

April 30, 2018

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

Dear Secretary DeVos:

On behalf of tens of thousands of students affected by the closure of ITT Educational Services, Inc. (“ITT Tech”) in September 2016 who are still experiencing significant financial distress, we are writing to ask that the U.S. Department of Education (“Department”) take action to provide relief to those impacted by this collapse. More than a year after ITT Tech’s closure, significant numbers of former students and their families remain stuck in financial limbo and with credits and degrees of little labor market value. These individuals await a decision from the Department on whether it will exercise its authority to provide debt relief to affected students using all available means. Through the statutory authority under “closed school loan discharge” and “borrower defense” provisions, we ask that the Department take swift action to help all borrowers who have outstanding federal student loan debt from ITT Tech.

Shortly after ITT Tech’s decision to halt operations on September 6, 2016, the Department emailed affected students to provide information regarding their ability to discharge their federal student loan debt through “closed school loan discharge,” as provided under the Higher Education Act. Additionally, on January 13, 2017, the outgoing Administration announced that former ITT Tech students who were cheated by misrepresentations from the school received a discharge of their federal loans under the Department’s “borrower defense” authority.¹

Given the sizeable number of students affected by ITT Tech’s closure, the previous Administration also promulgated new rules to help more distressed students receive a discharge of their federal loan debt.² The supporting documentation for these rules revealed that nearly half of borrowers who are eligible for closed school loan discharge do not receive it—many of whom may end up delinquent or in default on their loans.³ However, since the time that these new rules were put forward, the current leadership at the Department has delayed the implementation of the new debt relief measures until at least next year, including the provisions that would begin to automatically discharge eligible loans for ITT Tech borrowers in September 2019. The

¹ U.S. Department of Education. Release: American Career Institute Borrowers to Receive Automatic Group Relief for Federal Student Loans. January 13, 2017. <https://www.ed.gov/news/press-releases/american-career-institute-borrowers-receive-automatic-group-relief-federal-student-loans>

² U.S. Department of Education. Final regulations: 81 FR 75926. November 1, 2016. Bookmark: <https://www.federalregister.gov/d/2016-25448/p-1>

³ U.S. Department of Education. Final regulations: 81 FR 75926. November 1, 2016. Bookmark: <https://www.federalregister.gov/d/2016-25448/p-1622>

Department also convened a new negotiated rulemaking panel to rewrite the underlying regulation.

The Department indicated that all previous policies and practices to provide borrowers with relief under the “borrower defense” provisions would remain in effect and that former students would still receive the help they urgently need and deserve.⁴ Unfortunately, this promise does not appear to be true, as relief to former students continues to languish on several fronts.

On December 8, 2017, the Department’s Inspector General released a report that confirmed the previous Administration had begun to collect evidence regarding fraudulent claims ITT Tech made to students.⁵ Specifically, the Department found evidence and prepared legal memoranda regarding ITT Tech’s guaranteed employment misrepresentation claims for its California campuses, and was beginning to collect more. However, the Inspector General found that under the new Administration, the borrower defense unit “had identified additional categories of claims warranting further research” but that “this research was placed on hold.”

No reason has been provided why the investigation into ITT Tech’s misrepresentations was put on hold. The Inspector General specifically recommended that the Department “resume consideration and determination of whether additional categories of claims with common facts qualify for discharge” but we are not aware of any ongoing effort to collect evidence that could provide ITT Tech borrowers with relief on their student loan debt.⁶ The lack of progress in collecting new evidence that could help borrowers is concerning. Given that ITT Tech is closed, it is not clear whose interests the Department is serving with this delay.

The Department must act expeditiously to help ITT Tech borrowers through both its closed school discharge and borrower defense authorities. We are concerned that the Department has provided little information to affected borrowers and the public about the number of successful closed school discharge applications among the eligible population, or the status of pending borrower defense claims. Additionally, if the majority of former ITT Tech students that are eligible for closed school discharge have not received it, the Department should conduct additional outreach to these borrowers—through outbound phone, email, US mail, and social media contacts—to inform them of their options.

