

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

JENNA DETMER & ASHLEY  
BARNETT, on behalf of themselves and  
a class of similarly situated persons,

Plaintiffs,

v.

LA'JAMES COLLEGE OF  
HAIRSTYLING, INC. OF FORT  
DODGE, d/b/a LA'JAMES  
INTERNATIONAL COLLEGE,

LYNDI, LTD., d/b/a LA'JAMES  
INTERNATIONAL COLLEGE,

M&C BEAUTY SCHOOL, INC., d/b/a  
LA'JAMES COLLEGE OF  
HAIRSTYLING, INC. & LA'JAMES  
INTERNATIONAL COLLEGE,

TIFFANY, LTD., d/b/a LA'JAMES  
COLLEGE OF HAIRSTYLING, INC. &  
LA'JAMES INTERNATIONAL  
COLLEGE,

TRAVIS, LTD., d/b/a LA'JAMES  
COLLEGE OF HAIRSTYLING, INC. &  
LA'JAMES INTERNATIONAL  
COLLEGE,

R&R CONSTRUCTION CO., d/b/a  
LA'JAMES COLLEGE OF  
HAIRSTYLING, INC. & LA'JAMES  
INTERNATIONAL COLLEGE, and

JOHN AND JANE DOES 1–12, in their  
individual and official capacities,

Defendants.

**LAW AND EQUITY** \_\_\_\_\_

**CLASS ACTION  
PETITION  
AND JURY DEMAND**

Plaintiffs Jenna Detmer and Ashley Barnett (“Named Plaintiffs”), on behalf of themselves and a class of similarly situated persons, bring this class action complaint against corporate entities that are conducting business as La’James International College (“La’James”) and John and Jane Does 1–12, in their individual and official capacities (collectively, “Defendants”) for violations of the Iowa Consumer Fraud Act, Iowa Code § 714H.5, and for fraudulent misrepresentations, negligent misrepresentations, fraudulent concealment, and breach of contract.

## INTRODUCTION

1. La’James International College, a beauty school that operates approximately 20 percent of the beauty schools in the State of Iowa, primarily serves low-income students who are seeking credentials to enter a profession that they hope will improve both their livelihoods and the livelihoods of their families.

2. To earn these credentials, the Iowa Board of Cosmetology and Sciences requires students to train for a minimum number of hours. For example, to earn a cosmetology license, Iowa students must train for 2,100 hours, which is equivalent to “a full year’s worth of 40-hour workweeks, plus an extra 20 [hours].”<sup>1</sup> These demanding hourly requirements preclude most students from working while in school, imposing a financial burden on them and their families due to increased expenses from tuition and other fees, as well as lost income.

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<sup>1</sup> Meredith Kolodner & Sarah Butrymowicz, *A \$21,000 Cosmetology School Debt, and a \$9-an-Hour Job*, N.Y. Times (Dec. 26, 2018), available at <https://www.nytimes.com/2018/12/26/business/cosmetology-school-debt-iowa.html>.

3. Defendants made the situation even worse for its students. By its owner and President's own description, La'James is run as "a business first, and a school second."<sup>2</sup>

4. Defendants' attitude has resulted in serial misconduct toward La'James students. In 2014, the Iowa Attorney General sued La'James, as well as various business entities and individuals associated with La'James, alleging violations of the Iowa Consumer Fraud Act due to misleading their students based on a practice of treating students "more like free labor than students."<sup>3</sup>

5. In 2016, the Iowa Attorney General's Office entered into a consent judgment with La'James and the other defendants<sup>4</sup> to settle claims that they had engaged in "deceptive, omissive, and unfair practices in marketing, enrollment, and instruction."<sup>5</sup> The consent judgment prohibited the defendants from, *inter alia*, "mak[ing] any false, deceptive, or misleading statements concerning financial aids specifically with respect to when a Student will receive a living expense allowance disbursement."<sup>6</sup>

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<sup>2</sup> *Id.*

<sup>3</sup> Petition, *State of Iowa v. La'James Coll. of Hairstyling Inc. of Fort Dodge, et al.*, Equity No. EQCE077018 (Polk County 2014).

<sup>4</sup> The Iowa Attorney General's lawsuit included the following defendants: La'James College of Hairstyling Inc. of Fort Dodge, d/b/a La'James International College; Travis, Ltd., d/b/a La'James International College; M&C Beauty School, Inc., d/b/a La'James International College; Tiffany, Ltd., d/b/a La'James International College; R&R Construction Co., d/b/a La'James International College; Lyndi, Ltd.; Travis Becher; and Cynthia Becher. *See id.*

<sup>5</sup> Iowa Attorney Gen., *La'James International College to Forgive \$2.1M in Student Debts, Change Business Practices Through Consumer Fraud Settlement* (June 30, 2016), available at <https://www.iowaattorneygeneral.gov/newsroom/la-james-international-college-settlement>.

<sup>6</sup> Proposed Consent Judgment at ¶ 72, *State of Iowa v. La James Coll. of Hairstyling Inc. of Fort Dodge, et al.*, Equity No. EQCE077018 (Polk County June 29, 2016).

6. As part of the consent judgment, the Court appointed a settlement administrator to independently monitor defendants' compliance.<sup>7</sup>

7. However, the defendants did not stop mistreating La'James students after entering into the consent judgment. In 2018, the settlement administrator concluded that "La'James has misled students regarding its financial aid practices—specifically its obligation to timely advance and disburse anticipated credit balances to students who have applied for federal student loans."<sup>8</sup> In addition, the settlement administrator found that "[m]any students enrolled in a La'James program based on their expectation of receiving credit balance funds at the relevant hour markers" and they "were relying on expected credit balance disbursements to be able to continue or complete their education."<sup>9</sup> "La'James has made misleading statements and omissions 'concerning financial aid [to those students], specifically with respect to when a Student will receive a living expense disbursement."<sup>10</sup>

8. The U.S. Department of Education ("the Department") has also implemented measures against La'James for its financial aid practices. In August 2017, the Department placed La'James on "restrictive monitoring for alleged mishandling of students' financial aid."<sup>11</sup>

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<sup>7</sup> *Id.*

<sup>8</sup> Administrator Report at 26, *State of Iowa v. La'James Coll. of Hairstyling Inc. of Fort Dodge, et al.*, Equity No. EQCE077018 (Polk County Dec. 19, 2018) ("2018 Administrator Report") (attached hereto as Exhibit A). As explained *infra*, a credit balance occurs when the financial aid funds credited to a student's account exceeds the amount of expenses that need to be paid, such as tuition, fees, etc.

<sup>9</sup> *Id.* at 24.

<sup>10</sup> *Id.* at 19 (quoting Proposed Consent Judgment at ¶ 72, *State of Iowa v. La James Coll. of Hairstyling Inc. of Fort Dodge, et al.*, Equity No. EQCE077018 (Polk County June 29, 2016)).

<sup>11</sup> Kolodner, *A \$21,000 Cosmetology School Debt*.

9. In May 2018, the Department wrote to Cynthia Becher, President of La'James, to inform her that La'James was not in compliance with Department regulations requiring the school to “post all [federal financial assistance] funds to students’ accounts within the same payment period students become eligible for those disbursements, and issue any subsequent [federal financial assistance] credit balances to those students within the required timeframe.”<sup>12</sup>

10. Defendants’ misconduct continues to this day. Their attitude of putting their business before their students has expanded from providing a poor education and requiring students to sit in empty salons to illegally withholding financial aid that their students were awarded and counted on to sustain them while they were in school.<sup>13</sup>

11. As a result of Defendants’ misconduct, many students were unable to make ends meet while they were enrolled at La'James. The experiences of Named Plaintiffs are representative of what other students have experienced and are continuing to experience.

12. For example, Named Plaintiff Jenna Detmer, a former student at La'James, received her second payment approximately eight months after it was promised to her and approximately six months after she graduated. As a result, Ms. Detmer incurred additional debt, almost lost her car, and was nearly evicted.

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<sup>12</sup> Letter from U.S. Dep’t of Educ. to Cynthia Becher, President of La'James, (May 10, 2018) (2018 Administrator Report, Ex. J) (“May 2018 Department Letter”).

<sup>13</sup> *Id.*

13. Named Plaintiff Ashley Barnett, a former student at La'James, received her first and only payment approximately nine months after it was promised and approximately five months after she graduated. As a result, Ms. Barnett was forced to work part-time while going to school full-time; could not afford car insurance, rent, or contribute to her household's bills; and borrowed additional money from a family member on a fixed income.

14. Defendants took advantage of students who were already financially struggling and were trying to improve their prospects in a tough economy. Defendants' misconduct violated Iowa law and common law and made it even harder for students to pursue their education and better their lives.

#### **PARTIES AND VENUE**

15. Named Plaintiff Jenna Detmer is a natural person who resides, and at all times has resided, in Bluegrass, IA. Ms. Detmer was enrolled as a student in La'James's Massage Therapy program at its Davenport campus from May 2017 until she graduated in December 2017. While she was enrolled at La'James, Ms. Detmer used her married name, Jenna Holmes.

16. Named Plaintiff Ashley Barnett is a natural person who resided in Morrison, IL, at all times relevant to this Petition. Ms. Barnett currently resides in Lyndon, IL. Ms. Barnett was enrolled as a student in La'James's Cosmetology program at its Davenport campus from August 2017 until she graduated in February 2018. While she was enrolled at La'James, Ms. Barnett used her maiden name, Ashley Coers.

17. Defendants La'James College of Hairstyling Inc. of Fort Dodge; Lyndi, Ltd.; M&C Beauty School, Inc.; Tiffany, Ltd.; Travis, Ltd.; and R&R Construction Co. are for-profit corporations that do business as La'James International College. La'James International College is a chain of health and beauty schools with locations throughout the State of Iowa, including in Cedar Falls, Cedar Rapids, Davenport, Johnston, Fort Dodge, and Iowa City. La'James International College offers instruction in Cosmetology, Esthetics, Massage Therapy, Nail Technology, and Teacher Training.

18. Defendants John and Jane Does 1–12 are directors, employees, agents, or contractors of La'James who are yet to be named and whose identity will become known through discovery.

19. Venue is proper in Polk County because one or more Defendants conduct business in Polk County.

20. Venue is also proper in Polk County because Defendants and the State of Iowa are parties to a consent judgment (*State of Iowa v. La'James College of Hairstyling Inc. of Fort Dodge et al.*, Equity No. EQCE077018 (Polk County)) in this Court. The consent judgment addresses Iowa's concerns regarding Defendants' compliance with the Iowa Consumer Fraud Act, Iowa Code § 714.16, related to, *inter alia*, misrepresentations about Defendants' financial aid disbursement practices.

