Sep 16, 2020

Contact Kylie Mason

Phone 850-245-0150

OFFICE OF THE ATTORNEY GENERAL STATE OF FLORIDA

Florida Attorney General's Office News Release

AG Moody Secures $24M in Debt Relief for Students of ITT Tech

TALLAHASSEE, Fla.—Attorney General Ashley Moody is securing millions of dollars for Florida students through a multistate action. The action will result in more than $24 million in debt relief for former ITT Tech students in Florida. The relief follows an investigation by the Florida Attorney General's Office, 53 other attorneys general and the federal Consumer Financial Protection Bureau. Nationally, the agreement will result in debt relief of approximately $330 million for former students of the failed for-profit college. The agreement affects about 35,000 borrowers.

The agreement is with PEAKS Trust, a private loan program run by ITT and affiliated with Deutsche Bank entities. ITT filed bankruptcy in 2016 amid investigations by state attorneys general and following action by the U.S. Department of Education to restrict ITT's access to federal student aid.

Attorney General Ashley Moody said, "Students spend a great deal of time and money working towards their higher education. Many take on the burden of student loan debt for the sake of a better future. It is reprehensible for this loan program to exploit students' desire to earn a degree by coercing them into accepting loans the program knew students would not be able to pay. As a result, many students were left with the difficult choice of enrolling in the loan program or dropping out and losing any credits earned through the school. I am glad we were able to secure debt relief for former students who are still financially affected by this high-pressure loan program."

PEAKS was formed after the 2008 financial crisis when private sources of lending available to for-profit colleges dried up. ITT developed a plan with PEAKS to offer students temporary credit to cover the gap in tuition between federal student aid and the full cost of the education.

According to the Assurance of Voluntary Compliance filed Tuesday, ITT and PEAKS knew or should have known that the students would not be able to repay the temporary credit when it became due nine months later. Many students complained that they thought the temporary credit resembled a federal loan and would not be due until six months after they graduated.

When the temporary credit became due, ITT pressured and coerced students into accepting loans from PEAKS, which for many students carried high interest rates, far above rates for federal loans. Pressure tactics used by ITT included pulling students out of class and threatening to expel them if they did not accept the loan terms. Many of the ITT students came from low-income backgrounds, left with the choice of enrolling in the PEAKS loans or dropping out and losing any benefit of credits earned because ITT's credits would not transfer to most schools.

The default rate on the PEAKS loans is projected to exceed 80%, due to both the high cost of

the loans as well as the lack of success ITT graduates had getting jobs that earned enough to make repayment feasible. The defaulted loans continue to affect students' credit ratings and are usually not dischargeable in bankruptcy.

Under the agreement, PEAKS agrees that it will forgo collection of the outstanding loans and cease doing business. PEAKS will send notices to borrowers about the cancelled debt and ensure that automatic payments are cancelled. The agreement also requires PEAKS to supply credit reporting agencies with information to update credit information for affected borrowers.

Students will need to do nothing to receive the debt relief. The notices will explain their rights under the agreement. Students may direct questions to PEAKS at customerservice@peaksloans.com or (866) 747-0273, or the Consumer Financial Protection Bureau at (855) 411-2372.

In June 2019, Attorney General Moody was part of a $168 million agreement that resulted in debt relief for 18,664 former ITT students. The agreement was with Student CU Connect CUSO, LLC, which also offered loans to finance students' tuition at ITT Tech.

ITT operated campuses in Fort Lauderdale, Fort Myers, Jacksonville, Lake Mary, Miami, St. Petersburg, Tallahassee and Tampa.

In addition to Florida, the agreement was signed by the attorneys general of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Georgia, Guam, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, the U.S. Virgin Islands, Washington, West Virginia, Wisconsin and Wyoming.