



DREAMS DESTROYED

How ITT Technical Institute Defrauded a Generation of Students

Project on Predatory Student Lending

February 2022

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About the Project on Predatory Student Lending

Established in 2012, the Project on Predatory Student Lending represents former students of predatory for-profit colleges. Its mission is to litigate to make it legally and financially impossible for federally-funded predatory schools to cheat students and taxpayers. The Project has brought a wide variety of cases on behalf of former students of for-profit colleges. It has sued the U.S. Department of Education for its failures to meet its legal obligation to police this industry and stop the perpetration and collection of fraudulent student loan debt.

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EXECUTIVE SUMMARY

ITT Technical Institute (“ITT”) operated as a large-scale, predatory for-profit institution of postsecondary education from 1969 until September 2016, when it declared bankruptcy and abruptly ceased to exist.

ITT offered dozens of programs of study, spread out across its national network of roughly 130 campuses. ITT promised prospective students that it offered flexible schedules, easy transferability of credits to other schools, and a valuable academic experience. Hundreds of thousands of students went into debt to attend ITT, believing that its programs would lead to promising careers in growing fields with high salaries.

But these promises were outright lies.

ITT’s business model was both nefarious and simple: get students to enroll and stay enrolled and reap the profits from their federal student aid. ITT incentivized its recruiters to get as many people through its doors as possible. Recruiters preyed on prospective students in vulnerable situations, saying whatever was necessary to sell ITT to unsuspecting individuals who were simply trying to improve their lives through higher education in practical fields.

In the end, the vast majority of students who attended ITT either never received a degree or were left with a useless degree. All they had to show for their investment were exorbitantly high student debt and the inability to repay it—and, perhaps most devastatingly, opportunities forever lost.

This report is the result of an unprecedented intervention by former students of ITT in the company’s bankruptcy proceeding. Their intervention created access to evidence from audits, former employees, ITT’s own internal documents and emails, government investigations, a multitude of lawsuits, and sworn statements.

The evidence clearly shows how ITT misled a generation of students into enrolling in expensive programs that did nothing to further their careers or financial security, but instead left them trapped under the weight of debt they could not repay. ITT was not a legitimate educational institution: it was a money-making scam that systematically and brazenly lied to students in order to profit from their federal financial aid, and then saddled them with a lifetime of devastating debt. Yet the Department of Education kept ITT eligible for federal student grants and loans—essentially bestowing a federal seal of approval—until the bitter end.

The ubiquitous culture of fraud that thrived at ITT, and the federal government’s complicity in the offenses, is what makes the elimination of all remaining ITT debt the only conscionable and reasonable course of action. Cancellation of this debt is necessary to bring some measure of resolution and justice to the thousands who were harmed by this predatory institution. At the same time, the Department of Education has an urgent obligation to identify and take action against the many predatory college operations, with business models similar to ITT, that are still enrolling students and ruining their financial futures.

A. Evidence Reviewed for this Report

The Project on Predatory Student Lending authored this report after a thorough review and analysis of the available evidence relevant to ITT. The Project, along with the law firm Jenner & Block, represents hundreds of thousands of former ITT students in a class action¹ against ITT's estates in the defunct company's ongoing bankruptcy proceedings.²

On November 28, 2018, the student class reached a historic settlement with ITT's estates. The settlement canceled over \$500 million of student debt owed directly to the school, returned approximately \$3 million back to students, and gave the student class a \$1.5 billion allowed proofs of claim against ITT and its related companies.

As part of ITT's bankruptcy, the Project on Predatory Student Lending obtained internal company documents that have not previously been reviewed. The evidence cited in this report³ dates from the early 2000s to late 2016, the year that ITT closed, and can broadly be divided into the following categories: (1) internal company documents, including audits, mystery shopper reports,⁴ emails, policy directives, training materials, and other documents promulgated from corporate headquarters ("HQ"); (2) sworn statements and documented complaints from former students and employees of ITT; and (3) public documents, investigative reports, court filings, and other legal documentation and publicly available findings relevant to ITT.⁵

This report also includes statements from former students and employees of ITT that independently corroborate the wrongdoing documented in other forms (*i.e.*, in audits, email communications, and other company documents). Many of these first-hand accounts are narratives submitted by former ITT students to the U.S. Department of Education in support of applications for loan cancellation. These statements were made under penalty of perjury, and were shared with permission by the students themselves and Debt Collective, the organization that submitted these applications on behalf of its members.⁶

B. Key Findings

ITT routinely, as a matter of corporate policy, used high-pressure enrollment tactics and made material misrepresentations about ITT's cost, quality, reputation, and services. Its culture of fraud and abuse caused extensive harm to students who were simply seeking better career opportunities, but instead were left with useless degrees and insurmountable debt. This report will demonstrate the systemic nature of and wide-ranging harm caused by ITT's lies, particularly as follows:

ITT Employed Unscrupulous Marketing Tactics and Targeted Vulnerable Students

- (1) ITT recruiters were actually high-pressure salespeople whose sole goal was to generate profits from students' federal financial aid. They were trained to use aggressive sales tactics, including a method known as the "pain funnel,"⁷ to rope in prospective students, and they were rewarded for the volume of students they signed up. Recruiters even forged names on enrollment forms to meet their quotas.⁸ ITT went so far as to hire "lead generators" to pose as job boards, which then turned around to advertise the school.⁹ Call center representatives were expected to make 80-100 calls per day in order to identify more victims for ITT's scheme.¹⁰ ITT's budgets show that marketing was a priority: the company spent more on advertising and recruiting than on student services.¹¹
- (2) ITT targeted veterans for its predatory product in order to exploit their GI Bill benefits and increase profits.¹² ITT also preyed upon students it knew could not get jobs in their chosen fields, including those with criminal records, students with disabilities (which the school and/or the profession could not accommodate), illiterate students, and students who could not speak English.¹³

ITT Recruiters Made Material Misrepresentations to Convince Students to Enroll

- (3) As a matter of policy, ITT recruiters lied about material facts. If prospective students had known the truth, they would not have enrolled at ITT.
- (4) ITT recruiters lied about ITT's selectivity and value. ITT told students that "seats are limited and [the] school is selective as to whom it admits."¹⁴ In reality, "[e]veryone who applied to ITT was admitted, so long as they had a high school diploma or GED."¹⁵
- (5) ITT recruiters lied about the jobs students could expect to get upon graduation, when ITT knew that many graduates did not get jobs in their fields. ITT told students that "there was a 99.9% graduation rate, and when [you're] done with your two years at ITT Tech you would make anywhere from 70,000 to 80,000 a year."¹⁶ As demonstrated in this report, ITT students were unable to find work in their chosen fields, never made or never could have made as much as ITT promised, and were saddled with debt they could not pay back.
- (6) ITT recruiters lied about the transferability of ITT credits.¹⁷ ITT told students that their credits could be accepted or denied at the discretion of the receiving school, but this "discretion" was illusory. ITT knew that other schools extremely rarely—if ever—accepted ITT credits. In fact, ITT credits were sometimes not

even transferable *within* ITT. This meant that students were trapped at ITT, guaranteeing ITT a steady stream of revenue.

- (7) ITT recruiters lied about ITT's accreditation status.¹⁸ ITT told prospective students that ITT was actually more desirable than other schools because it was nationally accredited, which implied a greater reciprocity as compared to a school that is "only" regionally accredited. ITT knew these representations were misleading, but it allowed recruiters to continue suggesting to students that its accreditation under a lax accrediting body, the Accrediting Council for Independent Colleges and Schools ("ACICS"),¹⁹ was the gold standard—which it was decidedly not.²⁰

ITT Misled Students About Its Cost and Financial Aid

- (8) Students were regularly rushed through the financial aid process and critical details were withheld or not meaningfully disclosed.²¹ Financial aid administrators were assessed based on how much revenue they generated, not how well they explained costs to students. They were incentivized to—and did—lie to students about the actual costs of an ITT education, which were objectively excessive; the nature and type of loans students were given; and their very high interest rates.²² As one student recalled, "When I wouldn't sign some of the loan paper work, they pulled me out of class into [the] financial aid office and explain[ed] that if I don't sign the loan paper I would be drop[ped] out of school. I did not know how many loans I have 'taken' out until I applied to purchase a home and was denied a mortgage loan because of my student loans."²³ This obfuscation was by design. ITT headquarters instructed financial aid advisors on how to "ensure quick access to students," "target more difficult repacks [enrolling students in loans] at the beginning,"²⁴ and hit "weekly goals for (finance) reps."²⁵
- (9) ITT gave out "opportunity scholarships" that were really a ploy to get students to take out maximum amounts of federal student aid.²⁶
- (10) Financial aid administrators stole students' PIN numbers and signed financial documents without students' knowledge or consent. A director of finance explained that "if a student did not come in for an appointment with financial aid, it was common for financial aid staff to fill out the forms and e-sign on behalf of the student, without their knowledge. This would also happen for parent borrowers."²⁷ Internal emails refer to this practice as well: one describes a student as "the one we applied for a loan for without his permission."²⁸ This outrageous behavior was known to, and thus sanctioned by, ITT HQ.²⁹

ITT Cheated Students Out of the Education They Sought

- (11) ITT's high-pressure tactics did not stop at enrollment. Recruiters pressured students to switch majors so that they would apply again and take out even more loans.³⁰ ITT even went so far as to set up a "Student Support and Academic Success Center," which was actually a telemarketing operation that hounded students it feared were at risk of dropping out.³¹
- (12) ITT was not on the cutting edge of technology as it consistently described in its marketing materials and sales pitches to students.³² Instead, it offered outdated equipment and cut back on resources for faculty and textbooks.³³ ITT insisted that all new programs or equipment upgrades "need to provide a return on investment justification that outlines the benefits to the P&L of the expense[.]"³⁴ As a result, students were left with useless lab equipment, outdated textbooks, and non-functioning computers.³⁵ Their extensive complaints were ignored.³⁶ At every turn, ITT did everything in its power to resist spending money on education, while it continued to funnel money into advertising, recruiting, and executive compensation.³⁷
- (13) ITT engaged in "bait and switch" tactics by moving classes online or changing the day classes were held *after* students had already enrolled based on the course schedule or a guarantee that they were in-person.³⁸ Online classes were cheaper for ITT to administer, so ITT prioritized these courses even though it knew that some students did not have access to the internet connection they needed to take their classes.³⁹ ITT brazenly imposed online education to the consternation of instructors as well as students. For example, one instructor complained that ITT was shortchanging students by moving classes online: "If you're going to be turning this into an online school, you need to make sure the students know this!! This is NOT the type of students we have!"⁴⁰ Yet instead of engaging with the instructor's concerns, ITT turned around and began an investigation of *him*.⁴¹
- (14) A prime example of ITT's harmfully low quality was its nursing program, known as the Breckinridge School of Nursing. ITT actively lied to students for years by claiming that it was in the process of obtaining programmatic accreditation for its nursing program, which it was not.⁴² The student outcomes of this program were also concealed from prospective students, including job placement rates and nursing exam results, as was the quality of faculty and equipment offered. The Breckinridge School of Nursing was of such a low quality that nurses trained there did not even "understand what a nurse does,"⁴³ prompting one former faculty member to state that she "feared for the safety of the students and the safety of the public."⁴⁴

ITT Did Not Help Students Find Jobs

- (15) ITT misrepresented the help it gave to graduates with finding jobs in their fields. ITT's career services department was not designed to help ITT students find careers. Instead, it manipulated data to make ITT look better to accreditors, and worked with accreditors to defang reporting requirements.⁴⁵ ITT presented jobs that were obviously not in a graduate's "field" as being valid job placements. For example, it counted minimum wage assembly line work as a position in "Electronic Technology"⁴⁶ and claimed that a job at a bakery was in the "autoCAD field."⁴⁷ In addition to manipulating job placement data, career services also spent resources working to reenroll students to squeeze them for more profit.⁴⁸

ITT Was Designed to Harm Students

- (16) ITT's malfeasance was a feature, not a bug. Every campus that ITT ran was tightly controlled by ITT's HQ. Corporate management ensured that company policies and priorities, which actively rewarded and encouraged lying and the defrauding of students, were applied uniformly across the country and were experienced by virtually every student ITT recruited.⁴⁹
- (17) When employees reported unethical behavior or wrongdoing, they were disciplined, while employees who engaged in such behavior were rewarded.⁵⁰ For example, investigating an employee's report that a director of recruitment was acting unethically, corporate Human Resources ("HR") told the employee that her report was itself "not an appropriate comment, and could lead to corrective action if continued."⁵¹ Likewise, a department chair who complained about being forced to pass students who had not completed their coursework satisfactorily was cited for "inappropriate behavior."⁵² ITT's purported "ethics reporting hotline" was actually used to identify and punish disloyal employees.⁵³

The evidence in this report demonstrates that ITT's dishonesty was baked into how ITT functioned from top to bottom. The chart below is a compilation of documented instances of misrepresentations, fraud, and harm committed against ITT students by ITT from 2002 to 2016. The Project on Predatory Student Lending reviewed a sample of thousands of documents taken from ITT's server as part of the defunct company's bankruptcy proceedings. Part of that analysis resulted in over 13,000 verified instances of ITT's wrongdoing taken from student complaints, internal company documents, audits, human resources files, and other contemporaneous records, which is the basis for the following chart. The data is a partial snapshot of all possible instances of documented wrongdoing, as the Project's review was inherently limited by practical constraints. The Project completed a thorough review of only a sample of the widespread fraud and wrongdoing, demonstrating that these instances were certainly more widespread and pervasive.

Instances of Wrongdoing at ITT Campuses

	Credit Transfer Misrepresentations	Student Services and Instructor Qualification Misrepresentations/Bait and Switch Recruiting Practices	Job Placement Rates, Types of Job Placements, Salary and Career Services Misrepresentations	Cost of Attendance and Private Loans Misrepresentations	Mishandling of Student Funds	Falsification of Grades and Attendance	Fraudulent Financial and Enrollment Practices
Akron, OH	5	22	11		5	6	
Albany, NY	6	12	14	10	25		17
Albuquerque, NM	24	40	31	25		5	11
Anaheim, CA (Orange)	12	40	14	18			11
Arlington Heights, IL	13	17	27	11			9
Arlington, TX	10	15	29	13	10		6
Arnold, MO	11	42	78	39	37		17
Atlanta, GA (Douglasville, Duluth, Kennesaw)	9	76	47	19	39	34	20
Aurora, CO	5	17	10	6		16	9
Austin, TX	8	35	9	8			
Baton Rouge, LA		24	6		5		5
Bensalem, PA (Levittown)		18	54	14	29	8	33
Bessemer, AL	14	47	39	20	58	27	15
Boise, ID	7	34	25	6	10		13
Canton, MI	11	28	24	21	38	8	8
Cary, NC		60	22		27	19	15
Cedar Rapids, IA		15	9		26	20	
Chantilly, VA	9	46	16	12	5		7
Charleston, SC		31	12			7	
Charlotte, NC	13	76	26	8	53	13	21
Chattanooga, TN		13	11	6	12		
Clive, IA		29	20		23		17
Clovis, CA	6	28	9	9			5
Columbia, SC		41	10	6	27	8	
Columbus, OH		15	8	7	26	6	
Concord, CA		31	29		13	16	
Cordova, TN	7	41	63	7	61		9
Corona, CA		15	12		5	9	
Culver City, CA		13	10				6
Dayton, OH	11	66	25	8	23		7
Dearborn, MI		15	6	5		7	10
DeSoto, TX		13	12		20	6	6
Dunmore, PA	6	7	15	7	44	26	10
Durham, NC		41	13		6		
Earth City, MO	7	60	27	20	16	13	10
Eden Prairie (Brooklyn Center, Woodbury), MN	11	39	27	8	30	19	6
Everett, WA	7	53	27	7	14		6
Fort Lauderdale, FL	17	41	28	10	10	13	12

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Fort Myers, FL		36					
Fort Wayne, IN	16	51	22	6	7	9	6
Getzville, NY	14	22	19	23	14		5
Green Bay, WI		31	25	25		5	14
Greenville, SC	5	33	63	8	79	18	11
Harrisburg, PA		72	29	8	49	33	12
High Point, NC	5	78	33	8	56	39	7
Hilliard, OH	7	30	23	13	19	31	9
Houston (Webster), TX	22	50	38	21	11	7	22
Huntington, WV		16	19		7		
Indianapolis, IN (Greenwood)	40	56	38	39	20	17	28
Jacksonville, FL	11	60		8	14	15	11
Johnson City, TN	5	35			19	22	16
Kansas City, MO	10	33	68	17	18	8	12
King of Prussia, PA (Plymouth Meeting)	11	32		9	39	6	21
Knoxville, TN	13	52	105	21	11	9	12
Lake Mary, FL	12	43	17	8	37		6
Las Vegas (Henderson), NV	18	68	27	18			10
Lathrop, CA	10	21	23	12	8		7
Lexington, KY	9	28	46	5	24		13
Little Rock, AR	13	44	100	15	48	10	34
Liverpool, NY		16	8	5			
Louisville, KY	12	42	12	13	31	10	14
Madison, AL	8	28		6			6
Madison, MS	5	10	17		44	10	5
Madison, WI	5	13	14	5		7	
Marlton, NJ		13			40	18	
Maumee, OH	7	11	18	12	11		6
Merrillville, IN	5	53			24	12	
Miami, FL (Hialeah)	13	24	7	11	11	7	6
Milwaukee (Germantown, Greenfield), WI	20	34	29	21	7	5	11
Mobile, AL		26					
Murray, UT	16	33	9	18		5	9
Myrtle Beach, SC		13					
Nashville, TN	24	61	79	19	20	19	9
Newburgh, IN	21	26	26	19	16	15	16
Norfolk, VA	10	50	10	14	11		10
Norwood, MA	9	43	13	10			7
Norwood, OH	13	38		18	25	8	9