## **JURISDICTION**

21. Plaintiffs bring this action pursuant to the Iowa Consumer Fraud Act, Iowa Code § 714H.5.

22. Defendants were, at all relevant times, engaged in trade and commerce in the State of Iowa.

23. At all relevant times, Defendants and their representatives recruited and enrolled students, or instructed La'James employees and staff to recruit and enroll students, in educational courses and degree-granting programs at its Iowa campuses.

24. The Iowa Consumer Fraud Act, Iowa Code § 714H.5(1), provides:

A consumer who suffers an ascertainable loss of money or property as the result of a prohibited practice or act in violation of this chapter may bring an action at law to recover actual damages. The court may order such equitable relief as it deems necessary to protect the public from further violations, including temporary and permanent injunctive relief.

25. Counsel for the proposed class has received approval to file this proposed class action from the Iowa Attorney General as required by Iowa Code § 714H.7.

## **FACTUAL ALLEGATIONS**

26. La'James is a for-profit college with multiple locations in the State of Iowa. La'James offers instruction in Cosmetology, Esthetics, Massage Therapy, Nail Technology, and Teacher Training.

27. The Iowa Board of Cosmetology and Sciences sets the minimum number of hours for training that a student must receive for each program. For some programs, graduation from La'James requires additional hours beyond the



state’s minimum requirements. The hour requirements for graduation from La’James are set forth below:

<b>Program</b>	<b>Hours Required</b>
Cosmetology	2,100 hours
Esthetics	750 hours
Massage Therapy	900 hours
Nail Technology	350 hours
Teacher Training	1,000 hours

La’James International College Student Catalog at 30–31 (Dec. 13, 2019)

(“La’James Student Catalog”), available at <https://ljic.edu/wp-content/uploads/2019/12/Student-Catalog-12.13.19.pdf>.

28. La’James charges its students between approximately \$4,600.00 to \$19,010.00 in tuition to complete a program, depending on the specific program selected. See La’James Student Catalog at 11.

### **Iowa Attorney General’s Lawsuit Against La’James**

29. In 2014, the Iowa Attorney General sued La’James, as well as various business entities and individuals associated with La’James, alleging that they had violated the Iowa Consumer Fraud Act. Petition, *State of Iowa v. La’James Coll. of Hairstyling Inc. of Fort Dodge et al.*, Equity No. EQCE077018 (Polk County 2014). 2014).

30. Among the allegations were that La’James:

[F]ails to provide students qualified instructors, subjects students to long periods of time without instruction, impedes student completion of required skills training, forces students to perform janitorial services, keeps shoddy records that leaves students not knowing how many hours of training they have completed or how many hours remain prior to program completion, and causes students to doubt whether upon graduation they will be prepared and capable of entering their chosen profession.

*Id.* at 2.

31. In 2016, the Iowa Attorney General’s Office entered into a consent judgment with La’James and the other defendants to settle claims that they had engaged in “deceptive, omissive, and unfair practices in marketing, enrollment, and instruction.” Proposed Consent Judgment at ¶ 72, *Iowa v. La James Coll. of Hairstyling Inc. of Fort Dodge*, Equity No. EQCE077018 (Polk County June 29, 2016). The consent judgment prohibited the defendants from, *inter alia*, “mak[ing] any false, deceptive, or misleading statements concerning financial aids specifically with respect to when a Student will receive a living expense allowance disbursement.” *Id.*

32. As part of the consent judgment, the Court appointed a settlement administrator to independently monitor defendants’ compliance. *Id.* at ¶ 22. The settlement administrator was required to “oversee La’James’ compliance with the provisions of this Consent Judgment” and was appointed for a term of three years. *Id.* ¶¶ 22, 26.

33. The settlement administrator wrote three reports on La’James’s compliance with the consent judgment. The most recent report is dated December 19, 2018. *See generally*, Exh. A, 2018 Administrator Report.

34. In his report, the settlement administrator examined, *inter alia*, La’James’s financial aid disbursement practices, including assessing federal statutory and regulatory requirements, reviewing documents provided by La’James, interviewing La’James representatives, and interviewing students. *Id.* at 19–24.

35. The settlement administrator summarized his findings regarding La'James's financial aid disbursement practices at great length in the 2018 Administrator Report. *Id.*

36. The settlement administrator explained:

The sum of these practices is that La'James is misleading prospective students and current students, both by representation and omission, as to the availability and timing of credit balance disbursements derived from student loan funding. Many students enrolled in a La'James program based on their expectation of receiving credit balance funds at the relevant hour markers. Through interviews and review of various student complaints filed with the Attorney General's office and with the [Department], the Administrator learned of the harmful consequences of La'James's conduct. Many students were relying on expected credit balance disbursements to be able to continue or complete their education. Some students who did not receive timely disbursements have transferred to another school or dropped out of classes entirely. Several students didn't receive their disbursements until after their graduation, which the [Department] has indicated is especially problematic under the applicable regulations. This is because financial aid can only be disbursed so many days after a student graduates. Numerous students reported that they called and sent emails to La'James inquiring about the status of their disbursements, but their calls and emails went unanswered.

*Id.* at 24.

37. The settlement administrator also noted that one student he interviewed "explained that[,] due to a six-month delay in receiving her first disbursement, she had to skip classes for weeks at a time in order to work full-time to pay her rent and other bills." *Id.*

38. The settlement administrator concluded in the 2018 Administrator Report:

La'James is out of compliance with its obligation not to mislead prospective and existing students through representations and omissions. Instead, through both representations and omissions, La'James has misled students regarding its financial aid practices—specifically its obligation to timely

advance and disburse anticipated credit balances to students who have applied for federal student loans.

2018 Administrator Report at 26.

### **Enrolling at La’James International College and Applying for Federal Financial Assistance**

39. La’James is an “eligible institution” under Title IV of the Higher Education Act (“HEA”). HEA § 102, 20 U.S.C. § 1002; *see also* HEA § 101(a), 20 U.S.C. § 1001(a). Students attending La’James are eligible to receive federal financial assistance from the Department. HEA § 484, 20 U.S.C. § 1091; 34 C.F.R. § 668.32. *See also generally* HEA § 487, 20 U.S.C. § 1094; 34 C.F.R. § 668.14.

40. La’James has entered into a Program Participation Agreement (“PPA”) with the Department that conditions the school’s continued initial and continued participation in any Title IV, HEA program on its compliance with the relevant statutory and regulatory requirements, as well as the specific terms of the PPA.

41. Most, if not all, students attending La’James require financial assistance to pay for their tuition and other expenses during the course of their enrollment. La’James requires each new applicant desiring to receive federal student aid to complete and submit a Free Application for Federal Student Aid (“FAFSA”) form to the Department within 48 hours of submitting an enrollment application to La’James. *See* La’James Student Catalog at 8. The La’James Student Catalog informs applicants, “[t]his form needs to be completed in order for you and La’James to determine your eligibility for and the amount of your federal financial assistance.” *Id.*

42. Once completed, the Department provides the information submitted through the FAFSA to La'James. La'James informs applicants that it "will receive your Institutional Student Information Report from the federal government to finalize packaging and verification if required. La'James typically receives this report within three (3–5) days of your FAFSA submission." *Id.* at 9.

43. La'James then schedules a Financial Planning Session with each applicant regarding their financial assistance package. The La'James Student Catalog states, "[t]his appointment cannot take place until after your FAFSA is completed." *Id.* at 8.

44. The La'James Student Catalog informs applicants, "[a]t this meeting, you will discuss your customized financial plan, complete Master Promissory Notes, receive certain program disclosures and discuss your financial assistance entrance counseling. You may be required to complete or provide additional documents during this meeting." *Id.* at 9.

45. During the Financial Planning Session, a Financial Planning Advisor reviews the applicant's customized Financial Planning Worksheet, which includes the applicant's costs of attendance, expected sources of funding to pay those costs, and any additional funding to pay for living expenses. 2018 Administrator Report at 20. *See also* La'James International College Financial Planning Worksheet (Aug. 1, 2018) (2018 Administrator Report, Ex. G) ("La'James Financial Planning Worksheet"); La'James International College Financial Aid Script (2018 Administrator Report, Ex. H) ("La'James Financial Aid Script"); La'James

International College Tuition Payment Schedule Disclosure (revised Feb. 5, 2018) (2018 Administrator Report, Ex. I) (“La’James Tuition Payment Schedule Disclosure”).

46. The Financial Planning Advisor follows the Financial Aid Script, issued by Defendants, performing “a step-by-step review of the Financial Planning Worksheet and other financial aid matters with the student.” 2018 Administrator Report at 20; La’James Financial Aid Script; La’James Financial Planning Worksheet.

47. The Financial Planning Advisor explains that the Financial Planning Worksheet reflects the student’s “cost of attendance and estimated funding sources available.” *Id.*

48. The Financial Planning Advisor describes each component of the cost of attendance. *Id.*

49. The Financial Planning Advisor informs the applicant, “[y]our financial aid is based upon the determination of need and information provided by you in the application process. If any of this information is incorrect or has changes, your awards may be adjusted.” In addition, “[e]ligibility for the following aid is subject to[:] receipt of required documentation and review of federal verification requirements that we will cover at the end.” *Id.*

50. The Financial Planning Advisor explains different types of funding, such as grants and loans, as well as how each form of funding is disbursed. Specifically, the Financial Planning Advisor informs the student, “[g]rants are

disbursed in two disbursements each award year.” In addition, “[l]oans are disbursed in two disbursements in each award year.” *Id.*

51. The Financial Planning Advisor also reviews the disbursement schedule for each type of program with the student. For both grants and loans, “[t]he first disbursement begins to process after you have been in attendance for more than 30 days.” *Id.* Subsequent disbursements are scheduled based on the student’s program, as follows:

COSMO	MASSAGE	ESTHETICS
<b>2<sup>nd</sup> Disbursement Request</b> 525 hours / 15 weeks	<b>2<sup>nd</sup> Disbursement Request</b> 450 hours / 15 weeks	<b>2<sup>nd</sup> Disbursement Request</b> 375 hours / 15 weeks
<b>3<sup>rd</sup> Disbursement Request</b> 1050 hours / 30 weeks		
<b>4<sup>th</sup> Disbursement Request</b> 1575 hours / 45 weeks		

52. The Tuition Payment Schedule Disclosure states, “[t]he first disbursements of Title IV assistance and loan disbursements at 30 days will be applied toward total tuition.” 2018 Administrator Report at 21; La’James Tuition Payment Schedule Disclosure.

53. Disbursements of additional financial aid after the first one—which is earmarked solely for tuition—often result in a credit balance that could be paid to the student. A credit balance occurs when the funds credited to a student’s account exceeds the amount of expenses that need to be paid, such as tuition, fees, etc. 2018 Administrator Report at 21. Students can elect to have their credit balances paid

back to the Department to reduce their overall student loan debt, but most need the credit balances to be paid directly to them to help pay for living expenses.

