

# United States Senate

WASHINGTON, DC 20510

December 20, 2018

The Honorable Betsy DeVos  
Secretary  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, DC 20202

Dear Secretary DeVos:

We call on you to immediately provide full federal student loan discharges to former ITT Tech (ITT) students under the Higher Education Act's borrower defense authority in light of recent developments in ITT's bankruptcy proceedings.

ITT Tech had a long history of misconduct and misleading students. Numerous state attorneys general investigated or sued the company for unfair, deceptive, or abusive practices in violation of their states' consumer protection laws. The Consumer Financial Protection Bureau also sued the company for pressuring students into high-cost, predatory private loans by misleading them about the value of an ITT education, lying about students' job prospects, and rushing them through the loan origination process by means of high-pressure and deceptive practices. In addition, the Securities and Exchange Commission sued the company and its top executives for securities fraud.

In 2016, the company collapsed under the weight of this wrongdoing, shuttering 130 campuses and declaring bankruptcy. Its failure affected nearly 45,000 students, including more than 6,000 veterans – saddling them with high levels of student debt and little hope for repaying it. For many, federal closed school and borrower defense discharges were the only hope of ever getting out of the deep hole in which ITT left them.

On January 13, 2017, the Department of Education (Department) under President Obama announced the first borrower defense discharges to ITT students. A memo to the Office of the Under Secretary explained that ITT's misconduct was "well-documented, pervasive, and highly publicized" and, as a result, "the value of an ITT education—like Corinthian—is likely either negligible or non-existent."<sup>1</sup> Unfortunately, under your leadership, the Department has failed to meet its responsibility to continue processing borrower defense discharges for defrauded ITT borrowers. As of May 1, 2018, the Department reported that it had more than 13,000 pending claims from ITT borrowers – a number which has undoubtedly grown since that time.

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<sup>1</sup> ITT Educational Services, INC., et al. Student Claimants' Reply to the Department of Education's Objection to 2004 Examination. United States Bankruptcy Court in the Southern District of Indiana Indianapolis Division. Case No. 16-07207-JMC-7A. Filed July 10, 2018. [https://predatorystudentlending.org/wp-content/uploads/2018/07/2696\\_-\\_Student\\_Claimants\\_Reply\\_to\\_the\\_Department\\_of\\_Educations\\_s\\_Objection\\_to\\_2004\\_Examination.pdf](https://predatorystudentlending.org/wp-content/uploads/2018/07/2696_-_Student_Claimants_Reply_to_the_Department_of_Educations_s_Objection_to_2004_Examination.pdf)

Meanwhile, the Department continues to pursue cheated and defrauded borrowers for repayment of their debt, including in collections.

While you continue to deny relief for students through delay, a federal judge recently recognized a \$1.5 billion claim by students in the bankruptcy proceedings based on the company's violations of consumer protection laws. The settlement also forgave \$600 million in private student loan debt owed to ITT and refunded \$3 million in student payments previously made to the company. In another sign of the clear legitimacy of student borrower defense claims against ITT, bankruptcy trustee Deborah Caruso filed a \$250 million lawsuit against the company's board and top executives for failing to fulfill their fiduciary responsibilities to stakeholders "including creditors and active students."<sup>2</sup>

Enough is enough. It's time for ITT students to receive the federal student loan relief to which they are entitled. We call on you to end the delay and immediately grant full federal student loan discharges to the cheated and defrauded ITT borrowers with pending borrower defense claims. The Department has broad authority and the evidence necessary to document how the company's predatory practices give rise to a cause of action under applicable State law, and to subsequently discharge all of the underlying loans automatically on a group basis. We also call on you to proactively reach out—in writing—to all former ITT students with federal loans who attended between 2006 and 2016 to alert them that they may be eligible for borrower defense discharge of their federal student loans and provide them information on how to submit claims.

We ask for a response to these requests no later than January 10, 2019. Thank you.

Sincerely,



Richard J. Durbin  
United States Senator



Elizabeth Warren  
United States Senator



Richard Blumenthal  
United States Senator



Sherrod Brown  
United States Senator

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<sup>2</sup> Caruso v. Modany et al. United States Bankruptcy Court in the Southern District of Indiana. Case No. 16-07207-JMC-7A. Filed May 31, 2018. <https://www.republicreport.org/wp-content/uploads/2018/06/Trustee-ITT-complaint.pdf>



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Margaret Wood Hassan  
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