	Credit Transfer Misrepresentations	Student Services and Instructor Qualification Misrepresentations/Bait and Switch Recruiting Practices	Job Placement Rates - Types of Job Placements, Salary and Career Services Misrepresentations	Cost of Attendance and Private Loans Misrepresentations	Mishandling of Student Funds	Falsification of Grades and Attendance	Fraudulent Financial and Enrollment Practices
Oak Brook (Orland Park), IL	20	62	15	10	23	7	13
Oakland, CA		14	12		32	26	
Oklahoma City, OK		29	22		22	15	
Omaha, NE	6	43	24	8	22	16	11
Online	14	116	27	15			8
Orlando, FL		28			9		
Overland Park, KS		10				6	
Owings Mills (Hanover), MD	9	43	16	17	5		5
Oxnard, CA		25	20	11	6	5	5
Pensacola, FL			5			8	
Philadelphia, PA		9		5	5	6	6
Phoenix, AZ	5	46		5	58	15	9
Pittsburgh, PA		22	31	5	96	25	7
Portland, OR	8	62	50	19	24	14	13
Rancho Cordova, CA	11	40	15	16		8	8
Richardson, TX	14	45	18	15	8	9	6
Richmond, VA		28	17	8			
Salem, OR		14	5	5	6		
Salem, VA		19			39	20	
San Antonio, TX	7	25	10	5	14	13	5
San Bernardino, CA	10	39	18	7	7	20	9
San Diego, CA	19	52	19	17	8	10	10
San Dimas, CA	18	43	22	20	15	7	10
Seattle, WA	6	47	29	14	14	18	8
South Bend, IN	5	31	17	9	47	28	
Spokane Valley, WA	7	77	41	10	5		8
Springfield, IL						10	
Springfield, MO		28	16		17	20	
Springfield, VA	9	29	19	6	14	13	7
St. Petersburg, FL	6	9	6				
St. Rose, LA	11	27	17	11	12	12	6
Strongsville, OH	10	31	29	12			
Swartz Creek, MI	7	30	15	16		9	6
Sylmar, CA	13	32	27	14	14	11	5
Tallahassee, FL	6	33	8	8	13	5	8
Tampa, FL	21	39	28	20	28		10
Tarentum, PA		20	40		6	36	6
Tempe, AZ	11	41	22	17	24	20	16
Thornton, CO (Westminster)		23	13		14	7	

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Torrance, CA	7	13	5	8			
Troy, MI (Clinton Township)	27	41	28	28	37		12
Tucson, AZ	7	27	14	15	17	31	
Tulsa, OK	9	48		17			
Vista, CA							
Waco, TX		14	12		5	6	
Warrensville Heights, OH	6	23	16		9	12	9
West Palm Beach, FL		18			20	11	
Wichita, KS		20	21		27	33	
Wilmington, MA	10	37	16	14	41	11	10
Wyoming, MI	23	38	41	35	6	8	
Youngstown, OH	7	37	15	14			6

C. Recommendations

- (1) The Department of Education should cancel all outstanding debt attributable to ITT. As demonstrated in this report, virtually every student who attended ITT was affected by ITT's fraud and wrongdoing. This is consistent with the Department's own conclusion that ITT engaged in pervasive and clear misconduct for nearly a decade prior to its closure. These findings support the Department's recent action to cancel the loans of former ITT students who attended as early as 2008, and who did not complete their program. Those cancellations, for 115,000 individuals,⁵⁴ come under the Department's closed school discharge authority. Misrepresentations also create a borrower defense to repayment. There is no meaningful difference between a student who continued on at ITT—and received a useless degree—and one who did not. The same widespread misrepresentations and malfeasance form the basis of a borrower defense to repayment. Yet the Department of Education has not acted with consistency. Of the over 34,000 applications it has received from individuals, it has granted only 18,000.⁵⁵ It has not heeded calls from state Attorneys General to issue a group discharge. The Department must act accordingly—regardless of whether or not the former student has filed a borrower defense application, just as it has not required an application from a student in order to grant a closed school discharge.
- (2) In addition to canceling all federal ITT-related debt, all private lenders should cancel any debt associated with attendance at ITT. Lenders who chose to do business with ITT are complicit in ITT's fraud and neither they, nor anyone holding the loans, has a lawful claim to collect from former ITT students. This is a step that has been taken by some lenders but not others. Notably, Navient and its predecessor, Sallie Mae, offered custom, subprime student loans to ITT students, under a risk sharing agreement with ITT, under which ITT effectively guaranteed the loans. Many former ITT students continue to have these loans on their credit reports and are hounded by debt collectors.⁵⁶
- (3) In order to prevent similar harm in the future, the Department of Education should sharply limit the ability of participating institutions to operate multiple locations and apply greater scrutiny to those that do. Institutions the scale of ITT—with locations in three dozen states—pose a particular risk to students because they are beyond the reach of critical oversight entities. Patterns of wrongdoing may be slower to emerge because instances occur in different jurisdictions not necessarily operating in coordination. ITT's scale meant that it was the largest customer of its accreditor, ACICS, which rubber stamped ITT's expansion.⁵⁷ Moreover, a large-scale, distributed school such as ITT will seek to maximize profit by centralizing functions in a manner that does not serve students. As demonstrated in this report, individual campuses had no control over their curriculum, or even whether a course was offered in person or online.

Campus leaders complained for years about policies that did not serve students and curricula that needed updating or tailoring to local conditions, to no avail.

- (4) The Department of Education should treat bad-faith tactics on the part of institutions as a violation of its regulations and program participation agreements. Because new programs were not subjected to the Department's Gainful Employment rule, ITT renamed many of its existing programs and offered them as "new." As a result, 80% of ITT's student census was enrolled in a program that was not subject to the rule.⁵⁸ It may be impossible to anticipate, and thus regulate, every inventive means by which schools with poor outcomes will skirt accountability regulations. But dishonest tactics themselves should be sanctioned.
- (5) Any accrediting agency responsible for approving an institution that causes large-scale harm to students and financial injury to the federal student aid programs should be derecognized by the Department of Education.
- (6) Mandatory, pre-dispute arbitration agreements and class-action waivers benefit institutions, not students. Schools participating in federal student aid programs should not be able to rely on such clauses. Students must be able to enforce their rights, and the Department of Education, regulators, and the general public benefit from open court proceedings. ITT was aggressive in its use of these clauses, hidden in enrollment agreements, even going so far as to argue that the attorney general of the State of New Mexico should be forced to arbitrate its consumer protection action against the school.
- (7) The Department of Education must recognize that oral misrepresentations are common, and convincing to students. ITT's written policies often contradicted what its salespeople told prospective students. With respect to borrower defense, schools should not be allowed to use boilerplate written disclaimers to defeat student claims.

I. ABOUT ITT TECHNICAL INSTITUTE

A. History and Corporate Background

ITT was founded in 1969,⁵⁹ underwent an initial public offering in 1994,⁶⁰ and filed for bankruptcy in September 2016.⁶¹ In 2009, ITT bought Daniel Webster College in New Hampshire and operated it as a separate brand until ITT's bankruptcy declaration.⁶²

ITT has been the subject of numerous lawsuits and investigations related to its high-pressure and deceptive sales tactics and other material harms it caused its students.⁶³ One of the earliest and most dramatic examples occurred in February 2004, when ITT's headquarters in Carmel, Indiana, and ten of its campuses were raided by federal officers from the Department of Justice, which was investigating the company's records on student grades, job placement figures, and other key outcome metrics.⁶⁴

In 2007, the company's CEO, Rene Champagne, stepped down, cashing out more than \$50 million in stock options in the process.⁶⁵ The top position at the company then went to Kevin Modany, who had been with ITT since at least 2002. Prior to his elevation to CEO, he had been the company's president, chief operating officer, and chief financial officer, and had served on its Board of Directors since July 2006.⁶⁶ Kevin Modany also began serving as chairman of the Board in February 2008.⁶⁷

While ITT already had a long history of defrauding students by the time Kevin Modany became CEO, he played an instrumental role in continuing ITT's single-minded focus on profits and enrollment numbers at the expense of academic quality and student welfare. A former instructor at ITT, with almost 10 years of teaching experience at two different campuses, described the management shift under Modany in the following way:

It was clear to me that under Kevin Modany's direction and leadership, ITT's sole focus was on profits at the expense of student welfare. I met Kevin Modany once . . . and all he spoke about was money – not education.⁶⁸

B. Centralized Control by Corporate Headquarters

ITT's campuses were divided among twelve regional districts,⁶⁹ each overseen by a district, or regional, manager who was supervised by the senior vice president of operations. The director of each campus reported directly to the district manager. Each campus also had a director of recruitment, a director of career services, a director of finance, a dean, and a registrar. Each of these roles had a regional counterpart (e.g., regional director of recruitment) as well as a national counterpart (e.g., national director of recruitment).

Regional managers were responsible for ensuring that HQ's policies and priorities were

communicated down to individual campus-level employees. Corporate headquarters also produced promotional materials and advertising for all ITT campuses, including websites and catalogues for each location and program.⁷⁰

Former employees of ITT have spoken about how tightly controlled the campuses were by HQ, and especially so under Kevin Modany's management:

Corporate headquarters (HQ) exercised a great deal of control, in a fine level of detail, over multiple aspects of how individual campuses were run.⁷¹

An Alabama-based director of finance⁷² reported that "[t]he corporate headquarters, or HQ, exerted a great degree of control over the staff at my and other ITT campuses . . . [and] HQ dictated policies and procedures for the operations of all ITT campuses."⁷³

Another longtime ITT employee—who worked in financial aid roles from 2002 until 2009, was promoted from financial aid administrator to director of finance at the Murray, Utah campus, and also served as director of finance for the Phoenix, Arizona campus—confirmed the same story:

In the context of financial aid, HQ directed everything from the order in which a Financial Aid Administrator was meant to show students the relevant forms to the language used in explaining these forms to the way to escalate punishments for students who failed to show up for student loan repackaging appointments or to pay their bills.⁷⁴

Campuses had next to no autonomy to make independent decisions, including for issues as mundane as approving a prerequisite waiver for a student's particular program of study, which had to be approved by the national registrar at HQ.⁷⁵ Additionally, Kevin Modany had to personally approve every request to refund student tuition.⁷⁶

II. SELLING ITT

ITT cultivated a high-pressure sales environment that caused recruiters and financial aid coordinators to say anything necessary to recruit students and rush them through the enrollment and financial aid processes. This was because the structure of ITT's business model was wholly dependent on revenue from the tuition of enrolled students, which came almost entirely from federal student aid. The company needed fresh foot traffic to sustain its insatiable need for revenue in the form of Title IV funding, which became the debt that is still crushing former ITT students to this day.⁷⁷

A. High-Pressure Environment

The culture at the ITT recruitment operation was a classic "boiler room." ITT recruiters operated in a desperate work environment that created intense pressure, brutal competition, and a survivalist mentality:

Cutthroat competition and overworking was actively encouraged by management . . . ITT Baton Rouge became a sweatshop. We often worked six days a week, including holidays, in order to hit a quota assigned by HQ. I saw parents weeping because they never saw their spouses or children. Nobody in such conditions can provide quality counseling to prospective students making the most expensive decisions of their lives.⁷⁸

One way that ITT maintained a cutthroat environment amongst its recruiters was through a "boardroom" process, where underperforming recruiters were humiliated and berated in front of their peers.⁷⁹ One recruiter's notes from a boardroom meeting describe the director of recruitment's statements: "We are here to talk about starts. We won't NEED reps soon. People will lose their health insurance because of you. People's families are affected because of you."⁸⁰

One recruiter, who worked at the Baton Rouge, Louisiana, campus from 2010 to 2014, described the work environment at ITT in the following way:

The Admissions Department was, for all intents and purposes, a sales department. Having worked at sales jobs in the past, it was like working in a call center, but with higher pressure than I have ever experienced at any other sales job.⁸¹

This employee went on to describe the demands placed on recruiters:

I was under constant pressure to increase my campus's enrollment numbers. The pressure came from my managers, including the campus director, who kept track of my numbers . . . There was enormous pressure on me and the other representatives and financial aid coordinators ('FACs') to make sales calls, enroll students, complete

financial aid packages, and get students to attend an ITT class. This pressure was relentless I often had to work extra time on the weekend in order to make my numbers For example, to solicit interest in ITT programs, I would go to job fairs, workforce events, and Stand Down events for homeless veterans (events where homeless veterans are given supplies and services, such as food, clothing, shelter, health screenings, and other assistance).⁸²

Despite the fact that ITT ran a massive sales operation, Kevin Modany directed that “sales” language be avoided in public-facing documents. One employee recounted these orders as: “We have to modify our language again. We can’t dream of saying ‘sales,’ we must reference ‘students’ not ‘starts,’ and we can’t say ‘neutralizing objections or obstacles.’ We must say, ‘addressing issues.’”⁸³

Recruiters were commonly threatened with termination if they did not enroll enough students.⁸⁴ “Staff that did not meet their quotas would face a series of escalating repercussions, starting with verbal warnings, then written warnings, and escalating all the way to termination.”⁸⁵ Conversely, “staff that met or exceeded their quotas would receive praise, raises, and promotions.”⁸⁶ They would also qualify to receive better, or “Tier 1,” leads going forward, meaning that ITT rewarded its best closers with the opportunity to make even more sales, and stuck poor performers with lower-likelihood leads, ensuring their quicker exit from the company.⁸⁷ An example of these performance measures can be seen in a company document from 2012 that lays out minimum standards for recruiters in which they “must conduct an average of two face-to-face interviews (Conducts) per week. . . .”⁸⁸

A former instructor and academic chair at the Clive, Iowa, and Murray, Utah, campuses between 2002 and 2014 described this relentless recruitment focus:

Recruiters worked tirelessly to try to get anyone to sign up, because their jobs depended on making their required numbers. They would bombard prospective students with phone calls. The recruiters I spoke with told me that they felt a lot of pressure to get students to sign up.⁸⁹

. . .

[R]ecruiters were under intense pressure to bring students through the door. The school could charge students tuition if they sat through a certain, minimum number of classes, so the main incentive was to simply bring students in and get them at least started in a classroom, regardless of their interest in the program, their ability to do the work, or their personal life situation.⁹⁰

And even when students realized this deception and dropped out, ITT considered these dropout students a potential source of additional revenue and never stopped targeting them. A November 2011 report from HQ concerning the Vista, California, campus reflects this marketing focus, noting that “[r]e-entries [*i.e.*, students reentering

ITT after dropping out or completing their first program] are below plan” and that staff are attempting to fix this problem with “50-110 calls per week” and “5 postcard mailings to our target list of 415 former students.”⁹¹

ITT’s high pressure/high volume recruitment operation was succinctly described in an internal ITT document:

We attract 1.4 million resident inquiries per year. Inquiries are sent to local campuses and routed to one of roughly 1200 recruitment representatives (rep). Each rep receives an inquiry and has four days to achieve a Conduct. [sic] Reps call inquiries three times per day until Contact. [sic] If the Conduct [sic] does not occur within four days, the inquiry goes to another rep that also has four days to achieve a conduct. Failure on the second rep[’]s part means the inquiry go[es] to a third campus-based rep. Failure with a third rep sends the inquiry to a contact center, which places the inquiry in a dialer for two weeks.⁹²

Many ITT training documents heavily emphasized the dual tactics of contacting student leads as soon as possible to “create value and excitement for the appointment” and encouraging students to come in earlier if their appointments were scheduled more than 72 hours in the future.⁹³

In 2014, ITT’s outside counsel tracked down former recruiters from the Lexington, Kentucky, campus who had been interviewed by the Kentucky Attorney General’s office. One of them recounted that “being a rep meant ‘selling’ ITT, which . . . is not much different than selling a car” and that “ITT’s strategy was to ‘just wear people down’ by “call[ing] them 3-4-5 times a day, hand them off to a new rep, then ‘rinse and repeat.’”⁹⁴ He said that eventually “people would get so fed up that they . . . would give up and agree to visit a campus just to get ITT off their back.”⁹⁵ If the recruiter backed off in the face of disinterest, “his boss’s response would be: ‘Why did you let them off the hook?’”⁹⁶

Other examples of the constant pressure recruiters were put under can be found in company emails sent to recruiters that included “pep talk”-type language, usually following an employee meeting called a “Rep Rally.” One such email contained the following directive:

Follow the 3x3x3 rule. Call all new inquiries three times per day for the first three days and make your calls in three different time zones of the day. (Morning, afternoon and evening).⁹⁷

Turnover in recruitment positions was such a problem that, in 2014, ITT loosened its requirement that recruiters have a postsecondary degree (changing it to just a preferred credential), and it eliminated the need for new recruiters to undergo a pre-employment assessment.⁹⁸

1. The Mystery Shopper Program and the Entrenchment of Unethical Recruitment

Some of the most damning evidence produced in the bankruptcy process and cited in this report comes from a multiyear “mystery shopper” program that ITT implemented.⁹⁹ Under this program, ITT hired individuals to pose as prospective students and report back to ITT on what they experienced in the recruitment process. The mystery shopper program existed from at least 2007 to 2014. ITT publicly maintained that it “hired mystery shoppers to search for misconduct,”¹⁰⁰ and described it as “a rigorous program implemented by ITT designed to insure [sic] compliance by its recruiting employees.”¹⁰¹ But internal documents reveal that ITT’s mystery shopper program was primarily “designed to provide feedback concerning a prospective customer’s initial experience or first impression of [ITT Tech].”¹⁰² In other words, it was a tool for assessing and refining sales efficacy.

