

Department of Education Provides Long Overdue Debt Relief to ITT Tech, Kaplan Students

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WASHINGTON – National Consumer Law Center advocates applaud the Department of Education's **decision** today to discharge \$3.9 billion of debt for 208,000 borrowers who attended all ITT Technical Institute campuses between January 1, 2005 and until its closure in 2016 and about 100 borrowers who attended Kaplan Career Institute in Massachusetts.

"The Department of Education has provided long overdue relief to borrowers who were harmed by their schools and have struggled to repay the tens of thousands of dollars they borrowed for an education that often provided little or no value," **said Kyra Taylor, staff attorney at the National Consumer Law Center.** "The Department's decision to provide federal loan relief means that these students can finally begin to recover from their experiences at these predatory schools. Today's decision will transform many of these borrowers' financial futures."

ITT Tech had a documented history of defrauding students. Infamously, the school **deployed a "pain funnel"** when recruiting prospective students to exploit the emotional vulnerabilities of low-income borrowers and borrowers who were experiencing other forms of hardship. Numerous state attorneys general submitted relief applications on behalf of ITT students, and the Project on Predatory Student Lending published a **robust report** documenting ITT's misconduct. Over six years ago, the Massachusetts Attorney General applied for relief on behalf of the students who attended Kaplan Career Institute in Massachusetts, a school that misled prospective students by inflating graduates' job placement rate.

In April, NCLC, along with Student Defense and the Project on Predatory Lending, sued the Department of Education for its failure to decide the Massachusetts Attorney General's borrower defense application on behalf of borrowers who attended Kaplan Career Institute.

"The Department will discharge borrowers' debts automatically, without requiring an application," **said Taylor.** "This is critical because many borrowers are unaware that relief exists for these federal loans before they've fallen into default, leaving them vulnerable to the federal government's extraordinary collection powers. These powers include wage garnishment, tax refund seizure (including their Earned Income Tax Credit or Child Tax Credit), or siphoning off portions of other federal benefits to repay their federal student loans. Time and time again, we have seen that an application process stops borrowers-particularly low-income borrowers- from obtaining the relief they are entitled to."

"This decision is another indication that this Administration is committed to providing long-overdue relief to federal loan borrowers harmed by predatory schools," **Taylor said.** "We praise the Department for beginning to clear the backlog of borrowers who attended predatory schools but are burdened with federal loan debt, even though they are eligible for relief. We also applaud state attorneys general and legal aid organizations for investigating school misconduct and sharing that evidence with the Department."

"To continue this momentum, the Department must expand its investigations to unearth additional

cases of school misconduct and use its authority to provide automatic relief to students who attended other schools,” **Taylor added.** “In addition, we urge the Department to provide automatic relief for the borrowers who attended ITT before 2005 so that they too can obtain relief. We also urge it to engage in direct outreach to borrowers to inform them that they may be eligible for relief.”

Additional resources:

- Press release regarding NCLC advocates’ praise for proposed settlement in *Sweet v. Cardona*, which challenged the Department’s failure to decide hundreds of thousands of borrowers’ borrower defense applications, June 23, 2022
- Press release regarding the Department’s decision to cancel all Corinthian College borrowers’ debts, June 2, 2022
- Press release regarding *Hemphill v. Cardona* lawsuit alleging that the Department of Education had illegally ignored its responsibility to issue a decision on a group borrower defense claim submitted by the Illinois Attorney General on behalf of former-students that attended Westwood College’s Criminal Justice programs, May 19, 2022
- Press release regarding *Dunn v. Cardona* lawsuit alleging the Department of Education ignored its responsibility to issue a decision on a group borrower defense application submitted by the Massachusetts Attorney General on behalf of former students who attended the Medical Assistant and Medical Billing and Coding programs of the now-defunct Kaplan Career Institute, April 26, 2022
- Letter submitted by 23 advocacy organizations and unions to the U.S. Department of Education asking for the cancellation of debts associated with all outstanding borrower defense claims, April 13, 2021
- Report: Voices of Despair – How Seizing the EITC is Leaving Student Loan Borrowers Homeless and Hopeless During a Pandemic, July 2020