

National Consumer Law Center Advocates Support Education Department Giving Loan Relief for 18,000 Former ITT Students but Urge More Action

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Boston – Today, the U.S. Department of Education (Department) announced that it will discharge the federal student loans of 18,000 former for-profit ITT Tech students who applied for borrower defenses to repayment based on significant misrepresentations made by the now-shuttered school. The Department found that ITT engaged in widespread, repeated misrepresentations regarding graduates' employment prospects and transferability of credits over roughly a decade leading up to the school's collapse in 2016, and that students found that including ITT attendance on resumes actually made it harder for them to find employment.

Despite these findings of widespread school misconduct that ensnared ITT students in unaffordable debt, the Department has not yet committed to providing loan relief to the hundreds of thousands of other ITT students who suffered the same fate, but who have not filed individual borrower defense applications—likely because they are unaware of their right to borrower defense discharge. Many of those borrowers are in default, and thus face tarnished credit and the threat of wage garnishment and seizure of key social safety net payments, such as the Earned Income Tax Credit and the Child Tax Credit. Further, it is unclear whether the Department is even providing relief to all the ITT borrowers who have applied. According to public records data from December 2020, over 32,000 borrower defense applications were filed by former ITT students and over 25,000 of those applications were unresolved at that time.

“We are glad that the Department is finally providing this long overdue relief to some former ITT students. These borrowers and their families are struggling, some for more than a decade, under the weight of student loans they would never have taken on if they were told the truth about the school's lies regarding job placement, or if the Education Department had cut ITT off the federal aid gravy train when it should have long ago,” said **Abby Shafroth, staff attorney at the National Consumer Law Center**. “This is only a first step: hundreds of thousands of other former ITT students were subject to the same lies, and the government must stop collecting on these fraudulent loans and cancel their debts immediately. The Education Department also must address the other 100,000 plus borrower defense applications from borrowers at other schools, which remain outstanding as a result of the broken, Kafkaesque process of the past four years. The Education Department should make things right by discharging these debts now and create a fair process going forward.”

Background

In discharging the loans for ITT students, the Department of Education used its authority under the Borrower Defense to Repayment program within the Higher Education Act. Over the last five years, the Department of Education has changed the applicable regulations twice, including a 2019 revision that severely curtailed borrower rights and accessibility of loan relief for defrauded borrowers. In addition, in 2016, the Department stopped using its authority to identify groups of

students who had been harmed by their school and were eligible for a discharge, instead granting relief only one student at a time. This is the first time since 2017 that the Department recognized new grounds for a loan discharge.

More information: Group Letter to Secretary of Education Cardona Urging Borrower Defense Relief, Apr. 13, 2021