Moreover, when ITT did use mystery shoppers to identify misconduct, it was generally done in response to the threat of an external investigation.¹⁰³ For example, in October 2010, less than two months after the Government Accountability Office revealed an undercover investigation into for-profit schools’ recruiting practices,¹⁰⁴ ITT specifically modified¹⁰⁵ its mystery shopper reports to detect the particular issues and terminology identified in the Government Accountability Office report.¹⁰⁶

A key takeaway with respect to the mystery shopper program is that it was essentially reactive by design and intent. There is no evidence, for example, that misrepresentations documented by mystery shoppers were retroactively corrected for the benefit of actual prospective students to whom those same misrepresentations were made. It is hard to view the mystery shopper program as a protection for students when it was primarily used as a way to critique sales pitches and react to recruiters who might put ITT into the crosshairs of federal investigators.

Accordingly, there are also no indications that ITT’s modifications to the mystery shopper program addressed any of the root causes of non-compliance,¹⁰⁷ especially when partnered with the general absence of significant corrective actions.¹⁰⁸ As an HR employee stated, “I don’t recall requesting an[y] terminations as a result of a Mystery Shop.”¹⁰⁹ One ITT recruiter explained that he had been “shopped” a couple of times and “could easily tell who the mystery shoppers were based on their demeanor during the shops.”¹¹⁰

An example of how the mystery shopper program was primarily used for assessing sales pitches and not for identifying wrongful recruiting practices can be seen in a 2012 corporate email thread. The thread discusses a mystery shopper at the Grand Rapids, Michigan, campus who identified a recruiter who promised the availability of certain class times and described the school as “free.”¹¹¹ Of course, the recruiter’s statement that the school was “free” was an obvious lie, and even under ITT’s lax standards, would normally be considered a severe violation, possibly warranting termination. However, an HQ official responded to this email with, “We may want to chat about

this one as it seems like a harsh application of the point system.”¹¹² Kevin Modany then replied, “Doesn’t seem like a statement that would prompt a termination. Is this really a Tier 1 violation???”¹¹³ Modany frequently asked for more substantiation of alleged violations caught by mystery shoppers before corrective actions were taken,¹¹⁴ including when a mystery shopper reported that an employee took note of a prospective student’s financial aid PIN, to which Modany replied, “[a]gain . . . is this a violation if she didn’t look at it?”¹¹⁵

Consistent with HQ’s recurring position of defending recruiters who lied to prospective students, ITT also used the mystery shopper program as a way of identifying employees who were not selling ITT hard enough. Kevin Modany responded to one 2015 mystery shopper report by writing:

[T]here are so many operational errors in this presentation that I don’t know where to begin. To the extent that this is representative of what this school (or any of our schools) are doing . . . it explains why we are not taking advantage of the opportunity to help prospective students that come to us expressing an interest in our programs. [] No mention of OS [Opportunity Scholarship] on the call. No clear presentation of the cost estimate. No use of the presentation (which hits primary points relative to the WITY [“what’s important to you” sales factors]).¹¹⁶

ITT was willing to impose harsh consequences for tactics that were not aggressive enough. For example, Kevin Modany was unforgiving when a mystery shopper report stated that there were no financial aid representatives available at 7:30 pm to process a prospective student.¹¹⁷ And when a recruiter failed to offer a tour and did not mention companies that have hired ITT grads, he declared that the recruiter “must be terminated!”¹¹⁸

B. Pressuring Students to Saddle Themselves with Debt

Once a prospect was brought into an ITT building, the focus of recruiters was to press the student to commit to attending ITT and complete the financial aid process, which was purposefully hurried and pressured. Coaching documents written after managers observed recruiting sessions promoted this high-pressure sales ethos. One example from the Philadelphia, Pennsylvania, campus in 2013 contained a handwritten comment that the recruiter was “doing well—didn’t give [prospective student] a chance to say no.”¹¹⁹ Following a 2016 site visit to an ITT campus in Owings Mills, Maryland, the national director of career services reported that recruiters and financial aid coordinators “sound like used car salesmen trying to rush someone through to a signature.”¹²⁰

Kevin Modany also emphasized the need to not give prospective students a chance to think over their decision. After he learned that one campus was allowing students to break up appointments over two days, he directed, “Please be sure to advise [campus director] that our policies do not authorize ‘be back’ activity!”¹²¹ He also asked for a test

of a program to “insert a reassuring ITT Tech story into the Facebook News Feed” of students who signed up in “an effort to overcome buyers’ remorse.”¹²²

The fact that recruiters rushed potential students through the enrollment process is well documented in contemporaneous records.¹²³ Many mystery shopper reports describe hurried and pressured encounters with recruiters:

- **Albuquerque, New Mexico – 2010:** “The representative was somewhat ‘pushy’ to me about starting the program in June (as opposed to Sept.). This discussion occurred several times. She made it clear that they would love for me to be a student there and start in June but she also implied that I should not waste her time . . . [she said that by starting] in summer, they could look at my tax returns for 2008 and 2009 and perhaps have better lending options whereas starting in Sept. would only allow them to consider my 2009 tax return.”¹²⁴
- **Webster, Texas – 2010:** “[The ITT recruiter] didn’t explain several topics thoroughly (financial aid, books, credits transferring, cost of program). He kept trying to rush me through reading and signing several forms even when I mentioned I would like to read what I was signing. . . . On the back of the credit transfer form there is a box full of questions that the schools fills out and a box for the student to sign that they accept the amount of credits that the school will accept - he [the representative] told me to sign it even though the school portion was not filled out. This made me uneasy since I was signing to accept a decision that wasn’t already made.”¹²⁵

Former ITT students have also offered sworn statements on being subjected to high-pressure sales tactics designed to get them to enroll no matter what, including the following examples:

- **Ft. Lauderdale, Florida – 2004-2007:** “During enrollment at ITT Tech they would not allow me the time to read through the entire contract but instead pressured me, a 17-year-old, to sign on-the-spot. The recruiter kept asking me ‘Do you want to work at Publix for the rest of your life?’ He told me that if I didn’t sign today I would miss the deadline and not be able to start classes until the next semester. They used predatory . . . tactics on me and I was naive enough to believe them.”¹²⁶
- **Oak Brook, Illinois – 2009-2010:** “I walked in the ITT Tech school [because] I saw a commercial. I just wanted to see how the classes compared. During that same visit, I was pressured and bullied into signing on the line. When I asked how much, their reply was, don’t worry about it, we’ll take care of it. When I told them I didn’t have a job, so I couldn’t pay for it, they told me, don’t worry about it. We’ll take care of it. When I advised them that I was already thinking of Robert Morris College, they lied to me and told me that they had a higher graduation rate than RMC. It was like a bad used car sales tactic. The recruiter even went into another room and grabbed another recruiter to help close me on the sale.”¹²⁷

ITT's process was regimented to the extent that when a prospective student requested specific information or asked tough questions, it sent up a red flag that the person might actually be a mystery shopper. An internal email outlined strategies for identifying "secret [mystery] shoppers . . . [whose] interests are different from those of our prospects."¹²⁸ This email provided examples of questions that might be asked by mystery shoppers, including: "What are the salaries earned by graduates of X program"; "What are your placement stats"; and "Which colleges accept ITT credits."¹²⁹ The email went on to advise that recruiters respond to these questions by claiming that they "simply don't have the information requested by shoppers" because "representatives are trained and prepared to provide information which is normally of interest only to our prospective students."¹³⁰

Another internal ITT memorandum described purported "ruses in order to obtain non-public information" for "dishonorable intentions," and warned of "[q]uestions that MAY signal a shopper include those about . . . dropout rate, placement rate, transfer of credits, etc."¹³¹ ITT flagged one interested individual as likely "from the AG's [Attorney General's] office" because he asked to sit in on classes and requested a "[l]ist of 6 or more of, [sic] real jobs, which the associates degree qualifies me for" and "[g]raduates, from my CAD program, that are presently employed in the above positions?"¹³²

The following excerpts are contemporaneous coaching notes delivered by directors of recruitment to their subordinate recruiters across the company in late 2014 and reflect the intense and pressured sales culture that existed amongst the company's recruiting staff (bolded text added for emphasis):

- **Charlotte, North Carolina – 2014:** "Prospect every CDL and PDL **aggressively and vigorously** . . . Close hard and be a hero!"¹³³
- **Cary, North Carolina – 2014:** "Must continue to **create urgency** when working with potential students by using their words to help solidify the commitment and remind them of their true motivation to make a change . . . Continue to be **assumptive** in your **closing technique** . . . Make sure to have excitement in your inflection of your voice. You may be the first person to be excited for the potential student. Be assertive with your appointment times, utilize the training provided during your 1 on 1 session to help you **overcome the appointment objection. Ask the potential student why they want to prevent themselves from bettering their situation** . . . Ask a lot of **probing questions** about the Work History, this will allow you to establish an employment trend and help **increase urgency** with the potential student."¹³⁴
- **Webster, Texas – 2014:** "Next week I will do a phone observation to help identify ways to **stress urgency** of making the change and also **overcoming objections**."¹³⁵
- **Houston North, Texas – 2014:** "...[rep] needs to **focus on the close** and setting the appointment with **urgency versus the other details like seeking employment**, program specific, not interested at this time, etc."¹³⁶

- **Overland Park, Kansas – 2014:** “Continued training and observations will be done with phone script and **overcoming objection**.”¹³⁷
- **Dearborn, Michigan – 2014:** “Suggestions: build some rapport on the call. **Set deadlines/urgency**. Tell student to gather their transcripts/HS diploma, etc. When setting the appointment, take full control. Give them a specific time and make sure they understand your time is valuable . . . [F]ocus[] on going over the benefits during the conduct and **using the assumptive approach when closing** with the prospective student.”¹³⁸
- **Cary, North Carolina – 2014:** “Make sure to recap student information that has been gathered throughout the call to **increase student urgency** in changing their situation. Become more assertive in using student information gathered during interview to help increase urgency with potential students.”¹³⁹
- **San Bernardino, California – 2014:** “Again--**you have to hit a gut level** with them on the phone to find the true motivating factor and bring them in. Ask questions that will get you deeper--quicker . . . Ask and find their motives for school, **gather as much information as you possibly can** while interjecting the O.S. [Opportunity Scholarship].¹⁴⁰ In doing so then methodically understand where they’re coming from. And mention that you have found that many of our students felt the same way, and this is what you found that helped them. Use your layered questions and reflective questions to control the conversation. **Keep pushing** and don’t give up be firm on each call.”¹⁴¹

The emergent themes here are clearly urgency, aggression, and overcoming reasonable doubts. These were guiding principles for ITT recruiters.

1. Unscrupulous Recruiting Tactics: The Pain Funnel

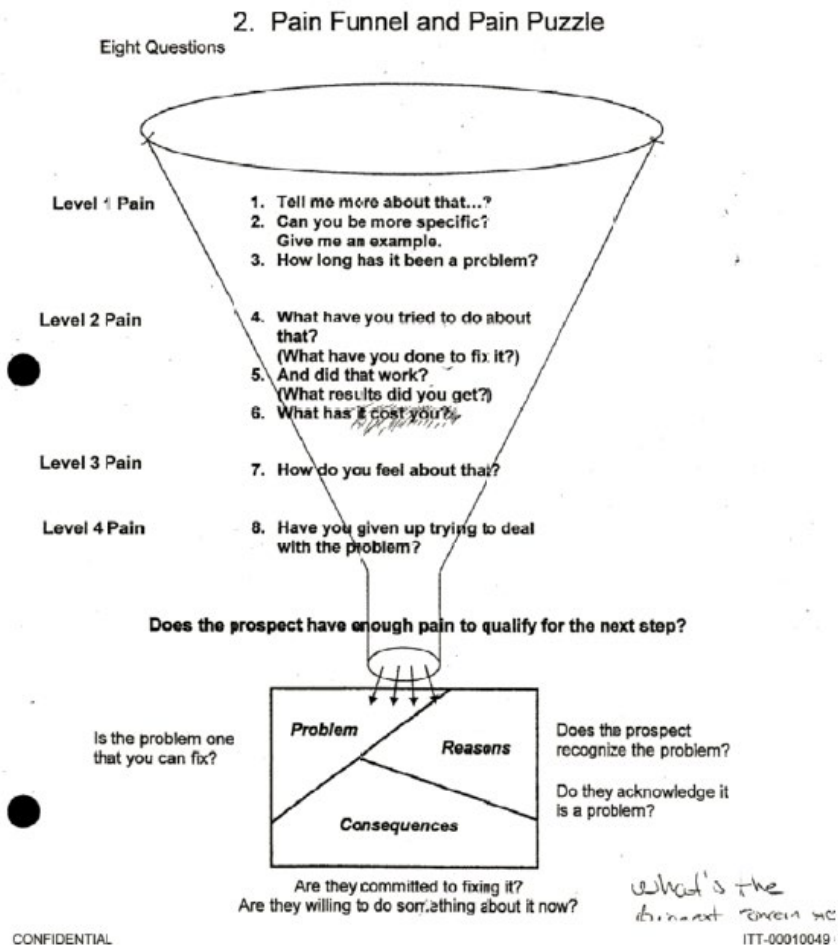
Recruiters were taught various strategies for how to urgently pitch ITT as a fleeting opportunity that would improve the prospective student’s life if only they were willing to make the commitment *right now*.

One of these sales techniques that HQ promoted in its training documents was known as the “pain funnel.” The recruiter would compel the prospective student to reveal things that made them feel exposed and vulnerable (*i.e.*, working a dead-end job, lacking the ability to support a family, feeling unaccomplished, etc.) before suddenly transitioning the conversation into a hard sell of ITT, suggesting that enrolling was the solution to those painful feelings. Training materials detailed the steps of this tactic as first “establishing rapport” before “transitioning into feeling the pain” and closing by connecting the prospective student’s motivation in overcoming their problems to an ITT degree.¹⁴²

The pain funnel consisted of eight specific questions that recruiters were instructed to ask, each one designed to be progressively more hurtful to the prospective student, with the final level inquiring, “Have you given up trying to deal with the problem?”¹⁴³

This pain buildup was intended to culminate in the recruiter making “the student feel vulnerable. Then, when the prospective student felt vulnerable, the recruiter would offer the prospective student the possibility of a college degree as the opportunity to make that pain go away.”¹⁴⁴

An ITT training guide¹⁴⁵ explained the pain funnel concept using the following graphic:



A company report from 2008 titled “Best of Best,” which was submitted to Kevin Modany, described how the pain funnel was used to meet recruitment quotas:

Our goal is to improve the conversion rate on inquiries. The 4H System is based upon the assumption that a student is information seeking and generally not ready to make a decision during their initial interview. A skilled representative, however, can recognize that through effective questioning, a prospect can be guided from their pragmatic head (1H) into their emotional heart (2H) where they experience their need and pain. Once the pain is exposed, the skilled representative brings the

prospect back to their head (3H) where the prospect understands why they are making the decision to buy and are excited about their future opportunities. Ultimately, this relationship results in a handshake to seal the deal and procure an application and commitment (4H). This system incorporates the pain funnel during the prospect interview as a method to expose student need and bring greater value to the application process.¹⁴⁶

Not only was the pain funnel technique in widespread use at ITT, but ITT lied about its use. When the pain funnel technique was publicly exposed in a report by the U.S. Senate's Health, Education, Labor & Pensions (HELP) Committee in 2012 (the "Senate HELP Report"), ITT denied any company-wide use of the technique, and characterized it as a one-off idea of a rogue employee.¹⁴⁷ Kevin Modany issued a statement claiming that ITT "do[es] not in any way condone recruitment practices, such as the ones referenced in [the HELP Report], that involve high-pressure sales tactics."¹⁴⁸

ITT claimed that any use of the pain funnel ceased in 2008. But this is false. Emails from 2012 to corporate directors discussed how management employees "conveniently forget" they knew about it.¹⁴⁹ In other internal emails, a recruiter in San Diego, California, complained about how the pain funnel was still being actively used in 2012.¹⁵⁰ An email dated August 27, 2012, from the director of HR to HQ's legal and compliance departments, describes an employee complaint from the San Diego campus, which included the following statement:

I watch[ed] the video of DOR [director of recruitment] whom [sic] taught me the pain funnel and how to get the pain out of a student . . . and wonder why was I taught that at a quarterly meeting as a best practice???? I feel that management is providing a hostile work environment which brings out the worse in reps.¹⁵¹

Even after 2012, the theme of "poking the pain" resurfaced time and again.¹⁵² Former employees have testified to the widespread use of this sales strategy of "poking the pain" of prospective students. For example, a former dean of academic affairs at ITT's Tallahassee, Florida campus explained how his district manager instructed the recruiters at his campus to "probe" prospective students about "what causes pain in their lives" before "dig[ging] in to that pain" in order to "find an issue and use it" to achieve enrollments.¹⁵³ According to internal company emails from as late as August 2015, the district director of recruitment for the Southwest region had trained recruiters on "finding the students' pain."¹⁵⁴

Exploiting a prospective student's vulnerabilities was only part of the sales equation. After "poking the pain," recruiters "were trained to explain that a degree from ITT would help the potential student get a new car, afford better child care, or a better job which would alleviate the student's financial pressure."¹⁵⁵ These were, at best, hypothetical abstractions that wildly oversold ITT. As remembered by one former student: "I was told that there was a 99.9% graduation rate, and when [you're] done

with your two years at ITT Tech you would make anywhere from 70,000 to 80,000 a year.”¹⁵⁶

2. ITT Targeted Vulnerable People and Engaged in Enrollment Fraud

ITT targeted individuals for enrollment who were already suffering from financial hardship. According to ITT’s own strategic marketing figures, based on aggregated data from 2013, the median income for ITT students was \$18,000 per year, and two-thirds of ITT students had a household income of less than \$25,000 per year.¹⁵⁷ A typical ITT student in 2014 entered the school with average annual earnings of \$18,000 and a credit score of less than 600.¹⁵⁸ ITT’s chosen market consisted of struggling people with severe financial difficulties and few opportunities. It preyed on some of the most economically disadvantaged and vulnerable people in our society.