54. Following the first disbursement, students expected to receive credit balance payments upon completion of the requisite hour markers based on the representations made by La'James. *Id.*

55. The Financial Planning Worksheet shows in parentheses the credit balances at various hour markers. *Id.*; La'James Financial Planning Worksheet.

56. At the conclusion of the Financial Planning Session, the Financial Planning Advisor explains, “[t]he Department of Education requires all students taking out student loans to complete Entrance Counseling and sign a Master [sic] Promissory note for each school that they attend using federal student loans.” The Financial Planning Advisor walks through each step for the student to complete entrance counseling and to sign the Master Promissory Note (“MPN”). The Financial Planning Advisor tells the student that entrance counseling must be completed and the MPN signed before orientation. La'James Financial Aid Script.

57. Finally, the Financial Planning Advisor reviews “any documents that are needed and were listed on your Financial Planning Worksheet. These items are required and need to be completed before your first day.” La'James Financial Aid Script.

58. As a result of statements made to students by La'James during Financial Planning Sessions, La'James students leave those sessions, and make their decisions about enrollment, “with the understanding that they had been



approved for loan funds in the amounts reflected on their Financial Planning Worksheets, and in particular that they understood that they were eligible to receive credit balance disbursements at the completion of certain program hours requirements.” 2018 Administrator Report at 21.

59. Students attend an orientation session the week before they begin classes. During the orientation session, students review the items listed on an Orientation Checklist and initial next to each item to confirm their review. Among the items that La’James requires each student to initial on the Orientation Checklist is a statement by the student affirming that, “I have been informed of my eligibility for Financial Assistance and understand that I am responsible for maintaining satisfactory progress so as not to interrupt payments to the college.” This item includes a notation which indicates, “[s]ome of these items are covered prior to enrollment and reviewed during orientation. This form is completed at the end of orientation to confirm all items have been covered prior to starting classes.” 2018 Administrator Report at 21. *See also* La’James International College, Orientation Checklist (Oct. 1, 2018) (2018 Administrator Report, Ex. D).

60. The La’James Student Catalog states that “[o]nce a student has satisfied the hour and week requirements identified above and any other requirements established by federal law (such as, but not limited to, entrance counseling) and has completed all necessary documentation with La’James, La’James will initiate the disbursement process.” La’James Student Catalog at 15.

## Disbursement Practices Required by the U.S. Department of Education

61. Schools determine a student's eligibility for federal student aid in the first instance. U.S. Dep't of Educ., FSA Handbook at 3-173 (2019), *available at* [https://ifap.ed.gov/ilibrary/document-types/federal-student-aid-handbook?award\\_year=2019-2020&](https://ifap.ed.gov/ilibrary/document-types/federal-student-aid-handbook?award_year=2019-2020&).

62. An applicant's FAFSA information may be selected for verification by the Secretary of Education. 34 C.F.R. § 668.54(a)(1). Additionally, "[i]f an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information." *Id.* § 668.54(a)(2).

63. Once the information submitted on a student's FAFSA form has been verified, students who are first-time borrowers must complete and sign an MPN, which obligates the student to repay the student's loans and any accrued interest and fees to the Department. *See* FSA Handbook at 3-173.

64. Typically, a school disburses financial aid through the "advance payment method," under which "the institution submits a request for funds to the Secretary" and the Secretary disburses the funds to the institution. In turn, "[t]he institution must disburse the funds requested as soon as administratively feasible[,] but no later than three business days following the date the institution received those funds." 34 C.F.R. § 668.162(b).

65. However, in some instances, the Department may require an institution to disburse financial aid through a heightened monitoring method. The Department places a school on Heightened Cash Monitoring ("HCM") status in

order to “closely monitor its cash management.” Reasons for putting a school on HCM include:

[L]ack of financial responsibility; program review or audit findings; student complaints; repeated failures to meet COD reporting requirements; an adverse action against the school by its accreditor or state authorizing agency; an enforcement action against the school (especially if it relates to Title IV) by a consumer protection agency; significant non-compliance with Title IV requirements[,] such as not performing verification, not properly returning funds, or awarding aid for ineligible programs or locations; initiation of a termination action; providing incorrect data to ED officials to cover up violations; suspicion of fraud; and other activity that is or appears to be criminal.

FSA Handbook at 4–15.

66. “Under the heightened cash monitoring payment method, an institution must credit a student’s ledger account for the amount of title IV, HEA program funds that the student . . . is eligible to receive, and pay the amount of any credit balance due.” 34 C.F.R. § 668.162(d).

67. There are two types of heightened cash monitoring, “HCM1” and “HCM2.”

68. Under HCM1, “[a]fter a school makes disbursements to eligible students from eligible funds and submits disbursement records to [the Department], it draws down FSA funds to cover those disbursements in the same way as a school on the advance payment method.” FSA Handbook at 4–15. *See also* 34 C.F.R. § 668.162(d)(1).

69. The requirements for institutions placed on HCM2 are much more demanding. Under HCM2, “a school cannot simply draw down funds as an HCM1 school can.” FSA Handbook at 4–15. Instead, it is required to submit documentation

to the Department that “identifies the students and parents for whom it is seeking reimbursement.” The Department “may tailor documentation requirements for schools on a case-by-case basis” and “the school must include documentation that each student and parent included in the request was eligible to receive and did receive the funds for which reimbursement is sought.” Only after the payment request is approved are the funds disbursed to the school. *Id. See also* 34 C.F.R. § 668.162(d)(2).

70. On August 28, 2017, the Department placed La’James on HCM2 status. 2018 Administrator Report at 24–25. *See also* U.S. Dep’t of Educ., *List of Institutions on HCM as of September 1, 2017*, available at <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/HCM/SchoolsonHCM1orHCM209012017.xls>.

71. According to the Department, La’James was placed on HCM2 because of “Program Review – Severe Findings,” which means that the “[s]chool has potential of severe program findings[,] such as failure to make refunds or return of Title IV funds.” *Id.*

72. As an institution receiving Title IV funds through the HCM2 method of payment, La’James “must credit a student’s ledger account for the amount of title IV, HEA program funds that the student . . . is eligible to receive, and pay the amount of any credit balance.” 34 C.F.R. § 668.162(d). Then, La’James may “seek[ ] reimbursement” “by submitting to the Secretary a request for funds that does not exceed the amount of the disbursements the institution has made to students or

parents included in that request.” *Id.* § 668.162(c), (d)(2). As mentioned above, “the Secretary may modify the documentation requirements and review procedures used to approve the reimbursement request.” *Id.* § 668.162(d)(2).

73. Because La’James is participating under the HCM2 method of payment, once a student reaches an hour marker at which funds are scheduled to be disbursed, La’James must disburse those funds to the student “as soon as possible, but no later than . . . [f]ourteen (14) days after the balance occurred[,] if the credit balance occurred after the first day of class of a payment period” or “[f]ourteen (14) days after the first day of class of a payment period[,] if the credit balance occurred on or before the first day of class of that payment period.” 34 C.F.R. § 668.164(h)(2).

74. Thus, for a cosmetology student attending La’James who is eligible to receive a credit balance disbursement at the 525-hour mark, La’James “*must* (1) disburse that amount to the student (2) *prior to* that student reaching the 1050-hour mark, and (3) *thereafter* apply to the [Department] to be reimbursed.” 2018 Administrator Report at 22 (emphasis in original).

75. Once La’James credits a student’s ledger account with the appropriate amount of federal financial aid, it includes that student in the documentation submitted to the Department as part of La’James’s reimbursement request. The Department then reviews the school’s disbursements and documentation for a sample of students and parents before approving the reimbursement of funds. FSA Handbook at 4–15.

76. Upon information and belief, La'James remains on HCM2 monitoring due to "Program Review – Severe Findings" by the Department because the "[s]chool is being reviewed by the Department as part of its normal oversight and monitoring responsibilities or as a result of concerns regarding the school's administrative capability and financial responsibility." U.S. Dep't of Educ., *List of Institutions on HCM as of December 1, 2019*, available at <https://studentaid.gov/sites/default/files/Schools-on-HCM-Dec-2019.xls>.

**The U.S. Department of Education's Monitoring of La'James's Disbursement Practices**

77. On May 10, 2018, the Department notified La'James that it "ha[d] failed to adhere to regulatory requirements for institutions that are placed on HCM2." May 2018 Department Letter at 1.

78. In its May 2018, letter, the Department also reminded La'James of its obligations under the HCM2 payment method. More specifically, the Department wrote that "[i]nstitutions on the heightened cash monitoring method of payment are required to credit a student's ledger account with the Title IV, HEA program funds for which the student is eligible, and pay the amount of any Title IV, HEA credit balance(s) due to the student *prior to* submitting a request for reimbursement of those funds." *Id.* at 1 (emphasis in original). The Department also wrote that "an institution must verify student eligibility for the type and amount of Title IV, HEA funds identified for disbursement, and post those funds to the student's ledger during the payment period in which the student is enrolled." *Id.* (citations omitted).

79. In addition, the Department stated that “[La’James] is not in compliance with the aforementioned regulations. [La’James] has delayed, and, in some instances reversed, the posting of Title IV, HEA program funds to students’ accounts until it is ready to request reimbursement from the Department for those individual students.” *Id.*

80. The Department reiterated to La’James that it was required to “post all Title IV, HEA program funds to students’ accounts within the same payment period students become eligible for those disbursements, and issue any subsequent Title IV, HEA credit balances to those students within the required timeframe.” *Id.*

81. The Department also described La’James’s failure to follow late disbursement requirements for students who have since withdrawn or graduated. La’James failed to adhere to the relevant regulatory requirements, which prohibit institutions “from making late disbursements after 180 days from the date the institution determined the student separated from the institution.” *Id.*; *see also* 34 C.F.R. § 668.164(j)(4).

82. The Department further explained, “[s]tudents that have graduated or withdrawn are harmed when an institution fails to post eligible Title IV, HEA program funds to students’ account ledgers within the regulatory timeframe for late disbursements.” May 2018 Department Letter at 2.

83. In addition, the Department named three students who were in danger of suffering such harm, including both of the Named Plaintiffs. Specifically, the Department wrote that it “is aware of several students who have graduated from

La'James, and may be ineligible to receive late disbursements if their Title IV, HEA program funds are not posted in the near future (e.g., [Jenna] [Detmer] – Davenport, Ashley [Barnett] – Davenport, . . . ).” *Id.*

### **Defendants Made Misrepresentations to Students About its Disbursement Practices**

84. The La'James Student Catalog states, “[t]he disbursement process involves transmissions between La'James and the United States Department of Education. This process with the Department of Education may take up to seven (7) days to complete and for the funds to be received by La'James. Once the funds are received, they are applied to the student’s account within three (3) business days.” La'James Student Catalog at 15. The La'James Student Catalog does not disclose to students that La'James is required to make a financial aid disbursement to student ledger accounts *before* submitting a request to the Department for reimbursement, nor does the La'James Student Catalog say anything about whether and how that process affects the timing of disbursements.

