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<http://www.ed.gov/news/press-releases/department-education-bans-itt-enrolling-new-title-iv-students-adds-tough-new-financial-oversight>

Department of Education Bans ITT from Enrolling New Title IV Students, Adds Tough New Financial Oversight

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The U.S. Department of Education today took a series of actions to protect students and taxpayers by banning ITT Educational Services, Inc. (ITT) from enrolling new students using federal financial aid funds, and stepping up financial oversight of the for-profit educational provider.

This move follows determinations made by the school's accreditor, the Accrediting Council for Independent Colleges and Schools (ACICS) that ITT "is not in compliance, and is unlikely to become in compliance with [ACICS] Accreditation Criteria." This comes amid increasingly heightened financial oversight measures put in place by the Department beginning in 2014 and continued and expanded in June 2016 due to significant concerns about ITT's administrative capacity, organizational integrity, financial viability and ability to serve students.

"Our responsibility is first and foremost to protect students and taxpayers," said [U.S. Secretary of Education John B. King Jr.](#) "Looking at all of the risk factors, it's clear that we need increased financial protection and that it simply would not be responsible or in the best interest of students to allow ITT to continue enrolling new students who rely on federal student aid funds."

As [outlined in a letter](#) sent by the Department to ITT, the school will no longer be allowed to participate in Title IV except under the following conditions:

- **Enrollment restrictions:** ITT may no longer enroll new students who rely on federal financial aid dollars for educational expenses;
- **Disclosures to Students:** ED is requiring ITT to inform current students that its accreditor has found that the institution is not in compliance, and is unlikely to become in compliance with its Accreditation Criteria;

- **Compensation and Payment Limitations:** ITT is prohibited from awarding raises, paying bonuses or making retention or severance payments to its executives or to paying special dividends or out of the ordinary expenditures without department approval;
- **Notification of Financial Events requirements:** ITT must inform the Department of any significant financial or oversight events including violations of existing loan agreements or extraordinary financial losses within ten days of such events; and
- **Title IV payment method requirements (Heightened Cash Monitoring 2):** ITT is required to use its own funds to initially cover Title IV aid disbursements for current students. The Department will reimburse funds to ITT *after* aid is disbursed to students.

Additionally, within 30 days, ITT is required to increase its existing surety from \$94,353,980 to \$247,292,364, or 40 percent of all Title IV aid the school received in 2015 payable in full. Surety funds are held by the Department in a Federal Holding Account and are used to reimburse the Department for liabilities related to the investigations, including student refunds, student loan cancellations and other expenses if ITT closes campuses.

Finally, ITT is required to develop teach-out agreements with other colleges that provide students with opportunities to complete their studies. Teach-out agreements are developed in the event an institution, or an institutional location, ceases operations before all enrolled students have completed their program of study.

In its August 17, 2016 Continue Show-Cause Directive Letter, ACICS continues to question ITT's compliance with a number of the agency's accreditation standards, finding that ITT has not demonstrated full compliance.

The standards in question are:

- "Minimal eligibility requirements" for "compliance with all applicable laws and regulations;"
- Federal and state student financial aid administration requirements;
- Financial stability, including having adequate revenues and assets to meet its responsibilities;
- Administrative capacity, including overall management and record-keeping;
- ACICS admissions and recruitment standards;
- Requirements for student achievement, as measured by retention, placement, and licensure passage rate; and
- Institutional integrity, as manifest in the efficiency and effectiveness of its overall administration of the institution.

ITT operates over 130 campuses in 38 states and enrolls students in online programs nationwide. Last year, the institution reported almost \$850 million in total revenue, roughly \$580 million of which was sourced from federal aid dollars. In 2015, approximately 45,000 students were enrolled in ITT programs. The institution is the subject of multiple state and federal investigations.

“When we allow institutions to participate in federal student aid programs, they are obligated to responsibly manage those funds,” said [U.S. Under Secretary of Education Ted Mitchell](#). “More importantly, we trust they will act in good faith and in the best interests of students.”

Since August 2014, ITT has been subject to intense financial and operational oversight by the Department. The school was previously placed in a Provisional Program Participation Agreement (PPPA) due to late submission of annual compliance audits and financial statements and was concurrently required to post a letter of credit in the amount of \$79,707, 879 - ten percent of the Title IV aid funding received during the preceding fiscal year.

In June, the Department required ITT to post an additional \$44 million to its letter of credit bringing the total surety to roughly \$124 million, or 20 percent of Title IV funds received last year. This increase followed an ACICS determination that “call[s] into question the institutions’ administrative capacity, organizational integrity, financial viability and ability to serve students in a manner that complies with ACICS standards.”

The Obama Administration has placed a strong emphasis on protecting students from abusive career colleges and taken significant steps to safeguard taxpayer dollars by:

- Creating [Gainful Employment rules](#) to protect students and taxpayers and to ensure students receive an education that leads to good job prospects;
- Publishing [proposed regulations](#) that clarify, simplify, and strengthen [existing regulations](#) to grant students loan forgiveness if they were defrauded or deceived by an institution, hold financially risky institutions accountable for their behavior and prohibit the use of so-called mandatory pre-dispute arbitration clauses and class action waivers that deny students their day in court;
- Establishing tougher program integrity regulations to target misleading claims by colleges and incentives that drove recruiters to enroll students through dubious promises, require states to step up their oversight, and to ensure that only eligible students or programs receive aid;
- Strengthening oversight and compliance of the career college industry through an inter-agency task force;
- Protecting military service members, veterans, and their families from predatory actions by for-profit colleges by proposing to strengthen [the 90/10 rule](#); and
- Calling for improved accreditation practices that focus on student outcomes.

Current ITT students may remain enrolled in classes, and can continue to apply for Title IV to complete their coursework. Students may also attempt to transfer existing credits to a new institution, or choose to pause their studies. In the event of a school closure, students may be eligible for federal loan discharge.

To learn more about today’s actions, students should visit the [Federal Student Aid Announcement Page](#) and read a blog post authored by Under Secretary Mitchell, “[Increased Oversight of ITT and the Impact on Students](#).”