ITT engaged in indiscriminate enrollment practices, caring only about profiting from students’ federal student aid without any regard for whether the students could actually benefit from any offered program. For example, ITT enrolled students who did not speak English and/or could not read,¹⁵⁹ despite not offering the resources and services required to properly assist these individuals. They also admitted students who were legally prohibited from entering their intended profession because of a criminal history.¹⁶⁰

ITT silenced employees who questioned whether a prospective applicant or reenrolled student could benefit from their program, with the rebuke that it “was not the recruitment representative’s role to judge what would be best for the student.”¹⁶¹ The company cloaked these sales pressure tactics and overall disregard for the well-being of students in the guise that discerning a student’s ability to enroll “would be tantamount to judging the student, something that they were not in a position to do.”¹⁶² In practice, ITT was fighting for the “right” of every student to be saddled with massive debt for a useless degree.

A former dean and instructor at the Tallahassee, Florida, campus provided this example:

I learned from a recruitment representative that he was being pressured to enroll a blind student into ITT’s Networking program. This program requires students to be able to read codes and identify various plugs and wires by color. When I confronted the Director of Recruitment [redacted] about this student, he told me that it was not my place to dissuade the student from enrolling.¹⁶³

Despite these recruiting practices, there is no evidence that ITT provided essential assistance or support to individuals requiring special accommodations.

This same former Tallahassee dean also recounted another incident involving a recruiter targeting a vulnerable individual:

For example, a recruitment representative once raised concerns about trying to enroll a single mother who lived two hours away from the campus. The College Director [redacted] responded that . . . the representative needed to “dig” in to the potential student’s vulnerability by saying things like “if you want good childcare for your children you need to get a degree,” and “two hours really isn’t insurmountable.”¹⁶⁴

Another former instructor and dean from the Murray, Utah, campus witnessed indiscriminate and irresponsible recruiting practices, recalling:

On one occasion, I met with a young woman who was being shown a campus tour by a recruiter. I learned that she was from Las Vegas, homeless, and came to Utah searching for work. The recruiters were unconcerned about these extenuating circumstances in her life and were only focused on getting her to enroll. I told her out of earshot of the recruiters that she should not register for ITT because of the debt she would incur, and that she should instead continue searching for a job and apartment.¹⁶⁵

Recruiters not only rushed through the enrollment process, but also engaged in outright fraudulent behavior to induce prospective students to sign. One recruiter in Baton Rouge, Louisiana, attested to witnessing these practices:

I witnessed many instances where an Admissions Representative would e-sign a student’s name onto an application without a student’s permission. Representatives would express to me that they felt no alternative since they had to meet their quotas . . . I never e-signed for a student without their permission. On one occasion, [redacted] (the director of admissions) instructed me to do so, but I refused.¹⁶⁶

There are many instances of ITT enrolling students who lacked the ability to read or understand English, the sole language of instruction. As explained above, this shows that ITT did not concern itself with whether a student could actually benefit from enrollment. It also, of course, demonstrates that ITT routinely enrolled students who were *unable* to understand the terms of their enrollment. In an email titled “Ethics Violation,” the following complaint narrative is laid out, in ITT’s own words, regarding a student whose primary language was not English but who was nonetheless enrolled at the Tucson, Arizona, campus in 2013:

[Student] requested to be dropped from his classes because he was not proficient in the English language. He could not read his textbook. I asked how he completed the entrance paperwork and he told me that the Director of Recruitment did it for him. I asked the FAC [financial aid coordinator] who conducted him, and she told me that the DOR [director of recruitment] completed that portion while she was out of the room. I spoke to the Director of Finance and the FAC, they both told me that [student] told them that the DOR completed his forms by just clicking

through the forms for him. He told three employees on this campus that the DOR clicked through the forms that he did not have the ability to read. The student also told the FAC that the DOR told him that if he didn't like the education that there would be no charge.¹⁶⁷

ITT employees would look for any excuse to complete documents for students. A former dean of academic affairs at the Tallahassee, Florida, campus explained that “[r]ecruitment representatives and financial aid coordinators were instructed to, and would, fill out a student’s enrollment paperwork if the prospective student either did not know how to use a computer, or was unable to successfully complete the paperwork for some other reason such as a language barrier, or not being able to read.”¹⁶⁸

ITT was singularly guided by only one factor when recruiting students: can we get this person to sign? HQ’s policies actively discouraged any real assessment of a prospective student’s needs or personal situation and actively encouraged fraud and other illegal sales tactics to seal the deal. The company only cared about getting more recruits, no matter how that happened or who they were—the graver the person’s circumstances, the riper the target.

3. ITT Misrepresented its Selectivity

Recruiters frequently lied to potential students by telling them that ITT was a selective institution that required approval for admission, and that if they failed to preserve their spot they would be barred from entering. This was patently false. In the words of a former academic dean at ITT: “Everyone who applied to ITT was admitted, so long as they had a high school diploma or GED.”¹⁶⁹

The following statements from mystery shoppers¹⁷⁰ reflect how ITT recruiters promoted the idea that there was an urgency to enroll, either because space was limited or for some other fabricated reason:

- **Norwood, Massachusetts – 2010:** “...rep claimed that ITT was selective as to whom it admitted and [that] seats were limited.”¹⁷¹
- **San Dimas, California – 2010:** “[R]ep claimed seats are limited and school is selective as to whom it admits.”¹⁷²
- **Merrillville, Indiana – 2010:** “The Representative told me seats are limited . . .”¹⁷³
- **Maumee, Ohio – 2010:** “Rep said seats were limited or that the school was selective as to whom it admits.”¹⁷⁴

ITT tried bolstering its façade of selectivity by requiring prospective students to take a very basic 12-minute cognitive and aptitude assessment known as the “Wonderlic test.”¹⁷⁵ A 2006 report from ITT’s accreditor, ACICS, noted that the school’s official

admission policy required a relatively low score of 13 on the Wonderlic exam.¹⁷⁶ ITT allowed those who failed the test the opportunity to retake it twice.¹⁷⁷ One recruiter who raised concerns about the lack of any aptitude evaluation for students who struggled with basic math or English was told “there would be tutoring. That never happened. It was clear to me that the point of lowering requirements was to be able to enroll more students more quickly.”¹⁷⁸

III. LYING TO PROSPECTIVE STUDENTS

As detailed above, ITT recruiters subjected students to predatory sales pressure to satisfy their quotas set by HQ. In addition to these high-pressure tactics, recruiters also told prospective students a number of serious lies about ITT. The material misrepresentations outlined in the sections *infra* concerned highly relevant information for many prospective students and not only affected decisions to attend, but also had catastrophic effects on thousands of lives when the truth about these crucial matters eventually came to light.

As explained by a former recruiter: “The competitive atmosphere led many Representatives to engage in questionable activities to meet their numbers . . . [T]here was heavy pressure to oversell the opportunities ITT Tech provided.”¹⁷⁹

In the words of another former recruiter:

I left ITT feeling then, as I feel now, that I was unwittingly part of a national scam to put young people in debt for the glorification and financial gain of management.¹⁸⁰

Emails between campus officials and corporate directors show how ITT employees acknowledged that high attrition (*i.e.*, dropout) rates were clearly attributable to the numerous, widespread misrepresentations made to students, as reflected in this 2014 message from the Tallahassee, Florida, dean of academic affairs to HQ:

I (and my team) have continually lowered attrition for students with 1 – 95 credit hours by consistently implementing policy, best practices and most importantly a strong commitment to student success. However, even with tremendous improvement, we continue to exceed the threshold for attrition. Our campus Gross Drop Attrition (as compared to budget) exceeds the threshold, mainly in part to aspects not within my control as Dean as it relates to new students. Although it is not my fault, it has caused tremendous problems for our campus.

. . .

I am doing everything within my power at the campus level to drive attrition down, but the harder I work, the more I receive actions which indicate poor performance. I am not disagreeing with ITT Policy and how the threshold must be managed, but I am being held accountable and penalized for behaviors and actions, which, may violate ITT ethics policy as well as federal/state regulations; in turn, these practices have not only negatively impacted campus attrition, they also place students in a situation of incurring debt with no return on investment.¹⁸¹

Reading between the lines, this Tallahassee dean was carefully suggesting that it was difficult for him to fight attrition when recruitment and financial aid were sending

him students who were both unprepared to meet even the low standards of an ITT education and the victims of active misinformation that promised far more than anything ITT could ever hope to deliver.

The following sections will detail some of the most significant lies and misrepresentations that ITT representatives actively told to prospective students or conveyed through material omissions of the truth. These include misrepresentations about: (1) the transferability of academic credits; (2) ITT's accreditation status; (3) the availability of specific courses and programs; (4) the types of jobs ITT graduates secured; (5) the salaries ITT graduates generally received; and (6) the job placement rates ITT graduates could expect.

A. ITT Lied About the Transferability of its Credits

ITT recruiters outright told prospective students that credits earned at ITT would transfer elsewhere. Additionally, they implied that transferability was simply a question of accreditation, and that these hurdles were routinely cleared as a matter of course. This was false. ITT credits were rarely transferable—even between ITT campuses.

Legal Significance of Credit Transferability

The ability to transfer credits is a common and rightfully important concern for prospective students. In a series of legal memoranda addressing transferability of credit misrepresentations at Corinthian Colleges' campuses, the Department of Education observed that, "if a student cannot generally transfer credits, a chief value conferred by such credits is greatly diminished."¹⁸² The Department further stated that "there is diminished value in a degree conferred by an institution that issues credits generally not worthy of transfer towards admission."¹⁸³

Transferability of credits is a marker of academic quality and an assurance that time and money spent will result in something concrete and valuable. According to the Department of Education, a school's deception regarding the transferability of its credits is a legally material¹⁸⁴ consideration when students "relied on the promise of transferable credits when making their enrollment decision."¹⁸⁵

For some students, this was a specific and primary factor that informed their enrollment decision. But the Department has also indicated that this type of misrepresentation is also material and relevant to "students [who are] intent on beginning a career as soon as possible [because] the transferability of credits and ability to continue academically offered an alternative if they were unable to find a job immediately. Finally, students considered the transferability of credits earned at an institution to be an indicator of the quality and value of that institution's' instruction."¹⁸⁶ If a school consistently lies about the value of its credits, it is materially harming its student body at large.

In a 2013 compliance document, ITT directed contact center representatives who

engaged in telemarketing on behalf of ITT to not “discuss transferability of credits. This is a topic that can be addressed during the campus visit. If pressed, the language must be: The decision concerning the acceptance of credits earned in any Course taken at the school is made at the discretion of the receiving institution.”¹⁸⁷ Even this ITT-approved language was misleading, because ITT credits were *not* accepted by any other reputable institutions.

This fact was conceded in ITT’s boilerplate disclaimer in its enrollment agreements. ITT’s typical small-print disclosure relating to the transferability of its credits read as follows:¹⁸⁸

Transfer of Credit

Credits earned in any course taken at the school will be accepted for transfer by any other ITT Technical Institute located outside of Maryland toward the credits required in the same course, if that course is offered by the other ITT Technical Institute. Any ITT Technical Institute located in Maryland will accept for transfer toward the credits required in the same course any credits earned in any (a) 100- or 200-level course at any other ITT Technical Institute that is only authorized to award associate degrees, and (b) course at any other ITT Technical Institute that is authorized to award bachelor degrees.

DECISIONS CONCERNING THE ACCEPTANCE OF CREDITS EARNED IN ANY COURSE TAKEN AT THE SCHOOL ARE MADE AT THE DISCRETION OF THE RECEIVING INSTITUTION. THE SCHOOL MAKES NO REPRESENTATION WHATSOEVER CONCERNING THE TRANSFERABILITY OF ANY CREDITS EARNED AT THE SCHOOL TO ANY INSTITUTION OTHER THAN AN ITT TECHNICAL INSTITUTE AS SPECIFIED ABOVE. IT IS UNLIKELY THAT ANY CREDITS EARNED AT AN ITT TECHNICAL INSTITUTE WILL BE TRANSFERABLE TO OR ACCEPTED BY ANY INSTITUTION OTHER THAN AN ITT TECHNICAL INSTITUTE.

ANY STUDENT CONSIDERING CONTINUING HIS OR HER EDUCATION AT, OR TRANSFERRING TO, ANY INSTITUTION OTHER THAN AN ITT TECHNICAL INSTITUTE MUST NOT ASSUME THAT ANY CREDITS EARNED IN ANY COURSE TAKEN AT THE SCHOOL WILL BE ACCEPTED BY THE RECEIVING INSTITUTION. AN INSTITUTION’S ACCREDITATION DOES NOT GUARANTEE THAT CREDITS EARNED AT THAT INSTITUTION WILL BE ACCEPTED FOR TRANSFER BY ANY OTHER INSTITUTION. THE STUDENT MUST CONTACT THE REGISTRAR OF THE RECEIVING INSTITUTION TO DETERMINE WHAT CREDITS EARNED AT THE SCHOOL, IF ANY, THAT INSTITUTION WILL ACCEPT.

This particular disclosure was found on page 55 of a 176-page document, which included everything from course curricula to grading policies to a wide variety of other information about specific programs to general company-wide rules about ITT.

ITT used the existence of this fine print to argue that virtually all student complaints regarding transferability of credits were unsubstantiated. For example, a former student at the Bessemer, Alabama, campus explained in a 2010 complaint that he had been told during enrollment that credits would transfer to other colleges. ITT acknowledged that the student “had contacted several other colleges in the area and that none of the credits earned at ITT Tech are transferable,”¹⁸⁹ but determined that this complaint was “unsubstantiated” because the student had presumably received a copy of the course catalog containing disclaimer information regarding credit transfer options.

In another example from a 2008 complaint report from the Troy, Michigan, campus, a student alleged that her recruiter told her that she “would be able to transfer credits easily.”¹⁹⁰ ITT’s rebuttal to this allegation was to refer to the disclaimer in the course catalog without actually acknowledging the student’s claim that she was misled at the time of her enrollment.¹⁹¹ ITT’s response to this complaint not only dismissed the student’s claims, but went on to defend its obscure credit transfer policy by claiming that, “[u]nlike some schools, we expect our students to graduate and secure careers in their field of student [sic] rather than dabbling in credits at multiple institutions.”¹⁹²

Even when ITT's mandated enrollment presentation included a similar disclaimer, mystery shoppers reported recruiters skipping slides during presentations, including slides that covered credit transferability details. For instance, in 2011, a mystery shopper at the Chattanooga, Tennessee, campus noted that an ITT recruiter failed to use the multimedia presentation (containing the disclosure language) because he claimed it was being updated.¹⁹³ Another recruiter at the Getzville, New York, campus in 2011 "used the inside cover of the folder to write key points to his verbal presentation" instead of using the official, computer-based version.¹⁹⁴ In 2011, a mystery shopper in Liverpool, New York, documented a recruiter using just paper handouts with limited information,¹⁹⁵ and in 2011 in Indianapolis, Indiana, a mystery shopper caught a recruiter skipping through some slides, including the one on transferability of credits.¹⁹⁶ Even when recruiters gave some information on courses that would need to be retaken, they still often failed to highlight the handbook information on transferability of credits, as noted by one mystery shopper at the King of Prussia, Pennsylvania, campus in 2010.¹⁹⁷

A former dean of academic affairs at the Tallahassee, Florida, campus stated that "[t]he Directors of Recruitment explicitly directed recruitment representatives to misrepresent that credits were transferable within ITT and outside of ITT . . . In reality, neither was true."¹⁹⁸

ITT's mystery shoppers also documented a multitude of instances where recruiters misled mystery shoppers by reciting the ITT party line: that course credits were transferable to institutions other than ITT "at the discretion of the transferee institution." One sample review of 2010 mystery shopper reports included **85 mystery shoppers in 28 states and at 63 different campuses**¹⁹⁹ who reported that ITT recruiters told them that transfer credits would be accepted or denied at the discretion of the receiving college. In practice, ITT *knew* that few—if any—schools ever accepted ITT credits, making this statement false and misleading. An additional 15 mystery shoppers from this 2010 sample were directly (and inaccurately) told that their ITT credits would transfer to other colleges.²⁰⁰ One of these 2010 mystery shoppers at the Merrillville, Indiana, campus reported without qualification that "[t]he [ITT] Representative said course credits are transferable to colleges other than ITT Tech."²⁰¹

The image below is an example of the portion of a mystery shopper report containing supplemental commentary on credit transferability²⁰²:

QUESTION 48 If any part of the process was conducted in Spanish, please indicate the name of the employee who spoke Spanish and what was said (if you understood)?

OBSERVATIONS

OBSERVATIONS Please describe your visit, including details about any No responses. You are encouraged to provide as much information as possible to provide the client with a good understanding of your responses.

Drew was friendly and helpful. He smiled often and made eye contact throughout the interaction. He showed me the first 2 video's and the last one. He skipped two in the middle, because he said they were for technical degrees and I had probably already seen them.

We talked about transferring credits. He told me that all of my ITT credits would transfer to other ITT schools and some may transfer to other institutions, but it would be up to the other schools. 1

He told me I would also need to talk to someone on their staff if my credits from my undergraduate studies would transfer to ITT.

When we talked about when classes were, he told me there was day and evening classes. Day would be from 9am - 1pm Monday thru Saturday and evening would be from 6pm - 10pm Monday - Friday. Most students took 3 courses, so three days a week, but I could take 4, if I wanted to.

He never asked me to take an enrollment test or to speak with a financial aid officer. He told me that once I decided to go to ITT I would do both of those things.

Drew took me on a tour of the entire school. When we got back he reviewed cost and financial aid.

When we ended he told me he would contact me in a week to see if I wanted to come back in. He used the questionnaire only at the very beginning and never asked me to sign it.