85. The La'James Student Catalog also describes how federal student aid credit balances are disbursed to students: “[a]n FSA (‘Federal Student Aid’) credit balance occurs when a student’s federal assistance is applied to a student’s account and such amount exceeds the student’s allowable charges.” If a student has an FSA credit balance, “[La'James] will pay the credit balance to the student . . . as soon as possible and in no event more than 14 days after: (a) the date the balance occurred on the student’s account, if the balance occurred after the first day of class of a



payment period; or (b) the first day of class of the payment period if the credit balance occurred on or before the first day of class of that payment period.” *Id.*

86. Earlier versions of the La’James Student Catalog—published on October 6, 2017, and July 18, 2018—include the same information. See La’James International College Student Catalog at 17 (Oct. 6, 2017), *available at* <https://ljic.edu/wp-content/uploads/2017/10/LJIC-Student-Catalog-10.06.17.pdf>; La’James International College Student Catalog at 17 (July 18, 2018) (“2018–2019 La’James Student Catalog”), *available at* <https://ljic.edu/wp-content/uploads/2018/07/LJIC-Student-Catalog-7.18.18.pdf>.

87. Federal regulations also require that any credit balances be “paid directly to the student or parent as soon as possible but no later than - (i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or (ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.” 34 C.F.R. § 668.164(h).

88. The settlement administrator for the consent judgment in *State of Iowa v. La’James College of Hairstyling Inc. of Fort Dodge, et al.*, Equity No. EQCE077018 (Polk County) concluded that “La’James has made misleading statements and omissions ‘concerning financial aid, specifically with respect to when a Student will receive a living expense allowance disbursement’ to prospective and existing students.” 2018 Administrator Report at 19.

89. The settlement administrator further found that La'James "permits students to begin classes without resolving in advance the purported concerns about the accuracy of a student's FAFSA." Contrary to the process mandated by the Department, La'James "often does not initiate review of a student's FAFSA until the student reaches the first hour marker." This results in "the student's expected credit balance disbursements [being] delayed for lengthy periods while La'James submits the student's FAFSA information to its own opaque internal review process." *Id.* at 23.

90. The settlement administrator further reported that La'James "has not been forthcoming about this process with its students or even its instructors and College Administrators." Instead, La'James "has falsely informed students, instructors, and administrators that delays in credit balance disbursements were the fault of the [Department]." The Administrator found that the representations made to students, instructors, and administrators do not reflect La'James's actual practices, including "that La'James itself—not the [Department]—is flagging and reviewing individual students' FAFSA submissions, often initiating review long after it should already have advanced the credit balance disbursement." *Id.* at 23.

91. The settlement administrator concluded that, "through both representations and omissions, La'James has misled students regarding its financial aid practices—specifically its obligation to timely advance and disburse anticipated credit balances to students who have applied for federal student loans." *Id.* at 26.

92. Upon information and belief, one or more of the John or Jane Doe Defendants instructed La'James employees to mislead students regarding the institution's financial aid disbursement practices and falsely inform students that any delays in credit balance payments were the fault of the Department.

### **FACTUAL ALLEGATIONS CONCERNING NAMED PLAINTIFFS**

#### **Jenna Detmer**

93. Jenna Detmer (formerly Holmes) is 35 years old and has lived in Bluegrass, IA, at all times relevant to this Petition.

94. In March or April 2017, Ms. Detmer enrolled in La'James's Massage Therapy program at its Davenport campus.

95. Ms. Detmer received a financial aid award package dated May 3, 2017, which stated that Ms. Detmer was eligible to receive federal financial assistance and was awarded a total of \$12,308.00, including:

- a. A Direct Stafford Unsubsidized Loan in the amount of \$6,000.00;
- b. A Direct Stafford Subsidized Loan in the amount of \$3,500.00;  
and
- c. A Pell Grant in the amount of \$2,908.00.

96. The Financial Aid Award Package also showed that Ms. Detmer would be awarded an LJIC Tuition Scholarship of \$2,000.00. Ms. Detmer was informed by La'James staff that she was awarded this scholarship because she was a single mother who could not work while attending school full-time and that she would

receive the tuition scholarship upon graduation if she graduated on time and maintained a 3.5 GPA.

97. When Ms. Detmer enrolled, La'James staff informed her that the Department would release federal financial aid funds to La'James, which would then distribute those funds to students.

98. La'James charged \$12,652.01 for its Massage Therapy program, consisting of:

- a. \$10,740.00 in tuition and fees;
- b. \$1,597.01 in books and supplies; and
- c. \$315.00 in state board testing and licensure fees.

99. Ms. Detmer relied on the representations that La'James and its employees made about how much financial aid she would be awarded and the amounts and schedule for receiving credit balance payments when deciding to enroll. At the time, Ms. Detmer's household supported three children and had a car payment. She needed to make sure that the credit balance payments would meet her household's financial needs.

100. Ms. Detmer began attending classes on May 4, 2017.

101. According to La'James staff, Ms. Detmer was scheduled to receive her first credit balance payment on or about June 5, 2017, thirty days after her first day of classes.

102. La'James staff told Ms. Detmer that her first credit balance payment would be approximately \$1,300.00. Ms. Detmer received this credit balance payment.

103. La'James staff also told Ms. Detmer that she would receive her second credit balance payment in September or October 2017, after 450 hours, or 15 weeks, of attendance.

104. Ms. Detmer repeatedly asked about the timing of her second credit balance payment. In response, La'James told her that they were "working on it" and that they were "delayed" due to the number of enrolled students and having to manage seven different locations.

105. At the end of October 2017, La'James staff informed Ms. Detmer over the phone that she would not receive her credit balance payment until graduation. Ms. Detmer informed the staff member that she was planning to graduate a month early, in December 2017.

106. On November 8, 2017, Ms. Detmer informed Ms. Legate by email that she was scheduled to graduate on December 9, 2017. Ms. Detmer asked if she could sign the paperwork for her second credit balance payment at the end of November 2017, so that she could receive a check on December 1, 2017.

107. The same day, Ms. Legate responded, "[s]o we noticed the [Department] has qualified you for another ½ of a Pell Grant. To approve this[,] we would need a copy of your 2015 [t]ax return [ASAP], before you graduate." Ms. Legate added, "[y]ou would receive \$2960 plus \$2000 tuition grant upon

graduation.” Ms. Legate added, “our Controller said we could send you your signature page via email, and we would mail your check to your house.”

108. Ms. Detmer responded the same day by email and confirmed with Ms. Legate that the total amount she would receive was \$4,960.00.

109. Ms. Legate clarified by email later that day, “I can’t guarantee you an exact check date until I know your exact grad date. Your tuition grant is based on your grad date.” She provided an example, stating, “if you did graduate on December 9th, I would send you an FSA sheet to sign, via email, on the 11th, and post the \$2000 grant to your account. Additionally, the sooner I get the tax return, the sooner I can ask for your Pell grant money as well. So I could possibly get the check to you on or before December 15th.” However, Ms. Legate warned, this could change based on Ms. Detmer’s graduation date and when the Department disbursed her Pell Grant. She asked Ms. Detmer to submit her tax return soon.

110. On November 9, 2017, Ms. Detmer tried to confirm with Ms. Legate by email that she received a copy of Ms. Detmer’s tax return.

111. On November 13, 2017, Ms. Detmer asked Ms. Legate by email, “are you messing with my FAFSA??” Ms. Detmer added, “I keep getting emails to log in then immediatly [sic] afterwards it says that a FFA is in there. am i supposed to be doing something??”

112. Ms. Legate responded by email the next day, “no, there is nothing you need to do!”

113. On November 14, 2017, Ms. Legate also asked Ms. Detmer by email for a copy of her 2015 federal tax return for the Department.

114. On November 15, 2017, Ms. Detmer told Ms. Legate by email, “I really need this check so [I] can get caught up on bills and stuff so that [I don’t] lose my car right before graduation... [I] am stressed and trying to make everything work....”

115. Ms. Legate received a copy of Ms. Detmer’s 2015 federal tax return on November 15, 2017.

116. That day, Ms. Legate informed Ms. Detmer that her adjusted gross income had been incorrect on her FAFSA form and that Ms. Legate had corrected it. “Now everything matches and we can request your Pell Grant Money. Remember, that can take up to 14 days.”

117. On November 16, 2017, Ms. Detmer asked Ms. Legate by email for an update on her credit balance payment.

118. On November 17, 2017, Ms. Legate responded, “[w]e are still on track for the same date, per our prior conversation.”

119. On November 21, 2017, Ms. Detmer requested another update from Ms. Legate.

120. That day, Ms. Legate responded, “[n]othing has changed.”

121. Ms. Detmer replied, reminding Ms. Legate that she had “11 days left till graduation.”

122. On November 27, 2017, Ms. Detmer emailed Ms. Legate, asking Ms. Legate to help her. “I take my [state licensing board] test @ 6 pm today and have

orientation tomorrow... please give me [ ]good news that the DOE is going to release the check on the 1st.... the bank wants me to turn my car over to them.... [I] really need your help!!!!!!!!!! Please [I'm] begging you.”

123. On November 28, 2017, Ms. Detmer informed Ms. Legate by email that she had passed her state licensing board examination.

124. On December 5, 2017, Ms. Legate informed Ms. Detmer by email,

We have your financial aid disbursement scheduled to post to your account on (Friday) December 15th. If that disbursement creates a credit balance, we will issue you a check within 14 days of posting that disbursement. After disbursements are posted, accounts are reviewed and if you have a credit balance, you will get a “Credit Balance Notification” to review, sign, and give back to us. Once we have it back, we will schedule your check.

125. On December 8, 2017, Ms. Detmer informed Ms. Legate by email that she would complete the requirements for the Massage Therapy program that day.

126. Ms. Detmer graduated on December 8, 2017. She still had not received her credit balance payment.

127. On December 8, 2017, Ms. Detmer asked Ms. Farmer by text message to ask Ms. Legate about any outstanding paperwork she needed to submit now that she had graduated from the program.

128. That day, Ms. Farmer responded by text message that she had messaged the financial aid office that morning. She then confirmed with Ms. Detmer that she wanted her credit balance payment check to be sent to the school.

129. On December 11, 2017, Ms. Legate sent Ms. Detmer an email instructing her to complete online financial aid exit counseling, as required by the Department “whenever a student who has taken out student loans leaves a school.”



130. Ms. Detmer completed the online financial aid exit counseling on December 12, 2017.

131. On December 14, 2017, Ms. Detmer emailed Ms. Legate and stated, “[I] have done everything that you asked me to do. All [I] need to know now is what happens next. I tried to call you number at the bottom of your emails but it will not ring through. Please touch base and let me know what the next step is.”

