

U.S. Department of Education

Press Call to Announce Education Department Plans to Support ITT Students

**Moderator: Kelly Leon
September 6, 2016
11:30 am ET**

Coordinator: Welcome and thank you for standing by. At this time, all participants are in a listen only mode. After the presentation, we will conduct a question and answer session. To ask a question, please press star followed by the number 1.

This call is being recorded. If you have any objections, you may disconnect at this point. Now, I will turn the meeting over to your host, Ms. Kelly Leon. Ma'am, you may begin.

Kelly Leon: Thank you, operator. Thanks everyone for joining us this morning. My name is Kelly Leon. I'm the assistant press secretary here at the Department of Education.

In the wake of ITT's announced closures, we're holding today's call to update all of you on our efforts to support students. For today's conversation, we'll hear remarks from Undersecretary of Education, Ted Mitchell, then open it up for questions.

An open letter from Secretary of Education, John B. King, Jr. was published on our Home Room blog at approximately 10:00 am Eastern this morning. If you have additional questions after this call or if you need help locating that blog post, please email Press@ed.gov. As a reminder, today's call is on the record. Let's go ahead and begin with remarks from Undersecretary of Education, Ted Mitchell.

Ted Mitchell: Thank you, Kelly, and thanks everyone for joining us today. As I'm sure you know, and as Kelly mentioned, ITT Educational Services, Inc. announced today that it's closing its campuses.

We're holding this call to talk about what that means for current ITT tech students to tell you about our plan to support students and to enlist your help in making sure the students are aware of their options.

Roughly, students have two options. First option is to have his or her federal loans discharged. Students who are currently enrolled at ITT Tech or who have withdrawn from ITT within the last 120 days may be eligible to have their federal student loans from their ITT program discharged through our closed school loan program.

With their federal loan debt wiped away, students can then decide whether to restart their education somewhere new. To get started with the closed school process, students should call their own servicer or visit Studentaid.gov/ITT which is a new URL that is up and running.

We've taken care to ensure that all of our loan servicers are providing helpful and accurate information about the closed school option to borrowers. The second option is for students to continue their studies at another school.

Students who are closer to completing their programs may wish to explore transferring their credits. It's important for students to know that if they are able to transfer their credits into a similar program of study, some or all of their loans will no longer be eligible for discharge.

Let me now tell you a little bit about what we're doing to inform ITT students of their options and to make sure they have support to decide the right next step for them.

First, and perhaps most importantly, we're contacting the thousands of currently enrolled ITT students today directly through an email to alert them to the situation and to let them know about their options.

And that message will include a basic explanation of what ITT's closure means for them and will link to a set of questions and answers they can review at Studentaid.gov/ITT.

And we'll make sure they know that they can call 1-800-4-FEDAID for immediate assistance. A team of student aid professionals from federal student aid is standing by to answer questions.

Beginning later this week, Federal Student Aid will host a series of Webinars for students to walk through these options. The Webinars will then be posted on the Studentaid.gov/ITT Web site and will continue to be a resource for students as they make these important decisions.

In addition, our FSA team will partner with states to host in-person transfer fairs at selected locations to inform students of their options. The details of these fairs will be posted at Studentaid.gov/ITT.

In the coming days and weeks, we will continue to work closely with states and with other partners as a part of our plan. For example, we are in close communication with state authorizing agencies and ITT to ensure ITT students have continued access to their transcripts.

As students begin exploring where to resume their studies, they'll need their transcripts to demonstrate the coursework that they've completed. Getting access to these records should not be burdensome for students.

We're also working with regional and national creditors who stand ready to help their schools with support on things like transfer of credit and prior learning assessment.

And we're speaking directly with schools to make sure there will be places for ITT students to go if they choose to continue their education elsewhere. I've personally encouraged many community college leaders to reach out to former ITT students to explore which of their school's programs are closely aligned to those offered by ITT and where it makes sense, to accept former ITT students as transfers.

Today, I'll send out a letter to a large group of targeted community college leaders whose colleges are near ITT campuses and have aligned programs. And we're holding calls with that group of community college leaders later today.

Each student will have to carefully evaluate his or her individual options and situation. As I mentioned, our 1-800-4-FEDAID is the number students can call to get information and ask questions.

We are also working with a number of organizations to help students navigate their options based on their particular circumstances and will share more about these resources in the coming days.

A lot goes into deciding where to go to college. For students who choose to restart or continue their education at another college, we encourage them to carefully consider factors like program quality and cost.

I'll take your questions in just a moment but let me close with two thoughts. First of all, we've talked about students continuing their education. As Secretary King said in his open letter this morning we think that it is important for students to continue what they've started.

There's nothing more important than a college degree in today's economy and we stand behind the students who have made the decision to continue their education.

