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November 13, 2019

Mark A. Brown
Chief Operating Officer
Federal Student Aid
U.S. Department of Education
830 First Street, N.E.
Washington, D.C. 20002

Re: Implementation of Mandatory Automatic Closed-School Discharges for ITT Tech

Dear Mr. Brown:

We, the undersigned Attorneys General of Massachusetts, Kentucky, Oregon, California, Colorado, Connecticut, Delaware, Illinois, Iowa, Maine, Michigan, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, Vermont, Virginia, and Washington, are writing to determine whether the U.S. Department of Education (“Department”) is providing relief to thousands of former ITT Tech (“ITT”) students as required by federal law. As you well know, federal regulations require the Department to automatically discharge the federal student loans of borrowers enrolled at closed schools, like ITT, who do not continue their education elsewhere.¹

Our offices are committed to ensuring that all eligible ITT students receive the closed-school discharge relief they deserve. As the Department is aware, research has consistently shown that students who do not complete their educational programs are among the most likely to default on their loans. Unfortunately, school closures often leave students worse off than when they enrolled—stuck with debt, no diploma, and without enhanced career prospects. For these borrowers and their families, discharge of federal loans is extremely important.

¹ The student must have been attending the closed school within 120 days of its closure date, though this 120-day period can be extended by the Secretary, and there is precedent for doing so. 34 C.F.R. §§ 674.33(g)(3)(ii), 682.402(d)(8)(ii), 685.214(c)(2)(ii) (2019).

As of May 16, 2019, the Department estimated that over 52,000 former ITT students are eligible for nearly \$833 million in closed-school discharge relief,² yet only about one-third of these students had individually applied for and received a closed-school discharge.³ As of September 3, 2019, three years after the abrupt closure of ITT, the Department is required to immediately and automatically issue a full loan discharge to every eligible former ITT student. U.S. Senator Richard Durbin recently announced that the Department is granting automatic closed-school discharges to over 7,000 former ITT student borrowers—amounting to nearly \$95 million in relief⁴—but states have been unable to confirm this borrower relief with the Department.

We ask that the Department clarify whether all eligible ITT students are now receiving the automatic discharges to which they are entitled. Further, we ask the Department to provide information sufficient to confirm that deserving ITT students have not been excluded from the automatic discharge program. To better assist former ITT students, we request responses to the following questions:

1. How many ITT borrowers has the Department identified as eligible for automatic closed-school discharge? Of these, how many are Parent PLUS loan borrowers?

2. How did the Department identify ITT borrowers as eligible for automatic closed-school discharge? Specifically, what loan disbursement and enrollment criteria did the Department use to identify eligible borrowers?⁵

3. Did the Department consider using an eligibility period beyond 120 days of ITT's closure, and if not, why not? We strongly urge the Department to extend the window for discharge eligibility to students who were attending ITT more than 120 days before its closure due to the deeply compromised nature of the school and its offerings in the months before its national collapse. Since at least August 2014, ITT faced increased regulatory scrutiny. In December 2015, the Department required a \$94 million letter of credit in exchange for continuing ITT's Title IV eligibility. On April 20, 2016, ITT's accreditor issued a show-cause directive. These circumstances and extensive corroborating accounts from former ITT students and employees confirm that on the brink of closure, ITT was focused on self-preservation and maintaining value for shareholders, rather than educating students.

² These students were identified by the Department based solely on enrollment dates. *See* Hon. Betsy DeVos QFR Responses to March 28, 2019 LHHS Hearing, Questions Submitted by Senator Patty Murray, Post-Publication QFR Responses for Senate Appropriations Committee, p. 1, <https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf> (last visited Nov. 7, 2019).

³ *Id.*

⁴ *Durbin Statement on Closed School Discharges for Former ITT Tech Students*, U.S. SEN. DICK DURBIN OF ILL., (Sep. 19, 2019), <https://www.durbin.senate.gov/newsroom/press-releases/durbin-statement-on-closed-school-discharges-for-former-itt-tech-students>.

⁵ *See Closed School Discharge Changes: Implementation of Automatic Closed School Discharge*, FED. STUDENT AID, (Dec. 13, 2018), <https://ifap.ed.gov/eannouncements/121318ClosedSchoolDischargeChanges.html>.

4. Has the Department finished processing automatic closed-school discharges for all eligible ITT borrowers? If not, has the Department taken steps to ensure that no further collection activity occurs on these loans?

5. For ITT borrowers receiving automatic closed-school discharge, by state, how many individuals by states received discharges, and what is the sum of (a) principal discharged; (b) interest discharged; and (c) payments refunded?

6. How many former ITT borrowers have individually filed for, and been a) granted and b) denied closed-school discharges? For these borrowers, by state, what is the sum of (a) principal discharged; (b) interest discharged; and (c) payments refunded? For borrowers denied a discharge what is the sum of (a) principal; (b) interest; and (c) payments, not discharged or refunded?

7. For ITT borrowers who individually filed for and were denied closed-school discharge, (a) what were reasons cited for rejection and (b) how many rejections were later overturned by Federal Student Aid?

8. How many former ITT borrowers were determined ineligible for automatic closed-school discharges? For these borrowers, what notice will they receive? What process exists to allow borrowers to challenge an erroneous determination of ineligibility?

9. When should ITT borrowers expect to receive notice that their loans have been automatically discharged?

10. When ITT borrowers receive automatic closed-school discharges, are they always receiving discharge of *all* federal loans taken to attend ITT? If any eligible borrowers are being left with federal loans taken in connection with ITT, please explain the reason(s).

11. The Department previously failed to inform prior servicers when closed-school discharges were processed post-default, resulting in negative information from servicers remaining on borrowers' credit reports.⁶ When will the Department instruct (a) prior servicers of defaulted loans and (b) credit reporting agencies to remove any information relating to discharged loans from the credit reports of ITT borrowers?

We appreciate your assistance and request responses to our questions within 30 days.

Sincerely,

⁶ See Timothy S. Hoytink, Massachusetts Assistant Attorney General, letter to Caroline Hong and Natasha Varnovitsky, Office of the General Counsel, U.S. Department of Education, November 9, 2017.



Maura Healey
Massachusetts Attorney General



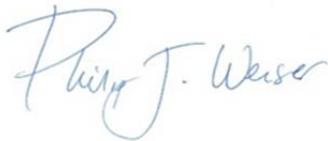
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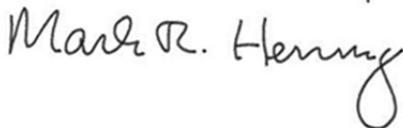
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