132. Ms. Detmer followed up by email the same day and stated, “[i]f you could send over the papers for me to sign today or tomorrow so we can get this rolling and hopefully cut by the 15<sup>th</sup> it would be greatly appreciated!”

133. Ms. Legate responded by email later that day. “[w]e are still waiting on the DOE to release your Pell Grant money. It has not come through yet. Have you received an email from the [Department] yet? Usually they send an email letting you know they sent it to us.” Ms. Legate also reminded Ms. Detmer, “your December 15<sup>th</sup> date was an ESTIMATED date, not an actual date. Until the [Department] sends it to us, we cannot move forward on your behalf.”

134. On December 16, 2017, Ms. Farmer informed Ms. Detmer that “things were a little bit delayed because [of] the documents you needed.” Ms. Farmer further stated that “[t]hings should be happening soon.”

135. Ms. Detmer confirmed to Ms. Farmer by text message that she had provided Ms. Legate with the tax documents that were requested in November 2017.

136. On December 20, 2017, Ms. Detmer emailed Ms. Legate to ask about her second credit balance payment. Ms. Detmer wrote, “[w]ell [it’s] almost the 21st and [I] have not seen anything from you or the [Department]. I am seriously wondering what happened to this sinario [sic]. I know [it’s] not an exact thing but seriously how can it possibly take this long???”

137. On December 20, 2017, Ms. Legate responded to Ms. Detmer by email, “[w]e still have not received [your] Pell Grant money from [the Department]. We are still waiting.”

138. The same day, Ms. Detmer responded by email, “[p]lease help me understand why it is taking so long..... [I] got everything turned in. According to the email you sent me before, [ ]in theory, it should have been here and this should have been done.”

139. Ms. Legate did not respond to Ms. Detmer’s email.

140. On December 27, 2017, Ms. Detmer asked Ms. Farmer by text message about the status of her credit balance payment.

141. On December 27, 2017, Ms. Detmer also followed up with Ms. Legate by email about her credit balance payment. She stated, “[I’m] trying to hold my cool but [I] am seriously getting frustrated....”

142. Ms. Legate responded the same day by email and asked Ms. Detmer if she had called the Department.

143. The same day, Ms. Detmer informed Ms. Legate by email that she had called the Department and been informed that “the funds were released at the time

of enrollment and [it's] the [school's] job to disperse [sic] it to me at the time of graduation.”

144. Ms. Legate responded by email again, stating, “[t]hat would be true if we are a semester based school. We are not. We are an hourly based school. That means funds are not disbursed to us, until a student passes their hour markers.”

145. On December 28, 2017, Ms. Farmer responded to Ms. Detmer’s text message, stating that she had “[n]o more info.”

146. The same day, Ms. Legate forwarded an email to Ms. Detmer, entitled, “Student Aid Processing update notice to student body.” The email informed students that the Department had placed new requirements on La’James, making it necessary to “have all student files reviewed more closely for purposes of approving and releasing Federal Pell Grants and Direct loan funds to students.”

147. The email also referred to a letter from the Department to La’James, dated August 28, 2017, which required “additional steps and validations that are mandatory” for the financial aid team to take “prior to releasing funds to you, our students.” The email went on to state that “[t]hese additional steps are going to take La’James a few submissions to ensure a smooth transfer of how Federal Aid is handled.”

148. The email further stated, “in September, we had submitted eligible student files for this review, and, [sic] the Department had returned to our institutions, [sic] several questions that need to be addressed on those files before we can process any additional students for payment.”

149. The email also stated:

In an effort to share information concerning any delays, La'James anticipates the re-submission of those students in the September group on January 8<sup>th</sup> of 2018, and, [sic] will begin reviewing and updating students who were not included, were not eligible at the time, or who have not satisfied the attendance and academic requirements of their program. The next group of students will be submitted on or about February 15[,]2018, followed by a third submission group on or about March 31<sup>st</sup>.

150. The email concluded with a warning to students: "Should your file be one of those listed as having incomplete or missing documents, any delay on your part will severely delay the processing of your Federal Student Aid, and, [sic] any such funds that would/could be made available to you will be impacted."

151. On February 15, 2018, Ms. Detmer asked Ms. Farmer by text message, "[a]ny news about the money yet[?]"

152. Ms. Farmer responded by text message, "Nope[.] [S]orry." She went on to explain, "[b]ut it's not just you[;] they have to wait till the whole audit is done." Ms. Farmer informed Ms. Detmer that the first of three submissions had not been completed yet.

153. On March 14, 2018, Ms. Detmer asked Ms. Farmer, "[a]ny news or final dates??"

154. On March 16, 2018, Ms. Farmer responded, "I am 99% sure that as soon as I am done auditing 12 files everything will be good to go[.] I just got the names of the students this week."

155. On April 2, 2018, Ms. Detmer asked Ms. Farmer, "[d]o we have any news????"

156. On the same day, Ms. Farmer responded, “[n]othing yet.”

157. On April 12, 2018, Ms. Detmer filed a complaint with the Iowa Attorney General’s Office. Ms. Detmer’s complaint alleged the following: “I graduated 30 days before my projected graduation date (January 7[,] 2018) with the understanding my school was all paid for by student loans and Pell grants. I was also informed [that] I would recieve [sic] 2 cash [payments] during the duration of my attendance there.”

158. Ms. Detmer went on to explain in her complaint:

The second [cash balance payment] was to be release[d] at 450 hours (September/October). I was approached and informed [that] due to the scholarship for the college that I applied for ([extract\_itex]2,000.00 attendance scholarship) I would have to wait until graduation to ensure I maintained the 90% attendance required to receive the[/extract\_itex]2,000.00 with LaJames [sic]. On the day of graduation I received [commendations] for attendance (103%) and academics (92%). [There] was an audit put into place in August 2017 that the college did not comply with until January 2018. My funds I applied for have never been released to me. My second [cash balance payment] was \$4,960.00. I have email to prove.

159. Ms. Detmer received her second and final credit balance payment of approximately \$4,050.00 in June 2018. La’James staff had previously told her that her second credit balance payment would be approximately \$4,960.00. Although Ms. Detmer questioned why the disbursement was less than she was promised, she was not permitted to meet with anyone in the financial aid office, nor was the superintendent able to answer her questions.

160. A La’James employee later explained to Ms. Detmer by phone that her second disbursement amount was less than expected due to overage charges that she incurred because Ms. Detmer did not complete her required hours by the

scheduled contract end date of January 7, 2018. However, Ms. Detmer graduated before this date and did not incur, and could not have incurred, any valid overage charges.

161. Because of the delay in receiving her second credit balance payment, and because the amount of the payment was significantly less than La'James staff represented to Ms. Detmer at enrollment, Ms. Detmer suffered significant financial harm, including taking out payday loans with exorbitant interest rates to pay her expenses, the bank nearly repossessing Ms. Detmer's car, and nearly being evicted.

162. Ms. Detmer was forced to take out at least \$8,000.00 in additional loans from payday lenders to pay for the expenses that otherwise would have been paid for by her credit balance payments.

163. Ms. Detmer also had a car loan while she was enrolled at La'James. Ms. Detmer relied on the representations that La'James staff made regarding her financial aid disbursements and credit balance payments in negotiating a revised payment schedule for her car loan for the time that she was enrolled at La'James. Because of the late fees incurred due to missed payments, her car loan balance has grown significantly.

164. Ms. Detmer was further forced to make late rent payments on her trailer lot, paying \$60 per month in late fees over a four-month period. Ms. Detmer and her family were nearly evicted for failing to meet their payment obligations.

## **Ashley Barnett**

165. Ashley Barnett (formerly Coers) is 29 years old and lived in Morrison, IL, at all times relevant to this Petition. Ms. Barnett currently resides in Lyndon, IL.

166. Ms. Barnett had previously completed 1,500 hours in the Cosmetology program at “Paul Mitchell The School Knoxville” in Knoxville, TN. As a result, Ms. Barnett was only required to complete 600 hours in La’James’s Cosmetology program to obtain an Iowa cosmetology license.

167. On August 2, 2017, Ms. Barnett submitted an LJIC Transfer/Restart Hours Request Form to transfer her 1,500 hours from her previous school to La’James.

168. After her hours were accepted, Ms. Barnett enrolled in La’James’s Cosmetology program at its Davenport campus on August 8, 2017.

169. That same day, La’James staff gave Ms. Barnett a document listing the financial aid disclosures for La’James, including a tuition payment schedule disclosure, which she signed.

170. According to the Tuition Payment Schedule Disclosure, Direct Subsidized Stafford Loans, Direct Unsubsidized Stafford Loans, and Pell Grants all would be disbursed in four payments: at 0 hours, at 525 hours (15 weeks), at 1,050 hours (30 weeks), and at 1,575 hours (45 weeks).

171. Ms. Barnett was eligible to receive federal financial assistance and was awarded a total of \$11,918.00, specifically:

- a. A Direct Stafford Unsubsidized Loan in the amount of \$3,429.00;
- b. A Direct Stafford Subsidized Loan in the amount of \$2,569.00; and
- c. A Pell Grant in the amount of \$5,920.00.

172. On August 8, 2017, La'James staff also provided Ms. Barnett with a Financial Planning Worksheet ("8/8/2017 Financial Planning Worksheet"), which stated that the cost of attendance for completing the Cosmetology program would be \$8,709.98, including tuition, books, equipment, sales tax, uniforms, enrollment and registration fee, station fee, and state board testing and licensure fees.

173. The 8/8/2017 Financial Planning Worksheet reflected that, although Ms. Barnett had been awarded \$5,920.00 in Pell Grants, only \$3,383.00 would be disbursed.

174. According to the 8/8/2017 Financial Planning Worksheet, La'James would make two disbursements of Ms. Barnett's financial aid to her student ledger account: the first disbursement would be for \$4,661.00 at the 1,051–1,575 hour marker and the second disbursement would be for \$4,710.00 at the 1,576–2,100 hour marker.

175. On August 15, 2017, Ms. Barnett signed the La'James International College Contract.

176. According to NSLDS, the following amounts were disbursed to Ms. Barnett's student account on September 26, 2017, for a total of \$6,383.00:

- a. A Direct Stafford Unsubsidized Stafford Loan in the amount of \$1,715.00;



- b. A Direct Stafford Subsidized Stafford Loan in the amount of \$1,285.00; and
- c. A Pell Grant in the amount of \$3,383.00.

177. On October 17, 2017, Ms. Barnett inquired about the status of her credit balance payment and the status of a refund for several returned equipment items by sending an email to Denyse Legate, a La'James Financial Aid Associate. In her email, Ms. Barnett expressed her concerns about her financial aid situation:

I'm very confused with my financial aid[,] [W]hen I did my entrance counseling[,] I was told I had more then [sic] enough financial aid to cover school and that I'd be gettjng [credit balance payments] that I wanted sent to me at my qualifying hour mark to help with my living costs and such. I received an email and it had four dollar totals, two added up to \$2500 something and the other two totaled \$3000 something. . . . Now I'm being told that I have no financial aid left . . . [B]efore I started I expressed what I needed from this chapter of my education and was assured my needs would be more then met here and that's just simply not the case.