Second, we knew when we stepped up our oversight of ITT that this outcome was a possibility and we have been planning for this contingency. As we said then, it wasn't a decision we took lightly.

Ultimately, our responsibility is not to any individual institution. It's to protect all students and all taxpayers. I have no doubt that our decision to take action was the right one in service of these goals.

But I also recognize that today's news may cause disruption, confusion and disappointment to many of ITT's current students. We believe that enabling students to restart or continue their education at a different school will best serve them in the long run and we remain firmly committed to helping students achieve their educational goals.

In the coming days, weeks and months, we will be here to help the students understand their options, sort out there next steps and connect them with others who can help. Thanks again for joining us today and I look forward to your questions.

Kelly Leon: Thank you very much, Undersecretary Mitchell. Now we'll open it up to questions from our participants. Operator, will you please remind everyone how to ask a questions?

Coordinator: Thank you. We will now begin the question and answer session. If you'd like to ask a question, please press star followed by the number 1. Please unmute your phone and record your name clearly when prompted.

Your name is required to introduce your question. To cancel your request, you may press star followed by the number 2. One moment, please, for the first question. Our first question, speakers, comes from the line of Jim Puzzanghera from Los Angeles Times. Sir, your line is open.

Jim Puzzanghera: Hi. Thanks. Thanks for doing the call. But just wanted to clarify the two options. So, if a student wants to try to continue their education and transfer their credits, that would mean that they would most likely not be able to discharge the loans they've taken out to acquire those credits from ITT, right?

Ted Mitchell: Some of those loans. That's right.

Jim Puzzanghera: Oh, but not - they may still be able to get some of their loans discharged even if the transfer credits?

Ted Mitchell: That's right.

Jim Puzzanghera: Okay. And how will they know, or is it just in each individual case, depending on which classes and whatever?

Ted Mitchell: So if a student goes to the same program, then there wouldn't be any discharge. But if a student were to transfer into a different program, then they are likely eligible for a discharge of the previous program.

Jim Puzzanghera: Same program of study, basically, is what you're saying, right?

Ted Mitchell: Yes, yes.

Jim Puzzanghera: Okay. Okay, thanks.

Ted Mitchell: Yes.

Kelly Leon: Thanks for your question, Jim. Operator, let's go ahead and take the next question.

Coordinator: Thank you. Our next question comes from the line of Jason Stoogenke from WSOC television station. Sir, your line is open.

Jason Stoogenke: Hi, thanks for taking my question. I want to clarify the second option for students. If you want to transfer your credits but the school you want to go to doesn't accept the credits, what do you do?

Ted Mitchell: I think that's, you know, that's an unfortunate situation and that's why we're working so hard with community colleges and others to encourage them to be flexible in their determination of credits for transfer.

And were going to continue to do that work. As I mentioned, I'm sending out a letter to community college presidents who have campuses in the vicinity of ITT programs and you have aligned - sorry, ITT campuses - and have aligned programs to encourage them to be as flexible as they can be with those ITT students.

Jason Stoogenke: Thank you.

Kelly Leon: Thanks for the question. Operator, we'll go to the next question please.

Coordinator: Thank you. Our next question comes from the line of Shahien Nasiripour from Bloomberg. Sir, your line is open.

Shahien Nasiripour: Hi. Thanks for taking my question. Ted, do you view this outcome is a success?

Ted Mitchell: So, thanks for the question, Shahien. I think that, as I mentioned, we didn't take our action several weeks ago lightly and I think that that was absolutely the right decision to make and we did it with our eyes open, that this was a serious possibility.

And I think that the success is that I think the Department has taken strong action to protect students and taxpayers and that it was the right decision.

So I think, you know, just if I may, anticipate your follow-up, you've had one or two of those before, I think that it's important to remember that when we took our action, we took it in the face of growing evidence that ITT was a risk to both students and taxpayers.

And, you know, we've talked about them being put on show-cause by their accreditor, by the Department having taken action since 2004 regarding their financial condition.

But I think it's important to dive one level deeper in to think about what it is that ITT actually is being, you know, questioned about. And, you know, they're very fundamental issues of institutional integrity, financial stability, administrative capacity and their ability to meet federal and state financial aid administration requirements.

So these are not small matters. These are matters that cut to the very heart of the institution's ability to provide quality service to its students and to provide value to taxpayers in the Title IV program.

Kelly Leon: Thanks for your question, Shahien. Let's go ahead to the next question please, operator.

Coordinator: Thank you. Our next question comes from the line of Melissa Korn from Wall Street Journal. Ma'am, your line is open.

Melissa Korn: Thanks very much. I have two questions. I think they'll both be pretty quick. First, how much in student loan money are we talking about here in terms of what may be eligible for discharge?

If every single ITT student decides to go that route, how many hundreds of millions is that going to be? And then my second question I can ask after you answer that one if it's easier.

