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ATTORNEY GENERAL SLATERY ANNOUNCES OVER $6 MILLION IN DEBT RELIEF FOR FORMER TENNESSEE ITT TECH STUDENTS

Nashville, TN- Attorney General Herbert H. Slatery III announced today an agreement to obtain over $6 million in debt relief for 699 former ITT Tech students in Tennessee.
Nationally, the settlement involving 42 states and the District of Columbia will result in debt relief of more than $168 million for more than 18,000 former ITT students. The settlement is with Student CU Connect CUSO, LLC ("CUSO"), which offered loans to finance students' tuition at ITT Tech, the failed for-profit college. 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. The CUSO Loan program originated approximately $189 million in student loans to ITT students between 2009 and 2011.

A related settlement between the CUSO and the U.S. Bankruptcy Trustee was recently approved. The Attorney Generals' settlement is also contingent on federal court approval of a related settlement between the CUSO and the federal Consumer Financial Protection Bureau which is also being announced today.

"Hundreds of Tennessee students who were simply trying to further their education at ITT Tech were harmed by CUSO," said Attorney General Slatery. "This settlement holds CUSO accountable for its abusive lending practices and provides relief to those who attended ITT Tech and incurred debts for a questionable education that they could not repay nor discharge."

The Attorneys General alleged that ITT, with CUSO's knowledge, offered students Temporary Credit (TC) upon enrollment to cover the gap in tuition between federal student aid and the full cost of the education. The TC was due to be repaid before the student's next academic year, although ITT and CUSO knew or should have known that most students would not be able to repay the TC when it became due. Many students complained that they thought the TC was like a federal loan and would not be due until six months after they graduated. When the TC became due, however, ITT pressured and coerced students into accepting loans from CUSO, 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. Because students were left with the choice of dropping out and losing any benefit of the credits they had earned – ITT's credits would not transfer to most other schools – most students enrolled in the CUSO loans. Neither ITT nor CUSO made students aware of what the true cost of repayment for the TC would be until after the credit was converted to a loan. Not surprisingly, the default rate on the CUSO loans was extremely high (projected to exceed 90%) 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 settlement, the CUSO, under threat of litigation, has agreed that it will forego collection of the outstanding loans. The CUSO, which was organized for the sole purpose of providing the ITT loans, will also cease doing business. Under the Redress Plan, CUSO's loan servicer will send notices to borrowers about the cancelled debt and ensure that automatic payments are cancelled. The settlement also requires the CUSO to supply Credit Reporting Agencies with information to update credit information for affected borrowers.

Students with questions about their rights under the settlement will receive such information once the Notices are sent.