178. That day, Ms. Legate responded to Ms. Barnett's email, stating, "I have attached your originally signed Financial Planning Worksheet to this email, along with an updated Worksheet that shows all of your FINAL awards approved by the Department of Education. Your credit balance has not changed much, only \$10, since we talked and had your FA Appt. Everything highlighted in yellow has been charged to your student account so far. Your final balance is still a credit of \$685.56. The scholarship award was already on there. It was for \$1000."

179. Ms. Legate's email included a version of Ms. Barnett's Financial Planning Worksheet that was labeled "POST KIT Audit FPW update 8/29/17" ("8/29/2017 Financial Planning Worksheet"). It also included a Microsoft Excel

spreadsheet with the same file label (“8/29/2017 Financial Planning Worksheet (Excel”).

180. The two Financial Planning Worksheets that were attached to Ms. Legate’s October 17, 2017, email contained different information, both compared to the 8/8/2017 Financial Planning Worksheet and to one another.

181. Both 8/29/2017 Financial Planning Worksheets, for example, reflected increased costs of attendance, one for \$9,737.44 (8/29/2017 Financial Planning Worksheet) and the other for \$9,787.44 (8/29/2017 Financial Planning Worksheet (Excel)). The 8/8/2017 Financial Planning Worksheet included a cost of attendance of \$8,709.98.

182. Both 8/29/2017 Financial Planning Worksheets also reflected an additional La’James scholarship of \$1,000 and showed that Ms. Barnett had a Pell Grant in the amount of \$3,383.00.

183. The 8/29/2017 Financial Planning Worksheet (Excel) reflected a federal SEOG Grant of \$100.00.

184. The 8/29/2017 Financial Planning Worksheet showed that La’James would make only one disbursement to Ms. Barnett’s student ledger account. The disbursement would be in the amount of \$10,433.00 at the 1,576–2,100 hour marker.

185. In contrast, the 8/29/2017 Financial Planning Worksheet (Excel) continued to show that La’James would make two disbursements to Ms. Barnett’s student account: the first disbursement would be for \$4,762.00 at the 1,051–1,575

hour marker and the second disbursement would be for \$5,711.00 at the 1,576–2,100 hour marker.

186. On October 17, 2017, Ms. Barnett responded by email to Ms. Legate, stating her desire to receive the additional La’James scholarship. In her email, Ms. Barnett said, “I’m going to have to try to take out a loan or something to have the means to continue attending school so getting [the scholarship] when I graduate would be ideal.”

187. On October 31, 2017, Ms. Legate informed Ms. Barnett via email that she would receive a refund of \$1,790.96 based on the return of several equipment items. In addition, Ms. Legate stated that Ms. Barnett’s scholarship from La’James had been increased from \$1,000.00 to \$2,000.00. Ms. Legate explained, “[s]o here is what happens next: You will receive 2 disbursement checks. The first one will be on or around 11/10/17 for \$1,476.25. The second one will be for \$2,000.00 upon graduation.”

188. Ms. Barnett’s Financial Planning Worksheet was revised again on November 1, 2017 (“11/1/2017 Financial Planning Worksheet”). The 11/1/2017 Financial Planning Worksheet listed a \$100 federal SEOG Grant and a \$2,000 La’James Scholarship. It also included a revised equipment cost of \$1,136.00 and \$75.60 in sales tax, reflecting that Ms. Barnett had received a refund of significantly less than \$1,790.96, the amount that Ms. Legate had told Ms. Barnett she would receive in her October 31, 2017, email. The 11/1/2017 Financial Planning

Worksheet showed the following scheduled disbursements for Ms. Barnett's federal financial assistance:

- a. 1051–1575 hours:
  - i. A federal SEOG Grant in the amount of \$50.00;
  - ii. A Direct Stafford Unsubsidized Loan in the amount of \$1,697.00;
  - iii. A Direct Stafford Subsidized Loan in the amount of \$1,273.00;  
and
  - iv. A Pell Grant in the amount of \$1,692.00.
- b. 1575–2100 hours:
  - i. A federal SEOG Grant in the amount of \$50.00;
  - ii. A Direct Stafford Unsubsidized Loan in the amount of \$1,696.00;
  - iii. A Direct Stafford Subsidized Loan in the amount of \$1,272.00;  
and
  - iv. A Pell Grant in the amount of \$1,692.00.

The 11/1/2017 Financial Planning Worksheet reflected a credit balance of \$2,445.25.

189. On November 9, 2017, Ms. Barnett emailed Ms. Legate to follow up on her credit balance payment. Ms. Barnett stated, “[I’m] at my wit[']s end with this process and this school. I keep getting promised things with zero follow through. This school/company is not being run to standard and I’m at the point where I’m going to be contacting corporate and the [Iowa] attorney general.”

190. That day, Ms. Legate responded by email that the check would be “cut” on November 10, 2017, and then would be given “to an administrator to be signed.” “As with other schools,” Ms. Legate explained, “we ask to allow for 5–7 business days to receive your check.”

191. Ms. Barnett responded to Ms. Legate’s email, stating,

[i]f you look in our previous emails you told me I will receive two checks, one on or around 11/10 you said that’s when I’d receive it not when it would be issued. This is part of the entire problem! I keep getting told one thing but then you change the verbiage and it’s completely different.

192. Ms. Legate responded by email that day and said that she would forward Ms. Barnett’s email to Melanie Farmer, the College Administrator for the Davenport campus.

193. On November 28, 2017, Ms. Barnett informed Ms. Legate via email that she had not received her check, even though eleven business days had passed. Ms. Barnett stated, “[n]ow I’m being told the [Department] hasn’t released the funds yet?”

194. The next day, Ms. Barnett emailed Ms. Legate again because other students had received their checks and Ms. Barnett had not, even though she was told that they were all processed at the same time. She asked,

[w]hat is going on with this? Who can I speak to above you since you haven’t been getting back to me and haven’t been getting the situation taken care of and not keeping me updated. I returned my items to my teacher in September! They were sent back in October and now it’s nearly December this is not acceptable! Do I call the [Department]? Do I call corporate? Do I call the [Iowa] [A]ttorney [G]eneral and the [B]etter [B]usiness [B]ureau and the media for fraud?

195. On November 29, 2017, Ms. Barnett filed a complaint with the Iowa Attorney General's Office. In her complaint, Ms. Barnett stated, "[w]hen I enrolled into and had my financial aid meeting over the phone, I was assured multiple times that I had more than enough financial aid to cover it and then asked me how I would like to receive my refunds whether I want it to be applied back to my loan or sent out in [credit balance payments]."

196. Ms. Barnett also stated in her complaint to the Iowa Attorney General's Office that La'James told her that she would receive her first credit balance payment at 1,575 hours. Ms. Barnett explained that she inquired about her first credit balance payment once she reached the 1,575 hour mark and was told that "I wouldn't be getting any because the only left over aid I had was from a scholarship they never told me I had received. And that I would receive that upon graduation."

197. Ms. Barnett recounted her repeated inquiries to La'James regarding her credit balance payment and their refusal to provide her with an explanation.

198. In her complaint, Ms. Barnett stated that La'James charged her \$300 that she was not expecting. She went on to explain, "I had told them in the beginning if my grants and loans wouldn't cover my tuition[,] I wouldn't be attending because I couldn't afford to pay out of pocket."

199. On the same day she filed her complaint with the Iowa Attorney General's Office, Ms. Barnett filed a complaint with the Better Business Bureau

regarding La'James' failure to refund her for the kit items that she returned, as well as the misrepresentations that La'James made regarding her course of study.

200. On December 5, 2017, Ms. Legate informed Ms. Barnett via email:

We have your financial aid disbursement scheduled to post to your account on (Friday) December 15<sup>th</sup>. If that disbursement creates a credit balance, we will issue you a check within 14 days of posting that disbursement. After disbursements are posted, accounts are reviewed and if you have a credit balance, you will get a "Graduate Credit Balance Notification" to review, sign, and give back to us. Once we have it back, we will schedule your check.

201. On December 13, 2017, Ms. Barnett emailed the Iowa Attorney General's Office to follow up on her complaint. She explained that the school was asking her to sign new financial aid papers and denying her refund for the kit items that she had returned.

202. In her email to the Iowa Attorney General's Office, Ms. Barnett explained,

[l]ooking at my contract and the original financial aid numbers and the new ones[,] none of the finances are adding up correctly, when I asked why the financial aid lady I had been emailing with told me the check was coming to me say that . . . it's not and they said she made a mistake but the dates on my paperwork and the dates of the emails show they should have known if I was or wasn't receiving one then.

Ms. Barnett added, "I also have other classmates having similar issues and asked for your email as well." She concluded her email by saying, "My mind is scattered from the stress of this situation."

203. The Iowa Attorney General's Office asked Ms. Barnett to call the Department to share her concerns, which she did.

204. On January 2, 2018, Ms. Barnett notified Ms. Legate by email that she had not received a notification of a credit balance yet.

205. Ms. Barnett graduated from La'James's Cosmetology program on February 1, 2018, without ever having received a credit balance payment.

206. On June 15, 2018, Cindy Schieber, Controller and Financial Aid Director at La'James, notified Ms. Barnett by email that Ms. Barnett had a credit balance of \$2,817.25 and that the funds would be sent to the school by June 19, 2018.

207. Ms. Barnett confirmed with Ms. Schieber that day by email that she wanted the credit balance payment sent to her.

208. Ms. Schieber responded by email that day, stating: "We will be getting these to the school by Tuesday."

209. According to the National Student Loan Data System ("NSLDS"),<sup>14</sup> the following amounts were disbursed to Ms. Barnett's student ledger account on July 27, 2018:

- a. A Direct Stafford Unsubsidized Loan in the amount of \$1,714.00;
- and
- b. A Direct Stafford Subsidized Loan in the amount of \$1,284.00.

210. On July 27, 2018, Ms. Schieber notified Ms. Barnett by email that the following amounts of federal financial assistance had been disbursed to her student ledger account:

- a. A federal SEOG Grant in the amount of \$100.00;

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<sup>14</sup> The National Student Loan Data System, or NSLDS, is a website run by the Department which provides borrowers with a centralized view of their federal student aid including loans and grants. See Federal Student Aid, U.S. Department of Education, What is NSLDS? (last updated Jan. 26, 2017), available at [https://studentaidhelp.ed.gov/app/answers/detail/a\\_id/1681/~/\\_what-is-nslds%3F](https://studentaidhelp.ed.gov/app/answers/detail/a_id/1681/~/_what-is-nslds%3F).