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The following excerpts, all from 2010 and 2011, are just a few examples of mystery shoppers recording falsehoods they were told about ITT's credit transferability. These were all flagged for being misleading according to ITT's own criteria:

- **Portland, Oregon – 2010:** "We talked about transferring credits. He told me all of my ITT credits would transfer to other ITT schools and some may transfer to other institutions, but it would be up to the other schools."²⁰³
- **Bessemer, Alabama – 2010:** "When I asked if co[ur]se credits transferred [the Rep] explained that other institutions do accept them but it is at their discretion. The material of both courses has to match up."²⁰⁴
- **Cordova, Tennessee – 2010:** The mystery shopper reported that the ITT representative stated, "You know there may be courses that you took at Le Moyne-Owen that may or may not transfer to ITT Tech and vice versa."²⁰⁵ This statement was flagged by ITT as false, precisely because ITT knew that the credits at issue from Le Moyne-Owen would not transfer to the Cordova campus.
- **Tampa, Florida – 2010:** "Upon further inquiry, the [mystery] shopper confirmed the Representative stated 'Since the school is accredited the course credits can be transferred to any other accredited school to continue the shopper's education if ITT Tech did not offer programs the shopper preferred to pursue.'²⁰⁶
- **Nashville, Tennessee – 2010:** "[T]he Representative stated that course credits were transferable to other colleges because ITT Tech is an accredited college.

The Representative stated that it was up to the other school as to if the credits would be accepted.”²⁰⁷

- **Lathrop, California – 2010:** “[The ITT recruiter] told me some of my coursework from my previous BA might count toward my general class requirements for a degree from ITT.”²⁰⁸
- **Madison, Wisconsin – 2010:** “The Representative had also discussed that many of my current credits from college may transfer so the cost may not be as significant.”²⁰⁹
- **Madison, Alabama – 2010:** “The [mystery] shopper asked the representative if any of the core credits from two previous college degrees would transfer to the school’s program. The Representative told the shopper that she thought many of the credits would transfer [in to ITT].”²¹⁰

Numerous complaints from students also affirm what mystery shoppers documented regarding credit transferability misrepresentations. For example, a multimedia student at the King of Prussia, Pennsylvania, campus reported in 2008 that “she was told that her earned credits would transfer if she wanted to pursue a bachelor’s degree.”²¹¹ A similar complaint from 2006 to the Florida Department of Education from a former ITT student at the Miami, Florida, campus stated that he was “told that ‘ITT was accredited by state Universities and Colleges’ . . . and he was told ‘programs were transferable to any other school including Universities[.]’”²¹²

The following excerpts from student statements further exemplify the similarity in language that ITT used when misrepresenting its credit transferability:

- **Burr Ridge, Illinois – 2003-2005:** “I was told I would be able to take my credits should I choose after getting a 2-year degree and continue my education at another school when I originally signed up to attend ITT. Turns out that wasn’t the case after I had already enrolled with ITT. I did not complete my 2-year time at ITT, I would [have] liked to transfer to another school and complete the program that I had signed up for. That was not going to be the case since ITT credits would not transfer. I could not afford to restart school and take a bunch more student loans out.”²¹³
- **Tempe, Arizona – 2004-2007:** “They told me that I could transfer credits to a major university after I graduated and completed the course. They definitely don’t tell you your degree will be useless to any other college or university. That’s because they want you to enroll in their bachelor’s program with another 60,000 in debt.”²¹⁴
- **Henderson, Nevada – 2007-2011:** “Before signing anything, I was told that I would be able [to] further my education and pursue a master’s degree by transferring credits to other schools, but I found that to be completely false when I attempted to apply for nursing programs at College of Southern Nevada and Nevada State College; neither of them accepted credits or my degrees from

ITT.”²¹⁵

- **San Bernardino, California – 2009-2011:** “They made me believe that their credits were transferable but they were not[;] when I tried attending San Bernardino Valley College they told me that none of my credits were transferable [and] I would have to start over from scratch. I later found out the credits were only transferable to other profit schools and other owned ITT tech schools. My mother and I owe 44,000 dollars due to Federal Loans which makes it hard to go to a community college again.”²¹⁶
- **Canton, Michigan – 2010-2012:** “ITT stated that all credits were likely to transfer to other schools (University of Michigan, Wayne State, Schoolcraft College), when in reality they were not. After graduating I thought that I could use my earned ITT credits to attempt a bachelor’s program at a more reputable school. I was wrong. Every credit earned at ITT was completely irrelevant to any other education facility.”²¹⁷

ITT’s lies regarding credit transferability caused real harm to students who were forced to take out additional loans or halt their education altogether. Former students tell similar stories about how they were misled about credit transferability, and how these misrepresentations harmed them:

- **Murray, Utah – 2004-2008:** “I went into my recruiters [sic] office and she assured me that they were fully accredited and that I could take my degree ‘anywhere.’ I didn’t realize this was a lie until a few months ago when a fellow student of ITT Tech with an Associates degree started attending the community college because his degree and credits wouldn’t transfer. I then researched the University of Utah’s Masters degree requirements and my degree is worthless. I am completely devastated. Not only have I been shackled down with \$75000, I will have to start all over again because I refuse to ever attend another for profit university.”²¹⁸
- **Knoxville, Tennessee – 2005-2007:** “I was promised that if I stuck with it and went to school and got a degree that it would make my life better, in reality ITT has given me a worthless piece of paper, ruined my credit, my life and my future. Tried to transfer into a community college when I was informed that not a single credit would be transferrable, this is how I was convinced/trapped into staying and finishing out the most expensive and life ruining two year program on the face of the planet.”²¹⁹
- **Earth City, Missouri – 2008:** “I started to look at other schools to transfer out of ITT Technical Institute, but found that I would be starting over due to the fact that ITT’s credits do not transfer, which was never explained when I first signed up. I was told by the Recruiter from ITT that most of the credits were transferable and if I desired to go to another school, I would be able to.”²²⁰

B. ITT Misled Students about Credit Transferability by Emphasizing Its “National Accreditation.”

As previously discussed, ITT was a nationally accredited institution through an organization called the Accrediting Council for Independent Colleges and Schools (“ACICS”). As explained in the sidebar below, national accreditation is very different from regional institutional accreditation. Historically, for-profit schools have resorted to national accreditation, whereas regional accreditors accredit mainly non-profit and public institutions, including community colleges.^{221, 222} As explained by the Council for Higher Education Accreditation: “Although accreditation is but one among several factors taken into account by receiving institutions, it is viewed carefully and is considered an important indicator of quality.”²²³

Accreditation

Accreditation is part of the “triad,” along with federal and state regulators, that oversees higher education institutions and keeps them accountable. Any institution of higher education that seeks Title IV funding must receive accreditation.²²⁴ As a result, accreditors “serve as de facto gatekeepers for billions of dollars of Federal education benefits each year.”²²⁵

Each entity of the triad “is typically understood to bear chief responsibility for a distinct aspect of the higher education oversight system,” with accreditors “apply[ing] and enforc[ing] standards that help ensure that the education offered by a postsecondary school is of sufficient quality to achieve the objectives for which it is offered.”²²⁶

The Department of Education “is required to determine whether accrediting agencies have standards in certain areas before recognizing them,”²²⁷ and in turn, accrediting agencies “develop evaluation criteria and conduct peer evaluations to assess whether or not those criteria are met.”²²⁸ Accreditation agencies receive payment from the institutions to apply for and maintain accreditation.

There are two main types of accreditation: general accreditation, which can be national or regional, and programmatic accreditation.

To a large extent, non-profit institutions have been accredited by regional accreditors and for-profit institutions accredited by national accreditors. This distinction is crucial because being nationally accredited, as most for-profit schools are, “generally means that the credits earned are rarely accepted at regionally accredited schools, which include all major non-profit and public universities and some for-profit colleges.”²²⁹ Yet many for-profit schools take advantage of the term “nationally accredited,” and mislead students by allowing them to believe that this type of accreditation is more beneficial and will allow students to easily transfer their credits to other institutions, including those that are regionally accredited.²³⁰

Initially, “national accreditation was created as a means to ensure the quality of non-

degree programs, thus allowing those programs to access title IV student aid funds.²³¹ But “in reality,” national accreditation “now offers some large degree-granting for-profit colleges a path to Federal dollars without having to meet the same academic quality standards as traditional public and non-profit colleges.”²³² In addition, “[a]ccreditors are not equipped to properly oversee the modern-day for-profit education institution, especially those whose important decisions are made at corporate headquarters, not at the campus level.”²³³

Accreditation agencies are supposed to be the watchdogs of educational institutions. However, their incentive to exercise vigorous oversight significantly decreases when the only way they get paid is if an institution gets accredited. This creates a perverse incentive for them to continue to accredit for-profit schools or risk losing business.²³⁴ As a result, “for-profit institutions routinely obtain and retain accreditation in spite of low graduation rates, job placement rates, or student loan debt repayment rates.”²³⁵

In contrast to general accreditation, “programmatic accreditation certifies that a specific degree or certificate program meets standards expected within a particular field or profession. Different professions and different States place a different emphasis on programmatic accreditation.”²³⁶ In many fields, employers will not hire employees if they did not attend a program with the relevant programmatic accreditation.²³⁷ However, “[i]nstitutions that offer programs that lack programmatic accreditation are highly inconsistent in how they disclose this lack of programmatic accreditation,” which leads to students being misled about the type of accreditation the school has and whether their attendance in a program will be acceptable to future employers.²³⁸

The Department of Education has previously stated that it is inherently misleading for a school with “national accreditation” to emphasize this status as an implicitly positive attribute, especially with respect to credit transferability.²³⁹

Nevertheless, ITT told prospective students that it was actually more desirable because it was *nationally accredited*, which implied a greater reciprocity as compared to a school that is “only” regionally accredited. As explained by one student who attended ITT in San Bernardino, California:

[T]he ITT-Tech rep or sales rep/recruiter explained that the school was nationally accredited and that most if not all universities would be honored and grateful to accept all students whom possessed ITT-Tech units. I asked if they were WASC [Western Association of Schools and Colleges] accredited and he explained they were better than that because WASC was based off a west coast system accreditation whereas ITT-Tech’s accreditation was based off a National Widely considered accreditation. And began showing us plaques of the accreditation at the San Bernardino campus. I began going to a community college since 2010, and they told me none of my units would transfer. So I started it all over and have been going to community college since then. It is a tough

battle ahead and I felt like if I never went to ITT-Tech I wouldn't have been in the predicament that I am now.²⁴⁰

Student complaints also alleged that ITT misrepresented its "national" accreditation status. ITT's response to one such complaint, from the Kansas City, Missouri, campus in 2008, blithely asserts that "[the student complainant] claims that our campus is not accredited. This is not true. As disclosed in our campus's Catalog, our campus is accredited by the Accrediting Council for Independent Colleges and Schools (ACICS). ACICS is national accrediting agency recognized by the United States Department of Education and the Council for Higher Education Accreditation."²⁴¹

In another example from the Troy, Michigan, campus, a student complained to the Michigan Better Business Bureau that he was never told how expensive ITT would be, and that the accreditation limits of the institution were never clearly explained. "Had I known that ITT is not a regionally accredited school, I would not have enrolled there . . . My 'recruiter' assured me I would be able to transfer credits easily . . . I registered for classes under false pretenses . . . ITT should not be allowed to call itself a 'school' and yet they charge more than a state university (\$425 per credit hour)."²⁴²

The following statements from former ITT students illustrate that misinformation regarding ITT's accreditation status was a feature of many ITT recruiting sessions:

- **Greenfield, Wisconsin – 1995-1996:** "ITT told me they were accredited, and that they regularly transferred credits to other schools for people wanting to continue their education. Since the program I took at ITT was only a 2-year program, I always planned to continue my education at another school and eventually get a Bachelor's degree in engineering. I didn't find out until 5 years later, then all of my credits were worthless. When I tried to enroll at UW Stout, they basically laughed at my transcripts and told me I was welcome to enroll, but I would start as a freshman. Had I known my degree from ITT would saddle me with debt I am still paying off today, while at the same time being worthless in the real world, I would clearly have chosen another school...The end result was my ITT degree was the END of my education, not the beginning."²⁴³
- **Portland, Oregon – 2008-2012:** "They lied to me also about their credits transferring to local Universities. I was told they were nationally accredited so that wouldn't be an issue. I tried to go to the University of Portland, but was told I would have to start over. The ITT told me the credits would transfer, but Portland showed me how they were not accredited and couldn't [accept] the credits."²⁴⁴
- **Bessemer, Alabama – 2008-2010:** "I was told by the recruiter that ITT was fully accredited and that the credits would transfer to any other college in the state. I cannot find a school that will accept ITT [T]ech credits due to their damaged reputation and the fact that they are only nationally accredited rather than regionally accredited as they told me when I enrolled."²⁴⁵

- **Louisville, Kentucky – 2009-2010:** “The school also lied to me about how well accredited it was, and how my credits could transfer after a 2 year or 4-year degree, to another school, specifically in my case I wanted to accumulate enough credits so I could be accepted into the Air Force with my GED. After attending for 2 semesters, I come to find that the military doesn’t even recognize this school’s credits.”²⁴⁶
- **Columbus, Ohio – 2009-2011:** “The reason I dropped out was because I discovered the school was not accredited and the credits did not transfer. I was lied to by the recruiter. I was planning on going to Columbus state community college for my degree and I went to ITT to check it out. He talked me out of going to Columbus state by telling me ITT had job placement and my credits would transfer to Columbus state if I wanted to switch at a later date. The job placement ended up being a joke. Tried to transfer to Columbus state after I dropped out and they informed me the credits didn’t transfer and I would I have to restart my college education. At that point I gave up to not accumulate anymore debt. I quit while I was ahead.”²⁴⁷
- **Charlotte South, North Carolina – 2009-2011:** “I was lied to and told that I could transfer to any school once I completed my ITT courses. I was lied to and never told that they were not accredited. I was never informed that the classes that I took would not be useful for getting licensed in certification exams . . . I tried to transfer my credits to Piedmont College, Gaston College and other and they would not accept them.”²⁴⁸
- **Albuquerque, New Mexico – 2008-2012:** “They lied about accreditation. When I graduated with my Associates degree I tried to stop going to school because at that point I began to suspect foul play from the school but I was convinced that if I wanted any credits to transfer to any graduate program I must complete the Bachelor’s degree there at ITT [T]ech. I asked many times my recruiter and my dean if I would be able to transfer my degree for a graduate plan and I was assured that the credits for the Bachelors were accredited and I could be accepted in other graduate universities. So I completed the Bachelor’s and no one accepted my credits[.] I’ve tried several universities and they always tell me I have no credits and that the school itself is not accredited. I have to start from the beginning again if I want to get an education . . . I tried to enroll in other schools to obtain my graduate degree and I was told none of my credits would transfer because the school wasn’t accredited. I even had one counselor at a community college tell me I lost 4 years of my life and still have to pay[.]”²⁴⁹

One mystery shopper at the Everett, Washington, campus recorded witnessing a similar misrepresentation regarding ITT’s national accreditation in February 2008: “I was told that this accreditation was the same, just different in location. ITT Tech was nationwide as opposed to just local as in the university here, so it was accredited by a different organization and I could look them up online for more info.”²⁵⁰

ITT's multimedia presentations to prospective students addressed the subject of accreditation by stating that the school was "[a]ccredited by the Accrediting Council of Independent Colleges and Schools (ACICS)" without explaining how ACICS accreditation was different than regional accreditation. The recruiters' script instructed, "[d]o not compare ACICS accreditation to any other accreditations. Avoid comments such as 'good, better, best, or same.'"²⁵¹ ITT acknowledged, tacitly, that any such comment would be misleading. Yet mystery shopper reports, between 2010 and 2011, documented that ITT recruiters did make these comments:²⁵²

- **Wyoming (Grand Rapids), Michigan – 2010:** Mystery shopper reported that the ITT recruiter said accreditation by ACICS was equal to the accreditation awarded to other colleges and "that the accreditation was what allows them to offer associate's and bachelor's degrees."²⁵³
- **Mobile, Alabama – 2010:** ITT recruiter implied ACICS accreditation was equal to accreditation awarded to other colleges—noting the representative "did not specifically say that the accreditation was the same as other colleges, but stated it is an accreditation agency similar to those for other colleges. The statement was close enough that the idea could be inferred."²⁵⁴
- **Albuquerque, New Mexico – 2010:** Recruiter "stated that the school was accredited similar to that of the other big school universities like UNM and CNM."²⁵⁵
- **Clovis, California – 2011:** Recruiter "said they [ACICS standards] were just as good or if not better because every ITT institution accepts each other's credits. Other schools pick and choose what they were going to accept."²⁵⁶
- **Dunmore, Pennsylvania – 2011:** ITT recruiter stated that ACICS accreditation was better than accreditation awarded to other colleges. The mystery shopper documented this recruiter claiming that ACICS is "backed by the Dept. of Education. Other schools do not have this accreditation . . . It also holds more weight in degrees because the quality of the programs taught is at a high standard . . . [and] perspective [sic] employers look at this for judging potential employees."²⁵⁷
- **Eden Prairie, Minnesota – 2011:** Mystery shopper reported that the ITT recruiter "made it sound[] as though [ACICS accreditation] was the same kind of accreditation that other colleges got but for independent schools."²⁵⁸
- **Fort Wayne, Indiana – 2011:** Mystery shopper documented ITT recruiter's claim that ACICS accreditation "was better than the ones awarded to other colleges."²⁵⁹
- **Getzville, New York – 2011:** Recruiter "stated that the accreditation was equal to other colleges and in his opinion better because ITT courses are degree specific while other colleges have electives."²⁶⁰

- **Lake Mary, Florida – 2011:** Mystery shopper reported that the recruiter stated that ITT’s accreditation “was the same as some major universities.”²⁶¹

The following language reflects the typical HQ corporate treatment of student complaints regarding accreditation issues:

That being said, even if someone did mention regional accreditation, no one at the school would have had the authority to have such a discussion with the student. The catalog clearly states our accreditation with ACICS, and you should be able to produce the enrollment documents the student signed acknowledging both receipt of the Catalog and accreditation with ACICS. What anyone else allegedly said is trumped by those documents.²⁶²

In other words, ITT hid behind disclosures it rushed past students, then took the position that accreditation misrepresentation—in the example above—could not have happened, because that would be against ITT policy. ITT adopted this vague language as a general, reflexive response, mindlessly distributed whenever confronted with evidence of misrepresentations.

