



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah Department of Commerce

CHRIS PARKER
Executive Director

DANEIL O'BANNON
Director, Division of Consumer Protection

September 15, 2020

MEDIA ADVISORY

UTAH DEPARTMENT OF COMMERCE ANNOUNCES DEBT RELIEF SETTLEMENT FOR FORMER ITT STUDENTS WHO RECEIVED "PEAKS" LOANS

[Salt Lake City] — The Utah Department of Commerce's Division of Consumer Protection has secured an agreement to obtain nearly \$4.4 Million in debt relief for former ITT Tech students in the Beehive State. The settlement is part of an agreement with the Division, 47 attorneys general, and the federal Consumer Financial Protection Bureau.

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

"This settlement will bring welcome relief to Utahns failed by unmet promises," said Department Executive Director Chris Parker. "High interest rates and disappointing job prospects after finishing at ITT led to the loans defaulting at a rate of about 80%. Instead of an education forming a bridge to a promising career, students often ended up stuck with modest career prospects and damaged credit ratings."

Students will need to do nothing to receive the debt relief. Notice will be sent to affected Utahns. 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.

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 was 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 may not be 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.

In addition to Utah, the settlement was signed by 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 Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

#####

For Media Inquiries:
Brian Maxwell
Public Information Officer
(801) 859-7400