- b. A Pell Grant in the amount of \$1,691.00;
- c. A Direct Stafford Unsubsidized Loan in the amount of \$1,696.00; and
- d. A Direct Stafford Subsidized Loan in the amount of \$1,271.00.

211. In an email response sent later that day, Ms. Schieber informed Ms. Barnett that “these are the final disbursements.” In addition, “[w]e processed the credit balance these created in June – the [\$]2,817.25 check you got....”

212. Ms. Barnett did not end up receiving the LJIC Tuition Scholarship because she did not graduate on time.

213. In July 2018, Ms. Barnett received a check reflecting her credit balance payment of \$2,817.25.

214. According to NSLDS, Ms. Barnett still has a Pell Grant available in the amount of \$2,537.00. It was awarded, but never disbursed, to finance her attendance at La’James.

215. Because of the delay in receiving her credit balance payments, and because the amounts of the credit balance payments were significantly less than La’James represented to Ms. Barnett at enrollment, Ms. Barnett could not pay her bills on time. Ms. Barnett had to work part-time while enrolled as a full-time student and was not able to afford her car insurance or rent or contribute to her household’s bills. In addition, she was forced to borrow almost \$1,000.00 from a family member on a fixed income.

## CLASS ACTION ALLEGATIONS

216. Named Plaintiffs bring this action on behalf of themselves and a class of all similarly situated individuals. This class is defined as “all persons who were enrolled or remain enrolled at any Iowa campus of La’James who were awarded financial aid and provided with a financial aid disbursement schedule, and whose financial aid disbursements were not made in accordance with that schedule, either due to a delay in disbursement by La’James, or their failure to disburse, financial aid.” This class is limited to those students who have not received their final credit balance payment, who are still owed a balance that should have been paid to them, or who received their credit balance after a delay, after March 20, 2018.

217. Named Plaintiffs and class members are similarly situated for the purpose of asserting the claims alleged in this Petition on a common basis.

218. A class action is a superior means, and the only practicable means, by which the Named Plaintiffs and the alleged class members can challenge Defendants’ misrepresentations regarding financial aid disbursements to all current and former La’James students who were awarded financial aid and have not received the full amount of financial aid disbursements according to the disbursement schedule represented to them when they initially enrolled at La’James.

219. This action satisfies the numerosity, commonality, adequacy, and appropriateness requirements of Iowa Rule of Civil Procedure 1.261.

220. Defendants' misrepresentations have caused significant financial harm to all students who La'James told would receive precise amounts of credit balance payments at specific hour markers while they were enrolled, but who did not receive credit balance payments according to that schedule.

221. Had La'James told Named Plaintiffs and the putative class members that they would not receive credit balance payments according to the schedule provided at the time of enrollment, Named Plaintiffs and the putative class members may have chosen not to enroll, enrolled elsewhere, or pursued other career options rather than paying tuition and incur debt for programs that they could not afford without financial aid. As a result of La'James's misconduct, Named Plaintiffs and putative class members were forced to incur additional debt, interest charges and late fees, and find other ways to pay their living expenses that otherwise would have been paid for by the credit balance payments that were promised by La'James.

**Numerosity – Iowa Rule of Civil Procedure 1.261(1)**

222. The number of class members are so numerous that joinder would be impracticable. While the precise number of current and former students from the Iowa campuses of La'James who did not receive their full financial aid disbursements in a timely manner is known only to La'James, La'James currently enrolls more than 250 students in Iowa. See U.S. Dep't of Educ., College Scorecard: La'James International College, available at <https://collegescorecard.ed.gov> (search terms: "La James") (last visited on Mar. 20, 2020).

223. The precise number of class members can be determined through discovery.

**Commonality – Iowa Rule of Civil Procedure 1.261(2)**

224. The nature of the relief sought is common to all members of the class and common questions of law and fact exist as to all members of the class. These common questions of law and fact predominate over any questions affecting individual members of the class.

225. All members of the class have been subject to and affected by a uniform course of conduct in that all class members were subject to Defendants' and its representatives' misrepresentations regarding financial aid disbursement practices, the amount of credit balance payments, and when credit balance payments would be made.

226. These common legal and factual questions arise from Defendants' misrepresentations to prospective and enrolled students regarding La'James' financial aid disbursement practices. As alleged herein, La'James made misrepresentations to prospective and enrolled students to whom financial aid was awarded, leading them to believe that they were entitled to the credit balance payment amounts stated on their Financial Planning Worksheets, La'James would draw down those amounts from the Department, disburse those amounts to students' ledger accounts and make credit balance payments to students within a fixed timeframe. In fact, La'James often delayed verification of students' financial aid forms and information until after the student had enrolled and begun classes,

creating a likelihood of delay in disbursing funds to students' ledger accounts as an HCM2 institution.

227. The common questions of law and fact include, but are not limited to:

- a. Whether Defendants made misrepresentations to prospective and enrolled students regarding its financial aid disbursement practices;
- b. Whether Defendants made misrepresentations to prospective and enrolled students regarding their eligibility for financial aid;
- c. Whether Defendants made misrepresentations to prospective and enrolled students regarding their approval status for financial aid;
- d. Whether Defendants made misrepresentations to prospective and enrolled students regarding when credit balances would be paid to them and in what amounts;
- e. Whether Defendants continued to make misrepresentations to enrolled students when asked about the status of their credit balance payments;
- f. Whether Defendants delayed or failed to make the credit balance payments that they had promised to applicants who enrolled at La'James;
- g. Whether Defendants' conduct constituted an "unfair practice, deception, fraud, false pretense, or false promise, or the

misrepresentation, concealment, suppression, or omission” in violation of the Iowa Consumer Fraud Act, Iowa Code § 714H.3(1);

- h. Whether Defendants’ conduct related to a material fact or facts under the Iowa Consumer Fraud Act, Iowa Code § 714H.5(1);
- i. Whether Defendants’ statements constituted fraudulent misrepresentations in violation of common law;
- j. Whether Defendants’ statements constituted negligent misrepresentations in violation of common law;
- k. Whether Defendants’ statements resulted in fraudulent concealment in violation of common law; and
- l. Whether Defendants’ conduct resulted in an ascertainable loss of money and property, as well as other damages, to Named Plaintiffs and the class.

**Adequacy – Iowa Rule of Civil Procedure 1.262(2)**

228. The Named Plaintiffs are adequate representatives of, and will fairly and adequately protect the interests of, the putative class because their interests in the vindication of the legal claims they raise are entirely aligned with the interests of the other class members, who each have the same state law claims. Named Plaintiffs are members of the putative class and their interests coincide with, and are not antagonistic to, those of the other putative class members.

229. The Named Plaintiffs are represented by counsel who are experienced in litigating complex consumer protection cases and class action matters in both state and federal courts and who have extensive knowledge on issues of higher education law, consumer protection, and student debt.

230. The interests of the putative class will be fairly and adequately protected by the Named Plaintiffs and their attorneys.

**Appropriateness – Iowa Rule of Civil Procedure 1.263(1)**

231. Class action status is appropriate for the fair and efficient adjudication of this case because Defendants have acted in the same unlawful manner with respect to all class members. A legal ruling concerning the unlawfulness of Defendants' representations and omissions regarding La'James's financial aid disbursement practices would vindicate the rights of every class member.

232. Due to the numerous members of the class and the existence of common questions of law and fact, a class action will serve the economies of time, effort, and expense, as well as prevent possible inconsistent results.

**COUNT I**  
**Unfair and Deceptive Practices under**  
**the Iowa Consumer Fraud Act – Misrepresentations of Material Fact**  
**(All Defendants)**

233. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

234. Section 714H.3(1) of the Iowa Consumer Fraud Act provides in pertinent part:

A person shall not engage in a practice or act the person knows or reasonably should know is an unfair practice, deception, fraud, false pretense, or false promise, or the misrepresentation, concealment, suppression, or omission of a material fact, with the intent that others rely upon the unfair practice, deception, fraud, false pretense, false promise, misrepresentation, concealment, suppression, or omission in connection with the advertisement, sale, or lease of consumer merchandise[.]

Iowa Code § 714H.3(1). In addition, “a claimant alleging an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation must prove that the prohibited practice related to a material fact or facts.” *Id.*

235. The Iowa Consumer Fraud Act defines “deception” as “an act or practice that is likely to mislead a substantial number of consumers as to a material fact or facts.” Iowa Code § 714H.2(5).

236. The Iowa Consumer Fraud Act defines “unfair practice” as “an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces.” Iowa Code § 714H.2(9); *see also id.* § 714H.16(1)(n).

237. The Iowa Consumer Fraud Act affords a private right of action to individual consumers:

A consumer who suffers an ascertainable loss of money or property as a result of a prohibited practice or act in violation of this chapter may bring an action at law to recover actual damages. The court may order such equitable relief as it deems necessary to protect the public from further violations, including temporary and permanent injunctive relief.

Iowa Code § 714H.5(1).



238. La'James's business transactions in Iowa are in connection with the sale or advertisement of consumer merchandise as defined by the Iowa Consumer Fraud Act. *See* Iowa Code § 714H.2.

239. As set forth above, Defendants violated the Iowa Consumer Fraud Act by engaging in unfair practices, deception, fraud, false pretense, false promise, misrepresentation, concealment, suppression, or omission related to material facts, with the intent that its prospective and existing students rely upon the unfair practice, deception, false pretense, false promise, misrepresentation, concealment, suppression, or omission in connection with the advertisement or sale of consumer merchandise, *i.e.*, enrollment in its education programs.

240. More specifically, Defendants violated the Iowa Consumer Fraud Act by making or, in some cases, directing others to make, misrepresentations to Named Plaintiffs and members of the class regarding awards of financial aid, specifically with respect to how financial aid funds would be disbursed to student ledger accounts and credit balance payments would be made.

241. Defendants violated the Iowa Consumer Fraud Act by making or, in some cases, directing others to make, representations to prospective and enrolled students and instructing its employees to represent to prospective and enrolled students that La'James would act in compliance with its statutory and regulatory obligations to disburse credit balances "as soon as possible and in no event more than 14 days after: (a) the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period; or (b) the first day

of class of the payment period if the credit balance occurred on or before the first day of class of that payment period.” Defendants memorialized their general financial aid disbursement practices in the La’James Student Catalog. La’James Student Catalog at 17.

242. Defendants violated the Iowa Consumer Fraud Act by making or, in some cases, directing others to make, representations to prospective and enrolled students about the general financial aid disbursement schedule for each program, to which they did not adhere. Both the La’James Student Catalog and the La’James Tuition Payment Schedule Disclosure included specific schedules upon which financial aid would be disbursed. La’James Student Catalog at 13-16; La’James Tuition Payment Schedule Disclosure.

