

## **ITT Technical Institute Borrower Defense Executive Summary**

Pursuant to 34 C.F.R. §685.222(e)(3), the Department of Education (“Department”) is charged with conducting a fact-finding process to determine whether each borrower defense application states a basis for a borrower defense. In adjudicating each individual borrower defense application, the Department must consider not only the borrower’s application and accompanying evidence, but also any relevant information in records in the possession of the Department and in submissions from the school, as well as any other information obtained in connection with the fact-finding process.

The Borrower Defense Group (“BDG”) has completed a review of the evidence within the Department’s possession relating to ITT Technical Institute (“ITT”) as it relates to four issues: 1) ITT’s operational and procedural history; 2) ITT’s aggressive recruitment practices; 3) ITT’s misrepresentations about borrowers’ employment and salary prospects if they enrolled at ITT; and 4) ITT’s misrepresentations about the transferability of ITT’s credits. Additional summaries regarding specific types of borrower claims are forthcoming and will be submitted for approval separately.

ITT operated campuses throughout the United States, and at its height in 2010, it enrolled approximately 85,000 students. To date, the Department has received over 34,000 borrower defense applications relating to ITT.

Applying a preponderance of the evidence standard, BDG has prepared a series of summaries of the evidence relating to ITT. Together, these summaries form a common statement of facts that will be applied in the individual adjudication of borrower defense applications from ITT borrowers that are adjudicated pursuant to 34 C.F.R. §685.206(c), 685.206(d), and/or 685.206(e) based on the dates of the loans relating to the borrowers’ claims.

The attached fact summaries include the following conclusions:

### **ITT’s Operational and Procedural History**

This section describes ITT’s scope of operations, its failure to comply with the Department’s policies and standards, and its closure and bankruptcy. This section provides an overview of investigations conducted by the United States Senate, the Consumer Financial Protection Bureau, the Securities Exchange Commission, and various state attorneys general into ITT’s alleged misconduct. This section also discusses a class action lawsuit brought by former students against ITT. Finally, this section includes the Department’s previous finding that ITT made widespread employment prospects misrepresentations between 2005 and 2016.

### **ITT Trained Employees to Use Aggressive Sales Tactics and Cultivated a High-Pressure Sales Environment Where Employees Made False or Misleading Statements to Prospective Students to Persuade them to Enroll**

This section explains how ITT trained employees to implement aggressive sales tactics and cultivated a high-pressure sales environment where recruiters made false or misleading

statements to prospective students to persuade them to enroll. This section also also establishes by a preponderance of the evidence that ITT engaged in the following conduct on a widespread basis:

- ITT achieved a dramatic increase in enrollment, and thus in revenue, by imposing a severe penalty/reward incentive system on its recruiters, by targeting vulnerable students, and by employing high-pressure recruitment tactics, such as exploiting prospective students' painful life experiences to convince them to enroll.
- Recruiters were encouraged to contravene ITT's own written recruitment policies to persuade students to enroll. ITT ignored reports of misconduct and retaliated against employees who made such reports.

### **ITT Made Widespread and Systematic Misrepresentations Regarding Students' Salary Potential and the Likelihood that They Would Obtain Employment Upon Graduation**

This section discusses several ways that ITT misrepresented to prospective and returning students what their employment and salary prospects would be if they enrolled at ITT. The evidence on these issues establishes, by a preponderance of the evidence, that ITT engaged in the following conduct on a widespread basis:

- Beginning no later than July 2007, ITT distributed a Value Proposition document to prospective students falsely claiming that ITT graduates earned substantially higher salaries than high school graduates and that these higher salaries equated to an annual 25% return on the tuition dollars that students would invest to obtain their ITT degrees. The Value Proposition document was based on false representations about government salary data for high school graduates. If it had been accurate, the Value Proposition document would have shown that ITT associate degree holders earned no more on average than high school graduates, while the salary increase for ITT bachelor's degree holders over high school degree holders was significantly less than was claimed.
- Beginning no later than January 2013, ITT systematically misled students about their employment prospects by misrepresenting the job placement rates for its campuses and programs. ITT publicly advertised that it was following its accreditor's criteria for counting qualifying job placements when, in fact, ITT was applying its own, much lower standard. By doing so, ITT inflated its job placement rates, and thus misrepresented the likelihood that students would find employment with an ITT degree.
- Beginning no later than 2005, ITT recruiters falsely guaranteed or otherwise assured prospective students of job placement and/or specific salaries if they attended ITT. While ITT's formal, written policies prohibited such misrepresentations, recruiters regularly made them.

### **ITT Misled Prospective Students Across the Country from January 2007 through October**

## **2014 Regarding the Transferability of ITT's Credits**

This section discusses several ways that ITT misrepresented the transferability of its credits to other institutions. The evidence on these issues establishes, by a preponderance of the evidence, that ITT engaged in the following conduct on a widespread basis:

- ITT's academic credits rarely transferred to other institutions, which ITT knew and acknowledged in internal documents.
- Between at least January 2007 and October 2014, ITT made widespread misrepresentations exaggerating the transferability of its credits. ITT mischaracterized the effect of its national accreditation, falsely equating ITT credits with credits earned at other institutions, and told prospective students that ITT credits would transfer to other institutions.
- Between at least January 2007 and October 2014, ITT's misrepresentations were consistent over time and at campuses throughout the country. ITT's transfer of credit exaggerations consistently left borrowers with the false impression that they would be able to transfer their credits to other institutions.

BDG continues its work on the ITT Statement of Common Facts and will update this summary memoranda when appropriate.