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EMBARGOED UNTIL 8/16, 9:45 AM
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Education Department approves $3.9 billion group discharge for 208,000 borrowers who attended ITT Technical Institute

Department also initiates the formal process to recoup approved borrower defense claims from DeVry University

Today, the U.S. Department of Education (Department) announced that it will discharge all remaining federal student loans that borrowers received to attend ITT Technical Institute (ITT) from January 1, 2005, through its closure in September 2016. The decision, which follows Departmental findings based on extensive internal records, testimony from ITT managers and recruiters, and first-hand accounts from borrowers, will result in 208,000 borrowers receiving $3.9 billion in full loan discharges. This includes borrowers who have not yet applied for a borrower defense to repayment discharge. These borrowers will have the federal student loans they received to attend ITT discharged without any additional action on their part.

"It is time for student borrowers to stop shouldering the burden from ITT's years of lies and false promises," said U.S. Secretary of Education Miguel Cardona. "The evidence shows that for years, ITT's leaders intentionally misled students about the quality of their programs in order to profit off federal student loan programs, with no regard for the hardship this would cause. The Biden-Harris Administration will continue to stand up for borrowers who've been cheated by their colleges, while working to strengthen oversight and enforcement to protect today's students from similar deception and abuse."

The Department also announced that it formally notified DeVry University (DeVry), that it is required to pay millions of dollars for approved borrower defense applications. DeVry can submit information and arguments for why it should not be required to pay these liabilities or request a hearing before the Department's Office of Hearings and Appeals.

Finally, the Department also announced the approval of discharges for just under 100 borrowers who enrolled in the Medical Assistant or Medical Billing & Coding Program at Kaplan Career Institute's Kenmore Square location in Massachusetts from July 1, 2011 to February 16, 2012 when the institution stopped enrolling new students. These are borrowers identified by Massachusetts Attorney General Maura Healey after an investigation found that the institution repeatedly lied about its job placement rates to borrowers, among other deceptive practices. The location closed in February 2013.

Today's action brings the total amount of loan relief approved by the Biden-Harris Administration to nearly $32 billion for 1.6 million borrowers. This includes $13 billion related to institutions that took advantage of borrowers. It represents the Department's continued commitment to providing debt relief to eligible borrowers.

About the Department's ITT findings

Today's ITT announcement builds on the Administration's previous actions related to ITT , which has resulted in the approval of $1.9 billion in discharges for 130,000 students to date. This includes borrower defense findings that ITT engaged in widespread and pervasive misrepresentations related to the ability of students to get a job or transfer credits, and lying about the programmatic accreditation of ITT's associate degree in nursing. Separately, the Department announced an expanded window for borrowers who attended but did not graduate from ITT to receive closed school discharges.

"ITT defrauded hundreds of thousands of students, as we identified when I was the director of the Consumer Financial Protection Bureau," said Federal Student Aid Chief Richard Cordray. "By delivering the loan relief students deserve, we are giving them the opportunity to resume their educational journey without the unfair burden of student debt they are carrying from a dishonest institution."

The Department's findings around ITT were assisted by significant and extensive work by attorneys general across the country, the Consumer Financial Protection Bureau, and Veterans Education Success. The Department received important evidence from half the country's state offices of attorneys general, led by Colorado and Oregon Attorneys General and supported by significant evidence from the Iowa and New Mexico Attorneys General.

The Department's findings are based on extensive evidence, including internal ITT policies and records; recruitment materials and brochures; recordings of interactions between ITT's representatives and prospective students; testimony from former students, employees, and administrators; investigative files and submissions from congressional investigators and state offices of attorneys general; and the tens of thousands of individual borrower defense applications submitted by former ITT students.

The Consumer Financial Protection Bureau's (CFPB) Investigation into ITT

The CFPB's work to protect ITT borrowers resulted in action which barred ITT from engaging in predatory private student lending and resulted in $498 million in private student loan cancellation. The CFPB sued ITT in 2014, alleging that ITT pressured its students into taking out high-cost private loans even though ITT knew most of its students would ultimately default. In 2019, the CFPB obtained a judgment barring ITT from offering or providing student loans. The CFPB also obtained judgments against several entities for providing substantial assistance to ITT in violation of the Consumer Financial Protection Act by owning and managing ITT's private student loans.

"The automatic loan cancellation announced today will provide life-changing relief that has long been owed to former ITT students," said Rohit Chopra, director of the CFPB. "Far too many Americans are still on the hook for loans they acquired at colleges that profited from deceiving students, and the CFPB will continue to work with the Department of Education to address predatory student loan debt, to protect students, and to hold wrongdoers accountable."

DeVry Recoupment Action

Yesterday, the Department formally notified DeVry that the institution is liable to the Department for nearly $24 million for approved borrower defense claims. This recoupment effort follows the Department's announcement in [February 2022] that it had approved claims after finding that, from 2008 through 2015, DeVry had repeatedly misled prospective students across the country. DeVry claimed that 90 percent of its graduates who actively seek employment obtained jobs in their field of study within six months of graduation. In fact, the institution's actual job placement rate was around 58 percent. DeVry inflated its job placement rate by including students who found employment prior to graduation and by excluding others who did not conduct a job search in the college's preferred manner.

The initial demand relates to the first group of DeVry Direct Loan borrowers whose loan discharges are in process with their servicers. The Department anticipates the number of approved discharge amounts to grow as it continues to adjudicate additional applications from former DeVry students and reserves the right to seek future recovery actions, as warranted.

DeVry will have 20 days from issuance of the demand to submit additional written material or request a hearing on the matter before the Department's Office of Hearings and Appeals. If DeVry does not submit such a request within the required timeframe, the Department will impose the liabilities and require DeVry to pay, or enter an agreement to pay, the amount.

Kaplan Career Institute Approvals

The Kaplan approval of discharges for roughly 100 borrowers was based upon the Department's independent review of the evidence which primarily came to it in a request from the Office of the Massachusetts Attorney General. The Massachusetts Attorney General conducted a detailed investigation into the school and provided evidence to the Department that established that Kaplan repeatedly lied about its job placement rates to borrowers, telling them upwards of 70 percent of students got jobs, when the actual figure was as low as 25 percent. Kaplan inflated its rates by including temporary and part-time jobs and reported students as having been placed in their field even if the school's internal records indicated they were not. The Massachusetts Attorney General also provided evidence to the Department that Kaplan did not provide promised career services to borrowers.

Continued Commitment to Targeted Loan Forgiveness

Today's actions are part of the Biden-Harris Administration's broader efforts to ensure better implementation of the student loan programs to get students and borrowers the benefits to which they are entitled, including loan forgiveness. These efforts also include enacting lasting policies to make college more affordable and prevent a future debt crisis by holding schools accountable for leaving students with mountains of debt and without the skills and preparation to find good jobs.

The nearly $32 billion in student loan relief approved to date includes:

- $13 billion for 1 million borrowers whose institutions took advantage of them through discharges related to borrower defense and school closures.
- $9.6 billion for 175,000 borrowers through the Public Service Loan Forgiveness Program.
- $9 billion in total and permanent disability discharges for more than 425,000 borrowers.

The Department is also working on new regulations that will permanently improve a variety of the existing student loan forgiveness programs, significantly reduce monthly payments, and provide greater protections for students and taxpayers against unaffordable debts.

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