243. Defendants also violated the Iowa Consumer Fraud Act by making or, in some cases, directing others to make, misrepresentations to each Named Plaintiff and each member of the class regarding their individual awards of financial aid and the schedules upon which their financial aid would be disbursed to their student ledger accounts, and credit balance payments would be made. Each student received a Financial Planning Worksheet that memorialized their individual awards and schedules for disbursements and payments. These misrepresentations were made by La’James’s Financial Planning Advisors during Financial Planning Meetings with Named Plaintiffs and the putative class members prior to enrollment, at the instruction of Defendants. *See La’James Financial Aid Script.*

244. Defendants intended for Named Plaintiffs and the members of the class to rely on these misrepresentations in order to enroll in their educational programs and pay La'James tuition and other fees.

245. Defendants violated the Iowa Consumer Fraud Act when it continued to make or, in some cases, directed others to make, misrepresentations to Named Plaintiffs and class members regarding the status of their credit balance payments and the process for making those payments.

246. Defendants' violations occurred on a continuing basis until each Named Plaintiff and each putative class member received their last credit balance payment in full. For current students, these violations are ongoing and are continuing to occur. In some instances, the credit balance paid to the student was less than originally promised.

247. Defendants intended for Named Plaintiffs and the members of the class to rely on these misrepresentations in order to remain enrolled in their educational programs and pay La'James tuition and other fees.

248. As a direct result of Defendants' conduct, Named Plaintiffs and the members of the class have suffered, and will continue to suffer, ascertainable losses of money and property due to their attendance at La'James, including costs incurred to attend La'James, loss of eligibility for financial aid programs, lost wages, damage to credit, increased loans, and loss of other property and housing, among other losses.

249. Defendants have therefore violated the Iowa Consumer Fraud Act and Named Plaintiffs and members of the class have been damaged in an amount to be determined by the trier of fact.

**COUNT II**  
**Fraudulent Misrepresentation**  
**(All Defendants)**

250. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

251. Defendants made or, in some cases, directed others to make, representations to Named Plaintiffs and each member of the class that La'James would follow the financial aid disbursement practices outlined in the La'James Student Catalog. La'James Student Catalog at 17; La'James Tuition Payment Disclosure.

252. Defendants made or, in some cases, directed others to make, representations to Named Plaintiffs and to each member of the class that the financial aid that they had been awarded would be disbursed, and credit balance payments made, according to the individualized schedules memorialized in each student's Financial Planning Worksheet.

253. The representations were material to Named Plaintiffs' and class members' decisions to enroll, and to remain enrolled, at La'James.

254. The representations were false, and Defendants did not disburse financial aid or make credit balance payments according to the practices described

in the La'James Student Catalog, the La'James Tuition Payment Disclosure, or their individualized Financial Planning Worksheets.

255. Defendants knew that the representations were false, and they did not intend to make credit balance payments to Plaintiffs in the amounts or according to the schedule given to Plaintiffs, as promised.

256. Defendants intended to deceive Plaintiffs by making representations regarding when credit balance payments would be made and in which amounts, in order to induce them to enroll, and to remain enrolled, in programs at La'James.

257. Defendants made or, in some cases, directed others to make, late and incomplete credit balance payments to numerous students over the course of several years, including Named Plaintiffs and class members, exhibiting that their misrepresentations were made with scienter and an intent to deceive.

258. Plaintiffs acted in reliance on the truth of the representations when enrolling at La'James.

259. As a direct result of these fraudulent misrepresentations, Named Plaintiffs and the members of the class have suffered, and will continue to suffer, ascertainable losses of money and property based on their reliance on the continued misrepresentations regarding the status and amounts of their credit balance payments. Named Plaintiffs and members of the class were forced to, *inter alia*, take out additional loans, pay late fees, and pay penalties because of Defendants' failure to pay their credit balances in the amounts and on the schedule promised.

260. Named Plaintiffs and members of the class have been damaged in an amount to be determined by the trier of fact.

**COUNT III**  
**Negligent Misrepresentation**  
**(All Defendants)**

261. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

262. Defendants, in the course of its business, supplied or, in some cases, directed others to supply, false information to applicants and students regarding its financial aid disbursement practices, and the schedule according to which Named Plaintiffs and class members would receive financial aid disbursements to their student ledger accounts and credit balance payments during the course of their enrollment at La'James.

263. Named Plaintiffs and class members relied on this information when deciding to enroll, or remain enrolled, at La'James. Named Plaintiffs and class members depended on the representations regarding credit balance payments to ensure that they would be able to afford their living expenses while completing the program.

264. As a direct result of this false information, Named Plaintiffs and the members of the class have suffered, and will continue to suffer, ascertainable losses of money and property based on their reliance on Defendants' continued misrepresentations regarding the status and amounts of their credit balance payments. Named Plaintiffs and members of the class were forced to, *inter alia*,

take out additional loans, pay late fees, and pay penalties because of Defendants' failure to pay their credit balances in the amounts and on the schedule promised.

265. Named Plaintiffs and members of the class have been damaged in an amount to be determined by the trier of fact.

**COUNT IV**  
**Fraudulent Concealment**  
**(All Defendants)**

266. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

267. During each Named Plaintiff's and class member's enrollment at La'James, and following their graduation, Defendants concealed or, in some cases, directed others to conceal, from Named Plaintiffs and the class members the material fact that La'James would not follow the financial aid disbursement practices described in the La'James Student Catalog and the La'James Tuition Payment Schedule Disclosure. La'James Student Catalog at 17; La'James Tuition Payment Schedule Disclosure.

268. During each Named Plaintiff's and class member's enrollment at La'James, and following their graduation, Defendants or, in some cases, directed others to conceal, concealed from Named Plaintiffs and the class members that La'James would not disburse financial aid and make credit balance payments in accordance with the representations made to each student upon enrollment, memorialized in each student's Financial Planning Worksheet.

269. Defendants concealed or, in some cases, directed others to conceal, from Named Plaintiffs and class members that after August 2017, financial aid would be disbursed directly from La'James and not from the Department, and that any delay in disbursing financial aid or making credit balance payments was solely due to the conduct of Defendants.

270. Defendants engaged in a continuing course of conduct to make or, in some cases, directed others to make, misrepresentations to students upon enrollment regarding financial aid awards and credit balance payments in order to induce them to enroll and remain enrolled.

271. Defendants intended to deceive Plaintiffs by making concealing their actual practices for determining when credit balance payments would be made and in which amounts, in order to induce them to enroll, and to remain enrolled, in programs at La'James.

272. Named Plaintiffs and class members relied on Defendants' representations regarding financial aid awards and credit balance payments when deciding to enroll at La'James. These representations were material to Named Plaintiffs' and class members' decisions to enroll because the information was needed to determine whether they would be able to meet their financial needs while attending school full time.

273. As a direct result of Defendants' fraudulent concealment, Named Plaintiffs and the members of the class have suffered, and will continue to suffer, ascertainable losses of money and property based on their reliance on Defendants'



continued misrepresentations regarding the status and amounts of their credit balance payments. Named Plaintiffs and members of the class were forced to, *inter alia*, take out additional loans, pay late fees, and pay penalties because of Defendants' failure to pay their credit balances in the amounts and on the schedule promised.

274. Named Plaintiffs and members of the class have been damaged in an amount to be determined by the trier of fact.

**COUNT V**  
**Breach of Contract**  
**(Corporate Defendants)**

275. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

276. La'James entered into valid and binding contracts with each Named Plaintiff and class member. Defendants described the terms under which students enrolled at La'James would receive financial aid, including disbursements to their student ledger accounts and payments of credit balances, in several documents that were distributed to students, including Named Plaintiffs and class members.

277. The general financial aid disbursement practices of La'James was memorialized in the La'James Student Catalog, including representing when financial aid disbursements would be made to their student ledger accounts and credit balances would be paid. La'James Student Catalog at 17. Students were required to confirm that they were "provided access to La'James International College catalog prior to signing my enrollment agreement."

278. La'James employees, upon instruction from Defendants, provided to each student, including Named Plaintiffs and members of the class, with individualized Financial Planning Worksheets that memorialized financial aid disbursement and credit balance payment schedules. Financial Planning Worksheets were signed by both the student and a La'James staff member.

279. Named Plaintiffs and class members met the conditions of each of their contracts by remaining enrolled at La'James and meeting their hourly marker requirements.

280. Named Plaintiffs and class members relied on the terms of their contracts with Defendants when enrolling at La'James. Named Plaintiffs and class members chose to forego other educational opportunities and job opportunities in order to pursue a beauty career with La'James, and relied on the terms of their contracts with Defendants to determine whether they would be able to continue to pay their living expenses while enrolled at La'James.

281. Defendants breached their contracts between Named Plaintiffs and class members by failing to disburse financial aid and pay credit balances according to the terms that were agreed upon in the individualized Financial Planning Worksheets that were prepared for each student.

282. As a direct result of Defendants' conduct, Named Plaintiffs and the members of the class have suffered, and will continue to suffer, ascertainable losses of money and property based on their reliance on the terms of their contracts with Defendants. Named Plaintiffs and members of the class were forced to, *inter alia*,

take out additional loans, pay late fees, and pay penalties because of Defendants' failure to pay their credit balances in the amounts and on the schedule promised.

283. Defendants have therefore breached their contracts with Named Plaintiffs and members of the class have been damaged in an amount to be determined by the trier of fact.

### **REQUEST FOR RELIEF**

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a jury trial on the merits:

- (1) Finding that this action satisfies the prerequisites for maintenance as a class action as set forth in Iowa Rule of Civil Procedure 1.262, and certify the class as defined herein;
- (2) Designating Named Plaintiffs as representatives of the class and undersigned as class counsel;
- (3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;
- (4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial;
- (5) Awarding Named Plaintiffs and the class statutory damages up to three times the amount of actual damages awarded under the Iowa Consumer Fraud Act, Iowa Code § 714H.5(4);

- (6) Awarding Named Plaintiffs and the class punitive damages based on Defendants' fraudulent conduct in an amount to be proven at trial;
- (7) Awarding Named Plaintiffs and the class reasonable attorney's fees and costs under the Iowa Consumer Fraud Act, Iowa Code § 714H.5(2);
- (8) Issuing a preliminary and then a permanent injunction under the Iowa Consumer Fraud Act, Iowa Code § 714H.5(1), enjoining La'James and each of its directors, officers, principals, partners, employees, agents, representatives, subsidiaries, affiliates, successors, assigns, merged and acquired predecessors, parent and controlling entities from engaging in the deceptive, unfair, and omissive acts and practices or otherwise violating the Iowa Consumer Fraud Act as alleged herein; and
- (9) Granting all such further and other relief as it deems necessary to protect the public from further violations.

### **JURY DEMAND**

COMES NOW Plaintiff and hereby demands a trial by jury on all claims and issues presented herein.

Respectfully submitted,

/s/ Ben Arato

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forthcoming

Original filed.