



Dr. Emily Dow  
Assistant Secretary, Academic Affairs  
Maryland Higher Education Commission  
6 North Liberty Street  
Baltimore, Maryland 21201

September 29, 2016

Dear Assistant Secretary Dow,

Thank you for the opportunity to submit this letter in advance of your decision on whether the Guaranty Student Tuition Fund should be applied retro-actively in order to reimburse former students of ITT Technical University. The Center for Responsible Lending strongly supports allowing former ITT students access to the Guaranty Fund.

Over the past few years, the Center for Responsible Lending (CRL) has been engaged in research and policy regarding for-profit institutions of higher education. CRL is a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. We are affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

During the 2016 legislative session, the Center for Responsible Lending submitted written testimony in support of SB 427, An Act Concerning Higher Education – Institutions of Postsecondary Education – Consumer Protect Provisions. Effective in a few short days, this bill provides critical front-end protections to Maryland students by ensuring that state students enrolling in for-profit colleges are not taken advantage of by those who are supposed to provide them with a college education. It does this by requiring that schools obtain the proper program accreditation for professions that require licensure, safeguarding students from programs that cannot lead to employment in their field in the state of Maryland.<sup>1</sup> Unfortunately, even with the protections envisioned by SB 427, some will still find themselves the victims of unscrupulous schools.

The Guaranty Fund established by SB 427 is meant to be the back-end protection for those students harmed by for-profit schools. When all else fails, those Marylanders who were attending schools that close can at least recover the money they spent in pursuing their education. Indeed, without access to the Guaranty Fund, Maryland students who were attending closed schools may have to halt their education all together.

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<sup>1</sup> SB 0427, 2016 Reg. Sess. (Md. 2016)



In the case of ITT Technical Institute, access to a Guaranty Fund is particularly important. ITT abruptly closed without offering teach-outs to students,<sup>2</sup> and many of the transfer options offered in the institution's articulation agreement are to other for-profit schools.<sup>3</sup> Even if those credits transfer to Maryland community colleges, former ITT students may have to pay for classes that would have been covered by the Pell Grant. Worse still, some former ITT students are now claiming that the refund checks issued by the failed institution are being returned unpaid.

In 2015, Maryland's two ITT Technical Institute campuses enrolled about 897 federal loan borrowers, more than 580 Pell Grant recipients,<sup>4</sup> and 233 veterans attending school with the help of the GI Bill.<sup>5</sup> Like many for-profit colleges, the students enrolled by ITT were disproportionately poor. Many were people of color. Indeed, at Maryland's two ITT campuses, nearly 60% of borrowers were African American, and more than 65% were using the Pell Grant to attend school.<sup>6</sup>

Despite ITT's protests, the school was troubled long before they closed in September 2016. While the institution did not report Maryland-specific outcomes, ITT had an institutional loan default rate of 18%,<sup>7</sup> and only 40% of borrowers were able to pay down any of the principal on their loans.<sup>8</sup> In Maryland, students were paying an average of \$28,000 annually for their degrees.<sup>9</sup> In comparison, a student at Community College of Baltimore County pays around \$3,586 annually.<sup>10</sup>

The significant cost of ITT is important. With an average annual tuition of \$28,000, a low-income ITT student who received the full Pell grant would need would have had to max out both their federal aid and Pell Grant to afford to attend. The loans will be forgiven via the Closed School Discharge. But the Pell amount – totaling more than \$16,000<sup>11</sup> – would not be restored. ITT students with federal loans are eligible for Closed School Discharge provided by the Department of Education, but the discharge applies only to the federal loans students borrowed. The discharge does not apply to Pell Grants, out-of-pocket expenses, or GI Bill benefits.<sup>12</sup> Further, a Closed School Discharge will not give relief to those students who took out high-cost private loans to attend the school, including through the institutional loan

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<sup>2</sup> Important Information for ITT Students, <https://studentaid.ed.gov/sa/about/announcements/itt#closure> (Sept. 2016)

<sup>3</sup> Educational Options, <http://itt-tech.info/about/education-options/> (Sept. 2016) *Includes three schools that have been subject to action by the Maryland Attorneys General Office – University of Phoenix, American Intercontinental University, and Argosy.*

<sup>4</sup> College Scorecard Data, <https://collegescorecard.ed.gov/data/documentation/> (September 2016)

<sup>5</sup> GI Bill Comparison Tool, <https://www.vets.gov/gi-bill-comparison-tool> (September 2016)

<sup>6</sup> College Scorecard Data, <https://collegescorecard.ed.gov/data/documentation/> (September 2016)

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Cmty. Coll. of Balt. County. Compare Costs. <http://www.ccbcmd.edu/Costs-and-Paying-for-College/Tuition-and-fees/Compare-Costs.aspx> (Sept. 2016)

<sup>11</sup> US Dep't. of Educ. Federal Pell Grants are usually awarded only to undergraduate students, <https://studentaid.ed.gov/sa/types/grants-scholarships/pell#how-much-money> (Sept. 2016)

<sup>12</sup> US Dep't. of Educ. In certain situations, you can have your federal student loan forgiven, canceled, or discharged, <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#when> (Sept. 2016)



program that is currently embroiled in lawsuits from the SEC<sup>13</sup> and CFPB.<sup>14</sup> Former students currently remain liable for these loans.

Although ITT is ostensibly refunding overpayments from student accounts, some students are finding that the reimbursement checks they have been sent are no good. Consider the email that Veteran's Education Success recently received, an organization dedicated to preventing the abuse of veteran students, received from veteran who was using the Post-9/11 GI Bill to attend ITT:

I was a student at ITT when they closed and I was using my post 9/11. They sent me a refund check and on Tuesday last week I deposited it into my account, my bank cleared it on Thursday and made funds available. On Monday night my account went \$1,700 in the hole. The check was originally for somewhere around \$2,600, and it had been returned from JP Morgan Chase Bank. I am currently going to end up so far behind in bills and rent...<sup>15</sup>

Without access to the to the Guaranty Fund, these students will have to restart their education without access to the grant money they used at ITT. That means paying out of pocket or borrowing even more money to finish an education they have already paid for.

As it now stands, the Pell Grants, GI Bill dollars, and out-of-pocket expenses paid by ITT students are gone forever. Those students who have already been victimized by ITT's predatory behavior will be harmed once again. They cannot afford to attend another program at another institution without a complete refund of the money they spent at ITT Technical Institution. ITT's closure should not foreclose their educational futures.

Thank you for your time and consideration to this critical issue. Should you have any questions, I am available at 919.313.8526.

Sincerely Yours,

Whitney Barkley  
Policy Counsel  
Center for Responsible Lending

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<sup>13</sup> ITT SEC 10-K (May 2015)

<sup>14</sup> ITT CFPB 10-K (Oct. 2015)

<sup>15</sup> Email on file with the Center for Responsible Lending