Ted Mitchell: Sure. About \$500 million.

Melissa Korn: Okay. And then, Kevin Modany from ITT said on a call with a couple of reporters earlier this morning that they had been looking at alternatives for a while, for maybe a year, talking to nonprofits, talking to other postsecondary institutions, but that those plans were rejected by the Department of Ed.

Can you say a little bit about that, about why you would have rejected those alternatives if they were looking for other ways to either teach-out campuses or keep students in the ITT fold?

Ted Mitchell: So we do know that ITT had been in conversation with a variety of different organizations. None of those ever came to the point of a formal proposal. And I think that from, you know, unfortunately, that may, in fact, be further evidence of the problems that ITT has in delivering high-quality instruction to its students.

Kelly Leon: Thanks for your question, Melissa. Operator, let's go to the next question please.

Coordinator: Thank you. Our next question comes from the line of Anya Kamenetz from National Public Radio. Ma'am, your line is open.

Anya Kamenetz: Hi, Ted. So when you talk about the students that are eligible for discharge, does that only include students who are currently enrolled? And what is the fate of students who may have left without their degree, either, you know, this school year or last school year or anytime in the past?

Ted Mitchell: Yes, thanks for the question. So the eligibility is for students who were enrolled now or who had been enrolled in the past 120 days and have made the decision to leave.

Kelly Leon: Thanks, Anya. Operator, let's go to the next question please.

Coordinator: Thank you. Our next question comes from the line of Michael Stratford from Politico. Sir, your line is open.

Michael Stratford: Hi. Good morning. I just wanted to follow up on the potential sale of ITT. So are you saying it's the case that ITT never came to the Department and the Department never said no in a formal or informal way to a potential sale of ITT campuses to someone else?

And can - just comparing that to Corinthian, why did the Department work so hard to broker a sale of the Corinthian campuses in that case but is taking a different approach here?

Ted Mitchell: Thanks for the question, Michael. So certainly there were conversations and back-and-forth between the Department and ITT. But, no, we never formally rejected or accepted a proposal.

And there are many more pieces of the puzzle that needed to be put together before we would even be in a position to do that. I think that your question about brokering a sale, I think that, you know, we have made the policy decision that that's not the role of the federal government. And we stand ready at any time to take a good look at any proposal that people bring to us.

Kelly Leon: Michael, thanks for the question. Operator, let's go to our next question please.

Coordinator: Thank you. Our next question comes from the line of Patricia Cohen from New York Times. Ma'am, your line is open.

Patricia Cohen: Hi. Thank you very much. I just wanted to follow up on that previous question which is, when you just said, it's not - and I have my own question. But when you said it's a policy decision that it's not a federal government to broker a sale, but it is - essentially that's what happened in Corinthian. So again, what was the difference thinking this time compared to last time?

And my second question - or my own question has to do with, are the steps being taken to prevent, let's say, other predatory schools from really trying to reach out and make promises to these ITT students only to kind of get caught up in a similar situation somewhere else?

Ted Mitchell: Yes, the first question, we just didn't see that there was a path forward to providing quality education to the ITT Tech students, and that's what made it different.

And on the second, yes, we're working on a number of things that we believe will help in this regard. I think at the - you know about the gainful employment regulation that's now in place that will establish a floor on debt to earnings ratios for career colleges.

And we think that that will have a very strong direct impact and the very strong signaling effect in the sector. We have established a new Enforcement Unit within Federal Student Aid that is tackling problems as they emerge following early warning signals of institutional problems that include both our own analysis and then evidence gathered from other federal and state agencies.

We think that the strengthening of the accrediting system is also something that's quite important in making sure that institutions are focused on high-quality outcomes for their students and when they're not, that there are sanctions for those institutions.

So - and finally, we're working with states to make sure that the state authorization process is similarly robust and similarly focused on quality student outcomes.

Kelly Leon: Patti, thanks for your question. Operator, let's take the next question please.

Coordinator: Thank you. Our next question comes from the line of Jillian Berman from MarketWatch. Ma'am, your line is open.

Jillian Berman: Hi. Thanks for taking my question. I'm wondering if, an event like this, how it could affect borrower defense claims from former students of ITT. Does it, you know, doesn't make it more likely that they might have their loans discharged or is there any effect at all there?

Ted Mitchell: Yes, so just, thank you for your question. As a clear blanket statement, any student has the right to file a borrower defense claim if they believe they've been defrauded by their institution, and ITT students are no exception. And so if ITT students or if any student believes they've been defrauded, they should apply for borrower defense.

Kelly Leon: Thanks for the question, Jillian. Operator, let's take next question please.

Coordinator: Thank you. Our next question comes from the line of Toni Guinyard from NBC for Los Angeles. Your line is open.