Lies and half-truths about credit transferability and accreditation status were some of the most damaging that ITT recruiters told. Students were left trapped at ITT after expending their financial aid options on worthless credits, all because of the systemic lies that HQ pushed in a system that only cared about making sales.

C. ITT Lied about Program Availability

“Bait-and-switch” refers to an illegal, deceptive scheme in which a company advertises the availability of a desirable product at a low price, often in limited quantities (the “bait”), with no intention or capability of delivering on that promise. Instead, the company uses the bait to lure in an unsuspecting consumer, and then hard-sells a different, inferior product at a higher price.

ITT engaged in classic bait-and-switch marketing by relying on nationwide advertising of certain programs that were not available in many locations. It also advertised programs that were not yet available at all, backed merely by promises of future availability.

Another form of ITT’s bait-and-switch tactics involved programs that were slated for closure or “teach out.” When students wanted to enroll in these programs, they were steered in a different direction. A particular tactic used to effectuate the “switch” was for ITT recruiters to convince the student to enroll in another program as a “backup plan” (usually ITT’s business management program), or to tell students that another program was essentially the same thing as the program they actually wanted.²⁶³ For example, ITT stopped offering criminal justice programs at its Tallahassee, Florida, location around June 2013. ITT then steered prospective students who announced an

interest in criminal justice into the business management program by falsely telling them that this would enable them to open their own private investigation business.²⁶⁴

In another example, a student was told that although the web development program he wanted was not available, he should sign up for the multimedia program because it would be “perfect” for him. After entering the program, the student complained that “if he had told me, from the beginning, that the Multimedia program would only have one ‘basic’ HTML class, I would have thanked him and left. Honestly, I think that he knew that and that is why he misled me.”²⁶⁵

Bait-and-switch tactics often followed once students decided they wanted to transfer. ITT knew that it would be nearly impossible for students to transfer their associate degree credits to another institution, and it used that knowledge to prey on students to continue on with their bachelor’s degree at ITT. A former student from the Tallahassee, Florida, campus who graduated with an associate degree noted that while he could not get job search help from career services, “this school . . . call[ed] me from time trying to recruit me for the Bachelors program.”²⁶⁶

Mystery shoppers also documented examples of students being subjected to bait-and-switch tactics with respect to credit transfers within ITT, including one instance in 2011 from the Arnold, Missouri, campus, where a mystery shopper noted, “I was told that I could transfer credits within ITT”²⁶⁷ This statement was flagged as misleading by ITT itself, since it knew that the option to transfer credits within ITT (either between campuses and/or programs) was not at all guaranteed.

ITT also held out that it offered certain programs, but instead funneled students into different programs that were readily available or undersubscribed. The dean of academic affairs at ITT’s Tallahassee, Florida campus explained:

Recruitment representatives were trained to tell students that the program was just a ‘backup plan,’ or that the program was basically the same exact thing as the desired program, or that the credits could transfer between the programs In reality, ITT did not allow most credits, with the exception of some core classes, to transfer between programs.²⁶⁸

For example, students hoping to enroll in ITT’s graphic design program were redirected into the drafting and design program if the latter program had not enrolled enough students to proceed for the semester. Recruiters told students that the programs were “the same thing” and that they could “transfer their credits later.”²⁶⁹ In reality, these programs were not the same thing and the credits were not transferable.

Campus directors told recruiters to promote programs that ITT had not implemented.²⁷⁰ For example, students were encouraged to enroll in an associate’s program with assurances that their campuses would soon introduce a bachelor’s program, even if ITT had no concrete plans to offer the bachelor’s program. “The Chair of Drafting and Design . . . was told to promote to students that ITT was going to offer

a B.S. program in Construction Management that her students could transfer into after completing the Associate's program. Two quarters later [the chair] learned that this program was not going to be offered. Many of her students dropped out after learning this, with no degree but with debt."²⁷¹ The chair raised this programmatic issue to HQ, and was subsequently fired because she "could not be loyal" to ITT.²⁷²

A student who was enrolled from 2006 to 2009 at ITT's San Bernardino, California, campus signed up after being promised that there would be a bachelor's degree available:

However, 2 semesters left before finishing my Associates, they told us that there would be no Bachelors Program for us to continue in as they were shutting down our program due to lack of interest. If we wanted to continue, that the closest location was over 4 hours away. We were then bombarded with invitations to work on other programs within ITT, starting at the Associates Level, not Bachelors.²⁷³

Another student at the San Bernardino, California, campus wrote in a student survey in 2013 that "The Director of Recruitment [redacted], took it upon himself to sign me up, and schedule me for Project Management Bachelors Course which was out of the scope of my field of study."²⁷⁴

One student at the Wyoming, Michigan, campus wrote in a sworn statement that he had wanted to obtain a 4-year degree in video game design but was instead convinced to enroll in an associate's program in visual communications in 2007, with the assurance that the bachelor program was "coming in a couple months."²⁷⁵ The student reported that after three quarters, ITT "came to us and said that if we wanted to complete that degree we would have to move it out west where the classes were at. I was furious and wanted to drop out, but they said that if I did I would have to pay for all three quarters of classes right away. I was unable to do so, so I ended up switching to the Electronics program to avoid having to pay my loans immediately."²⁷⁶

Another student reported in January 2016 that he had enrolled at the South Bend, Indiana, campus in a criminal justice program on the promise that a paralegal program was about to be available. The student wrote that he was told he would be

able to take ALL my credits from Criminal Justice without having to take an extra year out for my degree. Of course this did not happen and I ended up taking an extra year to graduate. . . . I had to take out in loans to continue- which caused me to use more of my money and thus the reason I couldn't go to DePaul [U]niversity. ITT HAD USED TOO MUCH!²⁷⁷

Bait-and-switch tactics were just one more tool in the sales toolbox deployed by recruiters at ITT to not only get students in the door but keep them trapped at ITT with no other options but to finish their programs.

D. ITT Lied about the Types of Jobs Its Graduates Received

Lying about the types of jobs graduates could expect was another key part of ITT's sales pitch. ITT graduates frequently received low-paying or entry-level positions after leaving ITT and were often not equipped to obtain the job types they were promised.

For several years, ITT deployed a marketing device during recruitment called the "career wheel," which purported to show how its programs matched with possible careers that students would likely be interested in pursuing. As described by a former ITT recruiter:

HQ instructed us to use 'career wheels' in our presentations to students. The inside of the wheel would have the name of the degree. The inner spoke would have some of the courses while the outer spoke listed job titles these graduates would be eligible for. So many of these were misleading. For example, the Criminal Justice Associate Degree career wheel listed such jobs as Crime Scene Investigation, Forensics Technician, etc. None of these jobs are attainable with an Associates degree. Another career wheel for Industrial Technology had as a job possibility 'Plant Manager.' It is ludicrous to think someone with a 21-month associate degree would assume such a position.²⁷⁸

The career wheel was a marketing tool that ITT used to promote all of its programs.²⁷⁹ As described by the Massachusetts Attorney General:

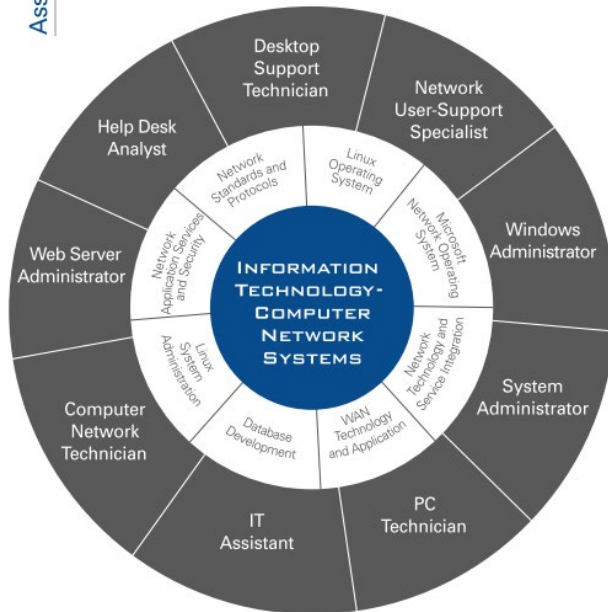
During the admissions process, prospective students were shown 'career wheels' to help them decide in which programs to enroll. Admissions representatives were instructed to tell prospective students, "The center of the wheel is the program itself, and radiating around it are the courses and the corresponding job titles. Take a moment to look at these and tell me what interests you." . . . Most students who graduated from a Computer Network Systems program did not obtain the types of jobs listed on the 'career wheel' or on the Graduate Employment Information disclosures.²⁸⁰

The following graphic is an example of this type of misleading career wheel, used for the Information Technology program²⁸¹:

Associate's Degree

INFORMATION TECHNOLOGY-COMPUTER NETWORK SYSTEMS

IT - CNS \ n. (abbreviation of Information Technology - Computer Network Systems)
 1. The study of the implementation and support of computer-based network systems, particularly in the Local Area Network (LAN) and Wide Area Network (WAN) environments.
 2. An Associate's Degree program that offers instruction in subject areas such as network standards and protocols, network operating systems, network administration, network design and management, network configuration and troubleshooting of several different network systems.



The center of the wheel identifies the program. The inside ring names some of the courses within the program that can help the student develop skills and knowledge to obtain the type of entry-level positions identified in the outer ring.

ITT’s criminal justice programs were notoriously limited in terms of career paths for graduates, despite what recruiters told students. A former dean explained how “recruitment representatives were trained to tell prospective students that the program would allow them to get jobs doing forensic science work like they see in CSI Miami.”²⁸² This was completely false. The program prepared students to work in the juvenile justice system and correctional environments. A student would need advanced chemistry and other sciences to work as a crime scene investigator or forensic scientist.”²⁸³ A former academic affairs dean also testified that the chair of the criminal justice program at his campus “became irate and resigned from ITT” after learning that recruiters were spreading this lie about the career prospects of criminal justice program graduates—often told through the medium of the career wheel—declaring that she could “no longer work for the devil.”²⁸⁴

A July 2013 PowerPoint presentation for ITT’s Associate Degree in Software Development included a slide with a typical career wheel, which explained that

“graduates may choose to pursue careers in a variety of industries in positions such as programmers, developers, and systems analysts.”²⁸⁵ It also cites Bureau of Labor Statistics data for projected annual openings and salaries for this industry, listing a median salary range of \$47,660 for the job title of Computer Network Support Specialist to \$96,600 for Software Developer, Systems Software.²⁸⁶ These generalities about desired careers were misleading—the implication was that an ITT graduate could expect to receive these positions, when, in reality, the opposite was more likely.

A frequent tactic by recruiters involved listing the names of specific companies to prospective students, falsely implying that these employers commonly hired ITT graduates. The following statements were documented by mystery shoppers and flagged by ITT as misleading or problematic, because they created a false impression of likely employment:

- **Oakland, California – 2010:** ITT recruiter specifically mentioned that Cisco and Oracle were two companies that “might show up at upcoming career fairs, depending on if they were hiring or not.”²⁸⁷
- **Lake Mary, Florida – 2011:** Mystery shopper documented that an ITT recruiter said that the CIA had hired ITT Tech graduates in the past.²⁸⁸
- **Aurora, Colorado – 2011:** “The [ITT] representative verbally told me company names including: Department of Defense, Haliburton, IBM, Gates Rubber, the CIA, and Homeland Security. Throughout the presentation and tour, she pointed out many different employers that hired ITT graduates. There are several posters on the walls throughout the tour that had the names of the employers that hired ITT graduat[es].”²⁸⁹

The real-world impact of these lies directly and actively harmed students who were misled about the types of jobs they could expect to receive after graduating from ITT.

E. ITT Lied about the Salaries its Graduates Earned

ITT misled students, orally and in writing, about the supposedly high salaries they would make upon leaving the school. Students consistently report that ITT promised that they would receive lucrative salaries upon graduation.

Many students report being told they would earn a six-figure salary when they finished an ITT program.²⁹⁰ In Duluth, Georgia, an ITT representative told a mystery shopper that they could “make 6 figures easily in a Project Management Role.”²⁹¹ Another mystery shopper was told that “some of their IT security graduates are earning six figures after one year of work.”²⁹²

Over and over again, students were sold lies about high salaries:

- **Fort Lauderdale, Florida – 2011-2014:** A student was promised a salary of “\$60,000 or higher” once they completed a degree in Network System Administration.²⁹³
- **Arlington Heights, Illinois – 2008-2012:** A student was told that they would “not have a problem getting a job starting between 80 and 100K.”²⁹⁴
- **Chantilly, Virginia – 2011:** A mystery shopper reported that an ITT recruiter told her about “a wom[a]n who started at \$20k and is now making \$150k after 8 years” and about a “man who started at 50k and is making half a million now as vice president of a tech company.”²⁹⁵
- **Douglasville, Georgia – 2015:** A mystery shopper reported: “I was told about a student that just graduated that got an \$80,000/yr job.”²⁹⁶ The following year, another mystery shopper at the same campus was told, “It depends on how you sell yourself, I mean I’ve seen some as low as \$40,000, as high as \$110,000. I’ve seen that salary with just a two-year degree.”²⁹⁷

ITT staff knew that the numbers ITT recruiters were telling students were misleading.²⁹⁸ A former ITT department chair reported that “on one occasion, [he] heard a recruiter directly tell a prospective student that they would be making \$85,000 per year after graduating with a bachelor’s degree from ITT, which was completely unrealistic and false.”²⁹⁹ That same department chair also “frequently heard comments from many of [his] students along the lines of, ‘my recruiter told me I would make \$65,000 in my first job.’ Student[s] did not make close to \$65,000 once they graduated, let alone \$85,000.”³⁰⁰

All of these promises and representations about salaries were false. ITT’s own SEC filings demonstrate that students made nowhere near what recruiters would tout to students. According to ITT’s Form 10-Ks from 2006 to 2014, the “annualized” average salaries of employed graduates never went above \$35,000.³⁰¹ Specifically, ITT reported the following:

- 2007: the “reported annualized salaries initially following graduation averaged approximately **\$31,000** for the Employable Graduates of our institutes’ programs who graduated in 2006.”
- 2008: “the reported annualized salaries initially following graduation averaged approximately **\$32,400** for the Employable Graduates . . . who graduated in 2007.”
- 2009: “the reported annualized salaries initially following graduation averaged approximately **\$32,800** for the Employable Graduates in 2008.”
- 2010: “the reported annualized salaries initially following graduation averaged approximately **\$31,600** for the Employable Graduate in 2009.”
- 2011: “the reported annualized salaries initially following graduation averaged

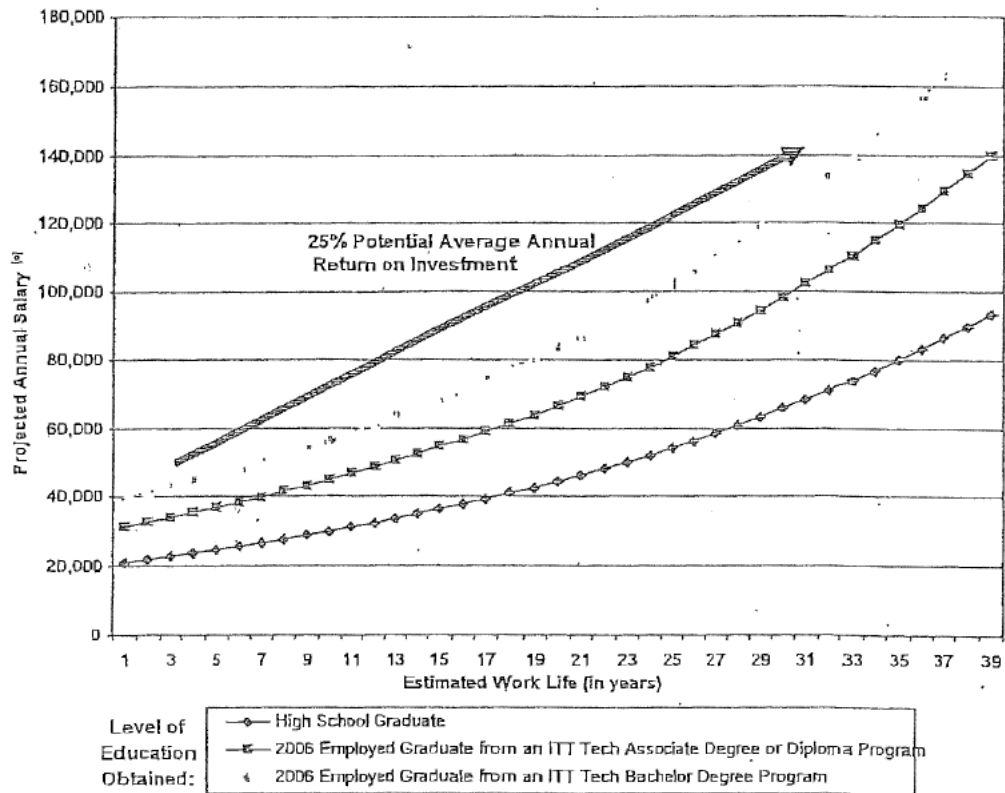
approximately **\$31,300** for the Employable Graduates in 2010.”

- 2012: “the reported annualized salaries initially following graduation averaged approximately **\$31,300** for the Employable Graduates in 2011.”
- 2013: “the reported annualized salaries initially following graduation averaged approximately **\$32,061** for the Employable Graduates in 2012.”
- 2014: “the reported annualized salaries initially following graduation averaged approximately **\$33,398** for the Employable Graduates in 2013.”
- 2015: “the reported annualized salaries initially following graduation averaged approximately **\$34,553** for the Employable Graduates in 2014.”