Given the financial pressures that former ITT Tech students face on a daily basis, we need additional information to determine whether students are being adequately served. We request a response to the following questions:

1. As a unique headcount, how many former ITT Tech students does the Department estimate were enrolled in total within 120 days of the institution’s closure?

⁴ U.S. Department of Education. Final regulations: 83 FR 6458. February 14, 2018. Bookmark: <https://www.federalregister.gov/d/2018-03090/p-1>

⁵ U.S. Department of Education, Office of Inspector General. Federal Student Aid’s Borrower Defense to Repayment Loan Discharge Process. December 8, 2017. <https://ed.gov/about/offices/list/oig/auditreports/fy2018/i04r0003.pdf>

⁶ *Ibid*, Page 18

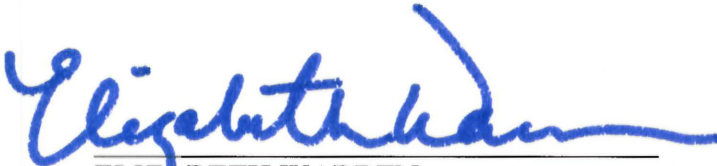
- a. What is the total dollar value of borrowers' loans who fit this condition, including principal, interest, and any fees?
2. How many former ITT Tech students have received a closed school discharge of their federal student loan(s), in total and disaggregated by state?
 - a. What is the total dollar value of borrowers' loans who fit this condition, including principal, interest, and any fees?
3. How many former ITT Tech students have transferred their credits to another institution, in total and disaggregated by state?
 - a. What is the median number of credits from ITT Tech successfully transferred by students who have enrolled in another institution, in total and disaggregated by borrowers who received closed school discharge and those who did not?
4. How many former ITT Tech students enrolled within 120 days of closure, who could potentially be eligible for closed school discharge if they meet all the relevant conditions other than enrollment timeframe, are currently in default on their loans?
 - a. What is the total dollar value of borrowers' loans who fit this condition, including principal, interest, and any fees?
5. How many pending borrower defense claims are from students who attended ITT Tech, in total and disaggregated by state?
 - a. What is the total dollar value of borrowers' loans from students who attended ITT Tech, including principal, interest, and any fees?
6. Has the Department resumed collecting evidence regarding ITT Tech's misrepresentations, or other unfair or deceptive acts or practices under the current Administration?
7. Have any ITT Tech borrowers received a discharge of their loans through borrower defense provisions since January 20, 2017?
 - a. Within this timeframe, how many borrowers have received such a discharge, if any, through the Department's evidence of guaranteed employment misrepresentation claims that was documented by the Inspector General?

If you have any questions, you may contact Joseph McNally in the Office of Senator Joe Donnelly at Joseph_McNally@donnelly.senate.gov or (202) 224-4814. We would appreciate your response no later than May 21, 2018. Thank you for your attention to this matter.

Sincerely,


JOE DONNELLY
United States Senator


RICHARD J. DURBIN
United States Senator


ELIZABETH WARREN
United States Senator


THOMAS R. CARPER
United States Senator

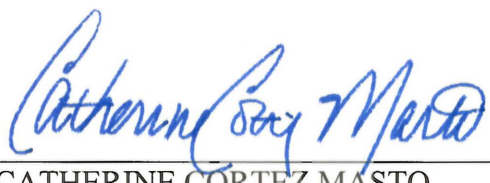

MARGARET WOOD HASSAN
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SHERROD BROWN
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BILL NELSON
United States Senator


RICHARD BLUMENTHAL
United States Senator


EDWARD J. MARKEY
United States Senator

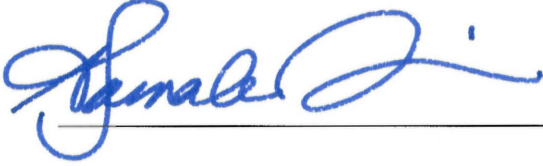

CATHERINE CORTEZ MASTO
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United States Senator