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Attorney General Balderas Announces \$330 million Student Debt Relief Settlement for Former ITT Students

CFPB, 48 attorneys general secure agreement over PEAKS loans at defunct for-profit school

Santa Fe, NM — Attorney General Balderas announced today that the State of New Mexico, along with 47 states and the Consumer Financial Protection Bureau has secured an agreement to obtain \$330 million in debt relief for former ITT Tech students for 35,000 borrowers who have outstanding principal balances. The settlement is with PEAKS Trust, a private loan program run by the for-profit college 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. The settlement will bring approximately \$4 million in debt relief to New Mexicans.

"Students who are trying to achieve the American dream and make a better life for their families should not be taken advantage of by for-profit schools and be left with burdensome debt," said Attorney General Balderas. "My office will continue to fight on behalf of students and families to ensure their safety and opportunities for prosperity."

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 was like 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 were from low-income backgrounds and were left with the choice of enrolling in the PEAKS loans or dropping out and losing any benefit of the 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 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, 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.

Students will 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.

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

Attorney General Balderas joined in the settlement with the attorneys general of Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

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