Additionally, as the Massachusetts Attorney General³⁰² and the Consumer Financial Protection Bureau pointed out in their respective complaints against ITT, “the numbers were ‘annualized,’ which suggests that they included jobs that were temporary, rather than permanent, salaried positions,”³⁰³ so the actual take-home pay for ITT graduates was likely, in reality, much lower.

1. Value Proposition

Perhaps ITT’s biggest lie to students about their earning potential was showing them a document called “Value Proposition for Employed Graduates” (“Value Proposition” or “VP”).³⁰⁴ Students were shown this Value Proposition document and asked to sign off on it.³⁰⁵ The document contained a chart, replicated below, that—according to a former recruiter—was specifically designed to make “ITT look good and affected many students’ decision[s] to enroll at ITT.”³⁰⁶



A longtime ITT employee, who started with the company as a receptionist and worked her way up to being a director of finance before leaving the school, described the Value Proposition document in the following way:

Before showing any forms or numbers to students, financial aid staff was trained to emphasize all of the benefits students would receive from their education. From 2004 to 2007 this was done with the guidance of a 'return on investment document' that Mr. Modany developed. It contained misleading information about the average salaries of graduates of different programs based on proprietary data with disclaimers in a small footnote. This form was pulled in 2007 for 'compliance reasons'. It was replaced by more generalized patter about the benefits of an education and the types of salaries one could earn in different fields.³⁰⁷

As detailed in an expert report³⁰⁸ authored by Dr. Jordan Matsudaira,³⁰⁹ the Value Proposition misleads students in three distinct ways:

- (1) "Using the average earnings of graduates to estimate starting salaries after leaving ITT, despite the fact that the majority of ITT students never earn a credential and are therefore likely to have a much lower starting salary";
- (2) "Assuming an unrealistically high and constant rate of salary growth over workers' careers, despite well-known evidence that real salary growth tends to stop

between 10 and 20 years after beginning work”; and

- (3) “Ignoring published data from the same sources relied on to develop the VP that demonstrate its projected earnings for ITT graduates are implausibly high—more than \$100,000 greater than the average earnings of all workers with the same level credential.”³¹⁰

The Value Proposition document was very misleading because it “shows annual earnings levels for ITT graduates near the end of their working career that are about \$100,000 higher—i.e., more than 250 percent higher for associate’s and more than 150 percent higher for bachelor’s degree holders—than the average earnings of working graduates from all other institutions.”³¹¹ This was a bald-faced misrepresentation because “anyone with a modicum of experience using labor market statistics would immediately recognize from these data the implausibility of the earnings projections depicted in the VP: they massively over-estimate the financial gains that students could reasonably expect from enrolling in an ITT program.”³¹² Like all other communications from ITT, the Value Proposition left students with a completely mistaken sense of what their attendance at ITT could do for them in terms of their future earnings.

F. ITT Falsified its Job Placement Rates

In some instances, ITT did not merely lie about the types of jobs, companies, or salaries that would be available to graduates, but lied about specific job placement as well. For example, an email thread from September 2011 revealed that a recruiter at the Clovis, California, campus was repeatedly guaranteeing jobs and financial aid awards to prospective students. The internal discussion was based on a mystery shopper report that revealed this recruiter’s habitual pattern of lying to students.³¹³

Another email thread from February 2015 details how an internal auditor’s report on the Greenville, South Carolina, campus showed that representatives, whom the auditor specifically named, were observed making unfounded job guarantees to prospective students.³¹⁴ This issue was not mentioned in the Greenville campus’s annual audit report for 2015.³¹⁵

An email thread from January and March 2015 discussed a mystery shopper interview conducted in January 2015 at the Hilliard, Ohio, campus, which revealed that a recruiter at the campus was guaranteeing job placements to prospective students. Specifically, the report from the mystery shopper interview states that the recruiter told students that ITT Hilliard has “100% placement for business graduates.”³¹⁶

HQ officials routinely were made aware of, and discussed, misrepresentations and false job guarantees made by recruiters. In an exchange between HQ directors and an internal auditor, the following observation was made about recruiters at the Greenville, South Carolina, campus:

In my interview with one of the representatives, I asked the question “are you aware of any issues of non-compliance with company policies and procedures.” She answered “yes.” She went on to explain that she had heard [recruiter] [redacted] “guarantee” jobs and said he was written up a week ago and she hadn’t heard him say it since then. I spoke to the Acting DIR/Dean and the DOR [director of recruitment] from Charlotte South about this. The Dean from Charlotte South has been assisting Greenville in the recruitment area. She said she wrote him up for failing the e-campus on compliance three times and for insubordination. Neither she nor the Acting DIR/Dean was aware of the allegation regarding the representative guaranteeing jobs.³¹⁷

In both promotional materials and in-person recruiting sessions, ITT made job placement rates a central part of its pitch to prospective students. However, it promoted and reported placement rates that were untrue.

A former academic dean at ITT’s Tallahassee, Florida, campus recounted how the company engaged in job placement rate manipulation: “ITT counted students as placed in their field even when the credential from ITT was unnecessary to their placement. For example, ITT counted students from criminal justice as placed when they were hired as security guards, positions that require no postsecondary education.”³¹⁸ This dean went on to explain that job placement rate manipulation was a well-accepted fact among ITT campus directors and corporate managers:

I met with a student . . . two months after she graduated from ITT’s Electronic Technology program. I know . . . that ITT had marked her as ‘placed’ in her field of study. But I learned from [the student] that she worked on an assembly line, applying a wax coat to circuit boards. I brought this to the attention of the College Director [redacted], who maintained that [the student] was in fact working in the field because the factory made electronics.³¹⁹

ITT put pressure on its employees to make sure they had acceptable job placement statistics. For example, in order to mitigate job placement issues in the campus and program reports sent to ACICS for certification requirements, an ITT vice president told Kevin Modany she was “pushing everyone as hard as we can through the tape.”³²⁰

Job placement inflation was both implicitly and explicitly encouraged by ITT’s corporate managers. HQ outright told career services personnel to “[i]dentify individuals currently working in pre-grad in-field and related-field capacities; document where appropriate”³²¹ in order to bolster its reported numbers of in-field placements, even if these were positions that students had obtained with no contribution or help from ITT. At exit interviews, career services personnel were also told to “explore potentially-related existing employments”—in other words, an instruction to reframe new graduates’ pre-existing jobs as in-field placements credited to ITT.³²²

As described by the Consumer Financial Protection Bureau:

On its website and in written materials provided to students, ITT told its students about its “placement rates” for “positions that required the direct or indirect use of skills taught in their programs of study.” In addition, ITT provided this information in its Forms 10-K filed with the SEC for the years 2010 through 2012, representing that ITT placed approximately 70% of its “Employable Graduates” in such positions. . . . These figures were based on selective data and incomplete information and did not represent realistic outcomes for most ITT students. For example, the placement rates do not include former students who did not graduate (which is the most common outcome for students who begin at ITT), may include jobs that do not require the degrees students paid for (such as retail jobs), and may include positions that were merely seasonal. These job placement rates were designed to mislead consumers about the value of an ITT education.³²³

A review of company emails and audit reports provided dozens of documented instances of job placement rate fraud occurring at virtually every ITT campus. The following are just a few examples:

- **Jacksonville, Florida – 2012:** A corporate counseling form noted that a career services coordinator had purportedly verified an in-field placement with the graduate’s supervisor, but when the graduate emailed to indicate he was not working in-field, the coordinator admitted that she never spoke to the supervisor (“This information prompted me to counsel [coordinator] verbally that leaving a voicemail message is not conducting proper verification.”).³²⁴
- **Tampa, Florida – 2012:** Instances of employment falsification included an HR complaint report from June 2012 concluding that the career services director made about 20 students sign graduate employment information forms before verifying their actual employment. Additionally, the report found that the director recorded that at least one part-time student was a full-time student in order to obtain “credit for the placement.”³²⁵ Most of the specifics regarding this career services director’s wrongdoing were not included in the 2012 annual audit report for Tampa, which simply noted, “Graduate Employments were not documented adequately. This is a repeat issue . . . The DOCS [director of career services] related that she is new to the position. The issues are due to errors of the prior DOCS . . . Eight of 10 employment files reviewed had a variety of issues. Some graduates had multiple issues.”³²⁶
- **Huntington, West Virginia – 2012:** Emails from December 2012 revealed that the career services director falsely reported a job placement, as well as the employer verification, for at least one graduate, who was, in reality, never hired by the named employer because his skillset was found to be “far below the level of [the employer’s] existing staff.”³²⁷

- **Albany, New York – 2012:** A January 2012 email between career services and legal department employees at HQ described an incorrect graduate employment information form at the Albany campus. It read, in part: “Attached is a returned paper copy of an Employer Survey. As you can see, the graduate was not very happy with her experience, and was very explicit about the fact that she did not get a job in her field. I typically pass these down to [employee at] HR. However, based upon our conversations surrounding the ERM [Enterprise Risk Management], I decided to look up the student in IRIS [ITT’s student records database]. She is actually recorded as an RF [related-field] employment, with GS [graduate survey] substantiation. This obviously raises concern.”³²⁸
- **Portland, Oregon – 2012:** Internal emails from June 2012 involved a discussion of graduate employment information falsification, with at least one student confirmed to have been falsely marked down as employed full-time at a company called Crowd Management Services. This was seemingly caught due to a random review of the “file in our end of month employment review.”³²⁹ In reality, this particular student was still searching for permanent employment, a fact that the career services department knew, yet still “deliberately misrepresented” on the student’s file.³³⁰ The graduate confirmed that she had worked five hours for the company since being “hired,” despite the fact that an ITT employee had listed her as having a full-time, 40-hour-per-week job.³³¹ And although the audit report for the Portland campus in 2012 does address issues related to career services, it included no specific mention of this instance or any other occurrences of employment falsification.³³²
- **Levittown, Pennsylvania – 2012:** A campus director was terminated after an internal audit discovered that this director had improperly approved backdated and blank graduate employment information forms submitted by the director of career services at Levittown. A review of the campus’s career services office showed many problems, including: (1) claiming employment based on job interviews alone; (2) asking graduates to sign graduate employment information forms without job offers; (3) creating multiple signed graduate employment information forms for different possible outcomes; and (4) inaccurate health waivers (forms stating that the student’s employment status was not counted due to a health condition preventing employment) that were signed by the director of career services and the campus director. Career services staff reported that “it was common practice for the [director of career services] to fill out [graduate employment information forms] for students and graduates who were not yet employed, based upon interviews and/or screening testing.”³³³
- **Knoxville, Tennessee – 2012:** An email thread from May 2012 discussed invalid job placement reporting at this location, specifically with respect to the video game program, construction design, and visual/graphics communications programs. A review of these programs’ graduates found that “over 30% of the files tested with calls (to employer/graduate) are proving to be invalid.”³³⁴

- **Norwood, Ohio – 2012:** The director of career services was caught falsifying a graduate employment information form, which was flagged because of a disconnect between the job title (Technician/Sales/Inventory) and the company (a liquor store called Your Mama’s Drive Through). The graduate was actually a sales clerk and did absolutely no work related to the graduate’s field of study, contrary to what was reported.³³⁵
- **Knoxville, Tennessee – 2012:** A graduate of the construction drafting and design program was listed as employed in a related field, but when asked to verify that the graduate used her drafting and design skills, her supervisor responded bluntly, “She uses a shovel.”³³⁶ The same year, a director of career services at Knoxville, who was also the trainer for that district’s directors of career services, was caught falsifying graduate employment information by auditors. The falsified form claimed to verify that a graduate was employed as a drafter using autoCAD (computer assisted design) at a bakery. This was flagged as false when the manager confirmed that the bakery did not hire any drafters.³³⁷
- **North Charleston, South Carolina – 2012:** The director of career services at this campus completed paperwork in 2012 that indicated a graduate of the electronics program was employed in-field. The graduate was actually working as an “activities director” at an elementary school, which the director of career services wrongfully counted as a position that required him to use his electronics background. A July 2014 email discussion between HQ employees confirmed “that the information provided to us by [the director of career services] regarding the employment of [the graduate] was falsified.”³³⁸
- **Knoxville, Tennessee – 2012:** Also in 2012 at this campus, a career services employee engaged in blatant graduate employment falsification by claiming that a digital entertainment and game design student was placed in-field when she was in fact working as an assistant at a public housing authority. There were also fabricated notes in the graduate’s file, which detailed extensive conversations between the graduate and her work supervisor that apparently never took place.³³⁹
- **Albany, New York – 2012:** An internal email from January 2012 contained a graduate employment survey from a student who expressed extreme dissatisfaction with her ITT experience, including an inability to find permanent employment in her field of study. This survey directly contradicted her ITT-created records, which indicated that she had been placed in “RF [related-field] employment with a GS [graduate survey] substantiation”—clearly implying falsification by the career services department.³⁴⁰ Again, this instance was not reflected in the Albany campus audit report for 2012.³⁴¹
- **Austin, Texas – 2013:** Internal company emails discussing ACICS findings from October 2012 reveal that ACICS was unable to verify job placement rates reported by ITT on the Austin campus’s 2011 Campus Accountability Report (a report to ACICS), with several specific examples of job placement

misrepresentations from the information technology program, and with computer network systems graduates wrongfully identified by career services to be working in-field.³⁴² Included are details about what jobs ITT tried to pass off as “in-field”—for example: “[Graduate] is reported to be working in field by the campus and the [ACICS] team verified he is employed by a temporary placement agency which placed him in a warehouse ‘picking, packing, assembling hard drive orders.’” Similarly, “[Graduate] is working for Insurance Auto Auctions and was classified [by ITT] as placed in field. The campus reports her title as customer service rep, but the [ACICS] team discovered her title to be title clerk with duties related to researching titles on vehicles using a computer—nothing to do with computer networking.” This issue was not addressed in the 2013 annual audit for the Austin, Texas, campus.³⁴³

- **Troy, Michigan – 2013:** Documented instances of improper job placement records included an example from September 2012 involving a student who was improperly noted as having an in-field placement with Quicken Loans. According to a “placement discrepancy form,” the student was never hired by that employer because he failed to pass the company’s requisite background check.³⁴⁴ Notably, despite this issue being discussed in internal company documents, the 2013 annual audit report for the Troy campus stated that there were “no issues” found in the career services department’s operations.³⁴⁵ Additionally, these issues only came to light because ACICS did a pilot placement verification program. Several other placement discrepancy forms regarding the Troy campus’s falsification of job placement records were circulated via company email and, again, were left unmentioned in the campus’s audit reports for their respective years.³⁴⁶
- **Getzville, New York – 2013:** Internal emails from May 2013 show that employment falsification at this campus was discussed at length, with at least 11 confirmed employment falsifications attributed to the campus’s director of career services, with one instance involving a student who was unemployed after graduating and whose signature was forged on an employment verification form.³⁴⁷ Notably, this only came to light after the graduate returned to campus seeking help finding employment, causing a counselor to pull the graduate’s file, which then revealed other instances of job placement falsification perpetrated by this director of career services: “I received notification that [the director’s] prior campus has identified at least 11 additional employments entered during [director’s] tenure as DOCS [director of career services] that need to be removed from the system.”³⁴⁸ This pattern of fraud was not recorded in the audit reports for the Getzville, New York, campus in either 2013 or 2014.³⁴⁹
- **Arlington, Texas – 2013:** The national director of career services flagged several suspect graduate employment information forms at this campus for compliance at HQ, noting, “This is another instance where a College Director should have looked at the details (or lack thereof) and slammed on the brakes.”³⁵⁰

- **Albany, New York – 2013:** An October 2013 email thread discussing employment falsification by the director of career services at the campus revealed a graduate employment information form that was never properly verified by the employer. The employer was apparently only screened by phone and never signed off on the graduate employment information form, which falsely claimed that the student in question worked there.³⁵¹
- **Mobile, Alabama – 2014:** An August 2014 email thread showed graduate employment information falsification committed by the director of career services, who falsified students' forms by fabricating an employer called "Always Animal Clinic" and claiming this fictional entity to be the valid employer of at least one graduate. The director even went so far as to create a fake employer email address and phone number for a made-up individual.³⁵² Additionally, the corporate head of career services noted in this email chain that this individual had likely engaged in similar behavior before with "numerous other" employment placements at the Mobile, Alabama, campus.³⁵³ This incident was not reported in the Mobile campus's 2015 annual audit report, with no mention of the student whose employer was invented by the head of career services.³⁵⁴
- **Houston North, Texas – 2015:** A graduate employment information form from this campus was flagged as false by HQ. The form in question involved a 2014 graduate who was listed as working at "On the Rox Bar," where he had been working since before he attended ITT, supposedly as an electronics technician, a position related to his field of study. However, the graduate refuted this, and "stated that he has never been an Electronics Technician at On the Rox, and that there is no such role in the organization . . . He did not remember ever telling anyone that he was an Electronics Technician."³⁵⁵
- **Knoxville, Tennessee – 2015:** A graduate filed a complaint with the Consumer Financial Protection Bureau about her negative experience dealing with career services and job placement assistance at the Knoxville campus. In researching her complaint, ITT found that it "could not be substantiated" and "[the student's] career services file indicates that she was working in her field upon graduation, and the school was not notified otherwise until she complained to the CFPB in July 2015."³⁵⁶ This response was, however, false: ITT had discovered through its own review of Knoxville's job placements that this particular student's career services file had been falsified. ITT reported her as employed in-field (for visual communications) as a "cover artist," but in 2012 the supposed employer reported that she had only done isolated contract work, and the graduate herself confirmed to ITT that she had never been employed in her field of study.³⁵⁷
- **Pensacola, Florida – 2015:** A graduate employment information falsification was uncovered in 2016, following a review of employment records by HQ's vice president of student services. This flag elicited the following response from the national director of career services: "As you can see, the employer says in the

email below that she did not fill out the information because it was not correct. She also says that these students are still in the background check process, which means that they have not yet received an offer. I believe this email helps to support that this was a conscious misrepresentation of the nature of these employments by the Pensacola DIR [campus director] / DOCS [director of career services].³⁵⁸