Toni Guinyard: Good morning. Thanks for taking my question. To have a ballpark number on how many students overall are affected and have they been notified prior to ITT going on spring break yesterday? Also, as a follow-up, maybe report your answers so that we may use for broadcast?

Ted Mitchell: Yes is the answer to the second question.

Tony Guinyard: Thank you.

Ted Mitchell: So there are approximately 35,000 students enrolled in ITT Tech. There are approximately 35,000 students enrolled in ITT Tech programs throughout the country and we are notifying them today through an email of their options and ITT Tech has also reached out to all of their students today.

Kelly Leon: Thank you for the question. Operator, let's go ahead to next question please.

Coordinator: Thank you. Our next question comes from the line of Emily Wilkins from CQ Rollcall. Ma'am, your line is open.

Emily Wilkins: Thanks so much for taking my question. I know you guys gave the \$5 million estimate for how much might be eligible for discharge. I was wondering if you have been able to come up with some sort of estimate of how much of that might be on taxpayers and how much of that could possibly be offset with various ways of getting revenue from ITT.

Ted Mitchell: So first to clarify the number, \$500 million is our outer edge of the envelope if every student applied for closed school loan discharge. We hope they won't because we hope that many students will look for transfer opportunities especially students who have invested time and resources in making significant progress toward their degree.

But \$500 million is the edge of that particular envelope. Oh, and the - on the question of whether we can find other resources other than the taxpayer, yes, if you go back and think about our 2014 action and then the action associated

with - in just the last ten days, and both of those cases, we required ITT to put up money that would be held against exactly these eventualities.

And so, ITT has put up money that we will use to defray taxpayer's costs. It won't go all the way, but it will be used to defray taxpayer's expenses in making adjustments for students in their loans.

Kelly Leon: Emily, thanks for the question. Operator, let's take next question. Oh, I'm sorry. Operator, let's go to next question please.

Coordinator: Thank you. Our next question comes from the line of John Sandman from TheStreet.com. Sir, your line is open.

John Sandman: Hi. Thanks for the call. A couple questions - I believe someone just asked - and you said that ITT had put up some money to defray taxpayer liability. Could you say ballpark figure how much money that would be? And my second question is, was there no viable offer made to buy ITT?

Ted Mitchell: So roughly \$90 million is the answer to the first question. And as I said before, we never saw a path forward in the conversations - the informal conversations that we've been having with potential buyers.

Kelly Leon: John, thanks for the question. Operator, I think we have time for just one more question.

Coordinator: Okay, thank you. Our next question comes from the line of Michael Stratford from Politico. Sir, your line is open.

Michael Stratford: Hi. One more question. Could you address that ITT says that it's the victim of a political agenda that the Department is pursuing and that they were denied

due process in this process by not having the opportunity to appeal or seek other independent review of the Department's decision. Can you address that criticism that the company is making of the Department?

Ted Mitchell: Sure, Michael. I think, you know, it's really important, as I tried to do, a moment ago, to understand that these are not some new issues that we've been dealing with nor are they trivial issues. In fact, their fundamental issues essential to the running of any high-quality institution of higher education.

And so when the accreditor says that they're not following minimal eligibility - not meeting minimal eligibility requirements, that requirements for student achievement are out of whack and that they're not doing much to remedy that, when they talk about the lack of institutional integrity and financial instability which is something also that we've seen in our analysis.

These are major, major issues and we believe that ITT had an opportunity to remedy those through their show-cause with their accreditor. They did not. They did not. And we found that to be significant.

So we believe that there have been a number of processes in place, some directly involving the Department of Education, others directly with the accreditor, and then over time, over time, the risk provided by ITT to both students and taxpayers made it irresponsible for us to allow them to enroll new students and to not have additional oversight.

And those are the actions that we took to restrict new enrollments and to put them under heightened financial scrutiny. In short, we believed, over time, that the risk was just too high.

Kelly Leon: Thanks so much, Undersecretary Mitchell. Thanks everyone.

Ted Mitchell: Could I do when more bit of business, Kelly? So I referred about probably ten times to the new URL. And I want to refresh everybody's memory about that. It's Studentaid.gov/ITT. That will - and that will be the source of our ongoing updates and communications. And so we will be updating it in real-time. So that's - that should be your go-to resource as well as students' go-to resource.

Kelly Leon: Thanks, Undersecretary Mitchell. Thanks so much to everyone for joining us today. So everyone knows, recording of today's call will be available on our Web site within the next two hours and a transcript of today's call will be available within the next 24 hours.

If you have any additional questions or need clarification about anything, please email us at Press@Ed.gov. This concludes today's call.

Ted Mitchell: Thanks everyone.

Coordinator: Thank you, everyone, and that concludes today's conference. Thank you all for participating. You may now disconnect.

END