain injury. Dumas cut her hours at work, and the family learned to live on a tight budget. Relatives helped out with caregiving.

Dumas said she and her fellow students were emotionally destroyed by the closure.

“Every day I get on Facebook and I hope and pray that someone I go to school with hasn’t killed themselves,” Dumas, 43, said. “Because that’s how devastating this has been for all of us.”

Rusty Webb, a lawyer from West Virginia, represents former Harrison students in a class-action lawsuit they have filed against the college. (The lawsuit alleges that Harrison “failed to deal openly, fairly, and honestly” after listing two of its campuses for sale more than a year earlier. The college’s former chief executive, Craig F. Pfannenstiehl, told *The Chronicle* that the sale of campus properties did not mean a closure was in the works; Harrison didn’t decide to shut down until “about a week before we had to pull the plug,” he said.)

Webb said he sees a common thread in the multiple campus-closure cases he has handled, which tend to affect older, nontraditional students who have a limited window of time to earn a degree.

“The rug is pulled out from under them, and they can’t survive it,” he said. “That window may not ever open again. They may be too old. The kids may be growing up.”

In theory, students who are unsure about what to do have the help of their state government, the federal government, and college accreditors — the so-called regulatory triad of higher-education oversight. But all three layers of oversight have been criticized in the past for their handling of college closures. A week before the Argosy campuses shut down, the American Psychological Association wrote a letter to Secretary DeVos, arguing that the department's resources for affected students — including an online portal and a feedback line — were insufficient.

After a closure, in the heat of the moment, it's easy for students to make a bad decision, or to act without a complete understanding of their options. Many are desperate for a path that will still allow them to graduate.

When Harrison College closed, records obtained by *The Chronicle*through a public-records request show that the state of Indiana received multiple emails from colleges interested in signing up the displaced students. For-profit college credits can be difficult to transfer to other institutions, and sometimes the colleges that welcome the students have financial problems of their own. Still, state officials provided Harrison students' personal contact information to the colleges.

The result: Students were inundated with phone calls from admissions recruiters.

"I'm not really sure it's legal," said Webb, the students' lawyer. "I'm not sure you're allowed to give up students' contact information. I mean the school couldn't give it up, right? So how could the state give it up?"

Teresa Lubbers, Indiana's commissioner for higher education, emailed *The Chronicle* the following statement: "When Harrison College closed, it became clear to us in speaking with students that many wished to continue their education. Our focus was to help each student complete his or her degree with as little disruption as possible. Connecting Harrison College students with institutions interested in helping them do so was both legal and the right thing to do."

Elizabeth Ramos Torres was a student at the Art Institute of Colorado, hoping to make a better life for her son, who is autistic. She now says she wishes she had spent that time and money on him.Ben Rasmussen for The Chronicle

'I Could See the Finish Line'

Even when a student at a dying college notices the warning signs, there are many reasons why students might stay enrolled. Unintentionally, federal law provides such an incentive. Students at a college that has closed can only receive a closed-school discharge if they have attended the institution within 120 days of its closure.

That means a student who bolts for the exits at the earliest warning signs doesn't qualify for loan relief.

Last year, four Art Institute campuses lost their institutional accreditation by the Higher Learning Commission after Dream Center purchased the chain. In January of 2018, the accreditor told Dream Center to deliver the news to students. Instead, the organization continued to say, in both online statements and course catalogs, that its campuses "remain accredited."

Students in Illinois sued the Dream Center Foundation and said they were misled. In court filings last month, Dream Center said no one had "acted improperly" on the accreditation issue. The foundation, which took credit for buying the colleges in 2017, tried to distance itself from the lawsuit, arguing that the campuses were operated by Dream Center Education Holdings, and that even if the court determines the foundation to be the parent company, "a parent company is not liable for the actions of its subsidiaries, or other entities far downstream."

Elizabeth Ramos Torres, a student at the Art Institute of Colorado, said students didn't hear the truth about the institute's accreditation status until about six months after it was revoked, at an on-campus meeting.

Ramos Torres immediately withdrew.

"Y'all are closing," she remembers saying as the meeting with accreditors wrapped up. "You're not accredited. You're wasting my time. You're wasting my money. I'm done."

The campus shut down five months later. Ramos Torres has applied for a closed-school loan discharge. She might not get it.

Ramos Torres left behind a teaching job in 2013 to pursue her Art Institute degree in audio/video production. She balanced the demands of being a student with caring for her 8-year-old son, Xoaquin, who is autistic.

On Saturdays, mother and son would spend hours together at the downtown Denver campus, as Ramos Torres mixed music for local bands and edited TV commercials for classroom assignments. She was doing well. Her internship at a local TV station was extended and lasted two years. By the end, she had produced two of her own shows. She was about nine credits shy of completing her degree.

"I could see the finish line," she said. "I could see it."

Now, Ramos Torres has returned to teaching. Instead of a degree and a fresh start, she is left with a parent's guilt. If she hadn't gone to the Art Institute, she could have spent more time on language tutorials with her son, working to improve his speech. They could have taken vacations together, she said.

Ramos Torres's voice cracked.

"I try not to be that person that regrets things," she said. "I want to put that out into the universe, so that more positive comes back to you. But, yeah, there's a lot that could have been different."

About the Data

Displaced-student calculations rely on data submitted by institutions prior to their closures. To compare the for-profit sector and the postsecondary education industry to these calculations, six-year averages were calculated for those cohorts. Unless otherwise noted, annual figures rely on counts of all unique students (undergraduate and above) who enrolled at an institution in the United States or Puerto Rico any point during a 12-month period ending in the summer of an academic year. To learn more about *The Chronicle*'s methodology for this analysis, visit here.

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We welcome your thoughts and questions about this article. Please email the editors or submit a letter for publication.