

Today, the U.S. Department of Education announced it will make \$1.1 billion in closed school discharges available to an additional 115,000 borrowers who attended the now-defunct ITT Technical Institute (ITT). This decision is based on a new review of the problems leading up to ITT's closure. These borrowers did not complete their degree or credential and left ITT on or after March 31, 2008. The Department estimates that 43 percent of these borrowers are currently in default. Today's action brings the total amount of loan discharges approved by the Department since January 2021 to \$9.5 billion, affecting over 563,000 borrowers.

This action extends relief to borrowers whose attendance at ITT overlapped with a period during which the institution engaged in widespread misrepresentations about the true state of its financial health and misled students into taking out unaffordable private loans that were allegedly portrayed as grant aid. ITT's malfeasance drove its financial resources away from educating students in order to keep the school in business for years longer than it likely would otherwise have, resulting in debts that are being discharged starting today. Approximately 7,000 of the borrowers covered by today's closed school discharge announcement also have approved borrower defense to repayment claims.

"For years, ITT hid its true financial state from borrowers while luring many of them into taking out private loans with misleading and unaffordable terms that may have caused borrowers to leave school," said U.S. Secretary of Education Miguel Cardona. "Today's action continues the Department's efforts to improve and use its targeted loan relief authorities to deliver meaningful help to student borrowers. At the same time, the continued cost of addressing the wrongdoing of ITT and other predatory institutions yet again highlights the need for stronger and faster accountability throughout the federal financial aid system."

Under the Higher Education Act and applicable regulations, the Secretary of Education discharges the loans of borrowers and refunds any amounts paid if the borrowers did not complete their program of study because of their school's closure. This applies to borrowers with loans from the William D. Ford Federal Direct Loan Program, the Federal Family Education Loan Program, and the Federal Perkins Loan Program. To be eligible for a closed school discharge, the borrower must not have completed their program or transferred their credits or hours to another school. Discharges are also available to any borrower who withdrew from the institution within a few months of its closing. The Secretary of Education may, however, extend this period based on exceptional circumstances.

After a thorough review of the circumstances leading to ITT's closure and the preceding years of misrepresentations and misconduct, Secretary Cardona is exercising his authority to extend the closed school discharge window to March 31, 2021 for former ITT students. This date was chosen based upon a review of external evidence from the bankruptcy court proceedings for ITT, filings with the U.S. Securities and Exchange Commission (SEC), and from the Consumer Financial Protection Bureau (CFPB). March 31, 2021 is when the company's executives publicly disclosed the start of a financial scheme that kicked off a series of misrepresentations to hide the true nature of the school's finances following a public loss of outside financing, which led to shifting additional costs to students and hindered its ability to invest in delivering quality education to students.

Next steps for borrowers

Under Department regulations, borrowers who are eligible for a closed school discharge and attended an institution that shut down between November 1, 2013 and July 1, 2020 will receive an automatic discharge as long as they did not enroll in another institution within three years of their school's closure. Eligible borrowers who attended ITT within 120 days of its closure in 2016 received automatic discharges in 2019. The majority of the ITT borrowers covered by today's action did not enroll elsewhere during the three years after ITT's closure and will not need to take any further action to receive a discharge.

Borrowers who enrolled elsewhere but did not complete their program of study may still be eligible for a discharge, but will need to submit an application. Borrowers can access the closed school discharge application by contacting their servicer or visiting [StudentAid.gov/closed-school-form](https://studentaid.gov/closed-school-form) and returning a completed application to their servicer.

The Department will begin processing discharges in September 2021 and borrowers will start receiving automatic discharges in the following weeks.

Continued commitments to helping student loan borrowers

Today's action is another in a series of steps the Department has to support students and borrowers, make higher education more affordable, and improve student loan servicing, including:

- Extending the pause on student loan repayment, interest, and collections through January 31, 2022 and expanding it to include additional borrowers in default. This change helps 41 million borrowers.
- Approving \$1.5 billion in borrower defense claims, including extending full relief to approved claims and approving new types of claims.
- Providing \$7.1 billion in relief for borrowers eligible for total and permanent disability discharges. This includes \$5.8 billion in automatic student loan discharges to 323,000 borrowers and reinstating \$1.3 billion in loan discharges for another 41,000 borrowers.
- Helping 30,000 small business owners with student loans seeking help from the Paycheck

Protection Program.

- Retroactively waiving student loan interest for 47,000 current and former active-duty military service members.

Source: [Extended Closed School Discharge Will Provide 115K Borrowers from ITT Technical Institute More Than \\$1.1B in Loan Forgiveness](#)