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FORMER ITT STUDENTS TO RECEIVE \$330 MILLION IN DEBT RELIEF
Defunct for-profit school coerced students to use its own predatory loan program

Nashville- Attorney General Herbert H. Slatery III has secured an agreement to obtain nearly \$15 million in loan forgiveness on 2,068 loans for former ITT Tech students in Tennessee. The agreement is part of a settlement with 43 attorneys general and the federal Consumer Financial Protection Bureau.

Nationally, the settlement will result in debt relief of about \$330 million on about 43,000 loans.

The settlement 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. ITT had 149 locations around the country, including Tennessee.

"Many former ITT students in Tennessee were put in a terrible position by the school and its loan program," said General Slatery. "This settlement puts an end to PEAKS loan collection and requires it to stop doing business."

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.

When the temporary credit became due only nine months later, 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 were from low-income backgrounds and were left with the choice of enrolling in the PEAKS loans or dropping out and losing credits they had 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 and the difficulty ITT graduates had earning enough to make repayment feasible. The defaulted loans continue to affect students' credit ratings and are usually not dischargeable in bankruptcy.



Herbert H. Slatery III Attorney General & Reporter

Under the settlement, PEAKS has agreed 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 settlement also requires PEAKS to supply credit reporting agencies with information to update credit information for affected borrowers.

To read the Petition, Agreed Order, and Assurance of Voluntary Compliance, click here:
<https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2020/pr20-36-avc.pdf>

Students do not need to do anything to receive the debt relief. The notices will explain their rights under the settlement. Students may direct questions to PEAKS at customerservice@peaksloans.com or 866-747-0273, or [the Consumer Financial Protection Bureau](#) at (855) 411-2372.

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