- **Houston North, Texas – 2016:** An April 2016 email between officials at HQ confirmed the termination of the director of career services for “falsification of expense reports and improperly completed GEI [graduate employment information forms]. [The director] was issued a final written warning on 4/17/15 regarding improperly completed GEIs.”³⁵⁹
- **Pensacola, Florida – 2016:** Emails from April 2016 revealed that the director of career services falsified at least four graduate employment information forms, which the director of career services nevertheless defended by claiming that he “got the all good [sic] on the employments from the employer verbally.” However, “this was not the same result when a quality control check was done by HQ Career Services.”³⁶⁰
- **Plymouth Meeting, Pennsylvania – 2016:** An example of job placement falsification is described in a corporate email chain discussing a criminal justice graduate who self-reported that he was employed as a loss prevention specialist at Target, which contradicted the student’s graduate employment information form: “This file raised several flags. It is also a pre-existing retail employment that is presented as changing in nature after graduation, but there is no graduate signature, exit interview, employer signature, email chain, or other indicator that the student is indeed making this transition related to the program of study.”³⁶¹
- **Philadelphia, Pennsylvania – 2016:** An inappropriate employment waiver was caught following a corporate review of career services records. An “employment waiver,” similar to a health waiver (mentioned *supra*),³⁶² recorded a graduate’s special status that allowed ITT to exclude their employment situation from the campus’s official figures. There were waivers allowed, for example, for graduates who chose to continue their education rather than enter the job market. In this situation, a waiver was improperly applied to a graduate whom the career services department claimed was attending another school, Strayer. In fact, this graduate was working at a grocery store and had requested career services assistance.³⁶³
- **Philadelphia, Pennsylvania – 2016:** Another graduate in 2016 was falsely recorded as having attended DeVry instead of entering the job market. Internal emails noted that the graduate was very interested in receiving career services help but had not been contacted for this assistance.³⁶⁴ “He [student] is also very vocal about a lack of Career Services support. You will need to mend fences with him and offer assistance.”³⁶⁵

In a notable follow-up to these 2016 reports of falsified job waivers at the Philadelphia campus, an internal corporate email thread included a discussion about whether these, and other, career services violations needed to be reported to the ITT Board's audit committee, with an HQ compliance employee writing, "Historically, we haven't done so."³⁶⁶ Kevin Modany responded in agreement, writing, "It doesn't seem to fit the criteria. That said, we can mention it verbally if we have time."³⁶⁷

Independent reviews of ITT's claimed job placement figures have also determined these numbers to be false. An investigation conducted by the Massachusetts Attorney General's Office concluded that ITT's Computer Network Systems program, in particular, advertised a job placement rate that had no factual basis:

- "ITT's purported placement rates disclosed to prospective students between June 2010 and May 2011 shows that ITT's stated placement rates were substantially and materially false and inflated."³⁶⁸
- "In representations to consumers and prospective students, ITT disclosed that it had placed 100% of the 43 students who graduated in 2009 from the Norwood campus Computer Network Systems program. The actual placement rate for graduates was approximately 50% or less."³⁶⁹
- "From 2010 through at least May 2013, ITT did not disclose to consumers and prospective students that its placement rates included as 'placements' graduates with jobs outside their field of study and graduates with internships or short-term, unsustainable jobs who never received permanent, sustainable employment."³⁷⁰

Sometimes ITT was forced to acknowledge job placement manipulation when its own graduates would apply for jobs at ITT. One example of this occurs in an August 2015 email between corporate directors discussing a potential adjunct hire at the Houston North, Texas, campus. The message notes, in part:

Attached is a resume that was submitted as part of a GEI [graduate employment information form] for a graduate. How is this person qualified to be an instructor at the Houston North campus? . . . If this is indeed a qualified instructor, we still will not be able to count it as an employment . . . Please understand the optics this creates. In terms of the Career Services piece, we will not be allowing this to be entered into the system as a valid employment until she has done at least 30 hours a week for at least 30 days, which will be after the 9-30 cutoff. If at that point in time you want to revisit it as a documentable employment, we will run this through [redacted] and [redacted] for their feedback. A situation of this nature is sensitive, and needs to be fully vetted.³⁷¹

This particular example also encapsulates many of the problems inherent to ITT generally—it was a school that apparently struggled to justify hiring its own graduates due to its institutional incompetence.

IV. CHEATING ENROLLED STUDENTS

A. ITT Falsified Grades and Attendance Records

ITT further diluted the value of any credential from ITT through a policy of grade and attendance falsification, in order to keep students enrolled and eligible for more loans.

Grade Falsification

Students and employees alike observed these practices occurring at virtually every ITT campus. Instructors faced penalties for giving students failing grades even when those grades were accurate indicators of the student's grasp of the material.

The Government Accountability Office conducted a probe of ITT in 2011 through undercover students. Its findings included clear examples of grade falsification, including one undercover student receiving "full credit for an assignment submitted for this class that had also been submitted for another class, and contained a clear notation that it was prepared for the other class. In another class, the student received 100 percent of the available points, despite submitting only two of three required components."³⁷²

HQ implemented a system that put direct pressure on instructors to ensure that their students received passing grades, by setting a target for "student success," *i.e.*, pass rates. Instructors who did not meet these goals were labeled "high risk instructors" and were presumptively terminated or not asked to teach another course. One such instructor was on the "high risk list" in Johnson City, Tennessee.³⁷³ His campus requested a waiver (permission to keep him employed despite his not meeting the pass thresholds), because he was the campus's only instructor who met the ACICS experience and credential requirements to teach mathematics. Corporate HR said they were "ok with that," but noted internally that it seemed the instructor had falsified grades in the most recent term ("Pretty unusual for a whole [Mathematics II] class to have pretty much perfect grades . . .").³⁷⁴

Another ITT employee, an information technology chair at the Knoxville, Tennessee, campus, was recommended for termination because it was verified that he

would ask the students "if they knew the course material?" He would then assign them grades of 100% for their weekly grades and the final examination. . . . The Dean confirmed . . . the ITT chair [redacted] entered Final Examination scores of 100% for all students in his March 2011 SE451 class. Additionally, seven students received overall course grades of 100%. A single student received an overall course grade of 98.3%."³⁷⁵

Instructors who refused to go along with ITT's grade falsification scheme faced repercussions. In one account, a former electronics instructor stated:

While I was at the Murray, UT campus, I was under intense pressure from my director [redacted] to pass students who had not earned the grades they needed to pass and had not learned the necessary material. My director was, in turn, under pressure from the regional manager to improve our passage rates for the accreditor. I adamantly refused to pass students who had not earned passing grades, which caused an increasing amount of friction between myself and the administration. This friction was common between the educators, like myself, and the school's corporate administration and eventually led to many of us leaving.³⁷⁶

Another instructor in Murray, Utah, told students that "corporate" was "requiring him" to pass students, even those he knew had earned a failing grade.³⁷⁷

Attendance Falsification

Many students reported that they were effectively cheated by a school that merely rubberstamped transcripts in order to ensure continued enrollment and revenue. One student's account noted the following:

Also, the school let students pass, that had no business passing. We called it the attendance game. Show up for one class, miss the next two. Show up for a class, miss the next two. That student would just need to turn in his work that we [were] doing, and take whatever tests he was eligible for, and somehow they would pass. I know that one teacher started to put a stop to this, by assigning participation points, and not accepting any late work. A few students failed the class. The teacher was reprimanded, and told that he could not do that anymore. Needless to say a few quarters later, the teacher found work elsewhere, as he did not agree with the school encouraging students to just be pushed through classes so that the school could collect their funding.³⁷⁸

One former employee similarly stated: "The administration was very concerned with student attendance because this was a relevant accreditation factor. Instructors were expected to call absent students throughout the first hour of class to try to get them to come in. We were told to make these calls during class time while students were working on other things."³⁷⁹

ITT's only real concern with attendance was having records that they could passably send off to ACICS for accreditation approval. The motive by management was entirely financial: they needed to be able to report good enough attendance to keep the accreditors content. In fact, the instructors who felt pressure from HQ were the ones who accurately reported low attendance figures, or those who could not hide their tracks well enough.³⁸⁰

It was also obvious to students that attendance records were being blatantly fabricated:

Many classes also allowed you to pass just for showing up once every

three weeks. The teachers never cared, as long as their metrics looked good for the higher ups. I once forgot to inform my school I would be gone on a vacation for two weeks, and when I got back I saw that I had signed into the class each week I wasn't actually there. The teacher just scanned in previous attendance sheets, or just outright forged the digital attendance records.³⁸¹

Once again, though, HQ remained satisfied as long as attendance figures were believably reported and were good enough to satisfy the requisite standards.

B. ITT Starved Its Programs of Resources in Order to Increase Revenue

1. ITT Instructors and Students Did Not Have the Necessary Equipment

ITT's website advertised: "Unlike many traditional colleges, where students spend most of their time listening to lectures in most programs, ITT Tech students also spend considerable time in the lab, where they are encouraged to apply what was taught in the classroom and see for themselves who, why and what makes things work."³⁸² Direct mailings to prospective students stated, "ITT Technical Institute offers practical, hands-on experience in fields where there are good careers. You spend your time learning the things you need to do a good job. You don't spend time on subjects that are unrelated to your career goals."³⁸³ ITT's very name, evoking a "technical institute," presumed instruction based on current technology paired with equipment on par with industry standards. However, as students quickly learned, ITT's scant budgetary allocations to educational resources resulted in out-of-date, broken, and shoddy equipment at virtually every one of its campuses.

Some of the most frequent complaints at ITT, confirmed by sworn statements from students, related to the abysmal state of labs, equipment, facilities, and instructional materials. Given the very high cost of tuition at ITT,³⁸⁴ this level of student outrage was understandable. The following statements from former students exemplify this widespread sentiment:

- **Rancho Cordova, California – 2004-2010:** "ITT-Tech claimed to offer an education that would result in IT jobs, and my goal was to become a Network Admin. . . . In reality the computers were very old and many were broken, the only lab equipment I saw was from the teachers' personal collections or workplaces, and I spent less than 30 minutes with a real router the entire time I attended the school. The education had nearly nothing to do with being ready for certification, and none of the coursework prepared me for testing. When I compared my Capstone projects to real-world examples, my work was very inadequate."³⁸⁵

- **Tampa, Florida – 2007-2010:** “I was in the DEGD program, Digital Entertainment & Game Design. I was told they had labs and all the software needed to learn and attain the education needed for the game design field and that they had instructors who worked in the industry. All statements were [sic] false. The labs did not have the needed software or equipment; what software they did have had been obsolete for years plus the hardware wasn’t powerful enough to run. They could not provide the software that was needed to finish our assignments forcing us to attain our programs through shady methods. . . . Our assignments came straight from tutorials found on [G]oogle & YouTube which didn’t correspond to the software versions that we did have.”³⁸⁶

In 2005, the entire information systems security class in Indianapolis, Indiana, requested a 100% refund of the costs of their course. They complained that (i) their textbooks (which were created in-house by ITT) contained mistakes and inaccuracies, (ii) their instructors were poorly trained, and (iii) their labs were ill-equipped and not functioning. The internal email reporting the complaint to HQ added: “According to [the campus director], their claims are 99.9% true, and he feels that they deserve some monetary compensation.”³⁸⁷

Student complaints concerning the ever-present issue of shoddy equipment and poor classroom resources were often emailed directly to HQ. One example, from the Tucson, Arizona, campus, dated June 30, 2012, notes the following:

I have been attending the Tucson campus for over four years and the computer lab equipment has always been less than desired. It can be extremely frustrating to be assigned lab work to be completed in the LRC [learning resource center] and there are not enough computers for the students because 1) the network/computer won’t allow students to sign on, 2) what working computers are left are being used by other students from other classes, or 3) you’re lucky enough to find an available working computer and the internet is very very very slow and the time spent is unproductive. I understand that ITT-Tech scheduling caters to the working student, which makes it all the more important to make the most of our time on campus.³⁸⁸

Another example comes from a student survey dated January 12, 2012, forwarded by email to HQ, which noted, in part, the following problems at the Dayton, Ohio, campus:

Lab maintenance is sorely lacking. At one time, five computers in one room [were] in disrepair. Since it is the only room where I work on my assignments, I cannot speak for the others. Three computers sat this way for more than six months and were completely inoperable. I had taken this issue to the staff and was told that only ‘corporate’ could resolve it. Since I am graduating soon, I find little worth in dealing with it further. It wasn’t until I mentioned this during a survey conducted by ACICS [ITT’s

accreditor] that all the computers were repaired and working. Now more have broken down, but have still not been repaired. Based on these details, I can only assume that the lab environment is being neglected. Whether or not this is true, five inoperable computers down for such a time is unacceptable. When multiple courses are held on the same day, this room is completely occupied save for five machines and students are leaving saying they will do later since they cannot work now.³⁸⁹

Company emails revealed that in September 2012, students at the Little Rock, Arkansas, campus encountered issues when trying to use the virtual servers for lab exercises. The servers had only 4 gigabytes of RAM, which made them virtually useless.³⁹⁰ Additionally, faculty computers were not being properly upgraded to the required operating system, and labs provided to faculty for classroom instruction at the Little Rock campus often did not work.³⁹¹

A 2012 review by ACICS also identified several issues related to equipment at the Little Rock, Arkansas, campus:

- Faculty stated that students in some of these courses have to reboot servers occasionally, sometimes three to five times over a class period. Depending on the computers and the size of class the process can take as long as 10-20 minutes. Under these conditions in a worst case scenario a student could spend 100 minutes of class time rebooting computers. Another faculty member stated that in some cases when students give a command to a virtual server, they have to wait as long as four minutes before the system is able to respond. As a consequence, students become frustrated with the process and learning is limited.
- • •
- Computer labs used by students in these programs have been upgraded to Microsoft Windows 7 operating system, while faculty computers have not been upgraded and are currently utilizing Microsoft Windows XP operating system. As a consequence, instructors are not able to adequately prepare for classes.
- • •
- Labs provided to instructors for classroom instruction frequently do not work. All faculty members interviewed described examples of non-functioning labs. One instructor estimated that as much as 60% of some labs do not function, requiring faculty to figure out time consuming ways to work around this issue. This results in student frustration and significant amounts of time spent trying to make curriculum work[.]³⁹²

HQ was well aware of these deficiencies outlined by ACICS, but there is no evidence that any meaningful steps were taken to address them.

2. Deficient Faculty Resources and Curriculum Underinvestment

The most cursory review of ITT's educational model shows that its concern for faculty, quality textbooks, and up-to-date curricula was virtually nonexistent. Its focus in these areas was entirely fixed on cutting costs. This can be plainly seen in its attitude toward faculty. ITT rarely supported its instructors with the resources they needed and often resorted to hiring unqualified individuals for the sake of saving money.

Company communications revealed many examples of HQ's indifference to faculty credentials. For example, a 2012 accreditor's report showed that faculty at the Austin, Texas, campus including the chair of the school of information technology, held deficient credentials—facts that were noticeably absent from the 2013 annual audit report for the Austin campus.³⁹³ One example from the accreditor's report states, "[Instructor name] is an adjunct faculty member at the school of Electronic Technology teaching ET315, Electronic Communications System II for the September 2012 term. [Instructor] holds a bachelor's degree in Occupational Education from Texas State University and a master's degree in Education with a major in Adult Education and a minor in Business from the University of the Incarnate Word. No evidence of professor experience or any professional certification was available that could qualify this faculty member to teach for the School of Electronics Technology (based on the accrediting council's requirements)."³⁹⁴

Sworn statements from students also align with this reputation of shoddy instruction:

ITT Tech claimed that it hired quality instructors with experience in the field to teach their classes. However this wasn't always the case. Case in point I had one instructor who was hired to teach video editing. He was a friend of the program chair and was only a camera man for the local news station . . . My instructor did not know anything about editing. So we instead spent 3 months talking about the camera he used at the news station and different camera angles. We never actually used a camera and only used the editing software on a few occasions. We had to use videos pulled off the internet to edit and I actually ended up having to show the instructor how to use the software because I, along with a couple of others, actually had some experience with video editing. Our complaints fell on deaf ears. . . . Overall I feel like ITT did nothing to prepare me for the job market. As is reflected by my job prospects as I left school.³⁹⁵

ITT advertised its teaching staff as experienced and independent, but this was not always true. In order to save money, ITT heavily relied on adjuncts and other part-time teaching staff who generally lacked the independent voice and professional standing usually present in academic departments at more traditional and reputable schools. For example, at a district managers' meeting in May 2012, a mandate was issued to all campus directors to "ensure that adjuncts are covering at least 65% of all sections being taught and that full time instructors are teaching no more than 35% of all sections being taught. You should also ensure that all chairs are teaching two sections"

and “full time instructors must teach six sections[.]”³⁹⁶ By December 2012, Kevin Modany dictated that the ratio of adjunct to faculty sections must be 75% to 25%, writing:

We MUST emphasize to the schools that they need to do this AND they need other FT at 6.0 sections AND adjunct/FT ratio at 75/25%! All three work hand in hand . . . along with maximizing section sizes . . . We have to have this for Dec! No other way around it!!!! Can’t emphasize it enough.³⁹⁷

But even as ITT increasingly turned to a model that relied primarily on adjunct instructors, ITT did not seriously audit or monitor the qualifications of the adjunct instructors. Even though HQ set a policy that adjuncts must have a bachelor’s degree and at least 3 years of relevant experience, it appears there was no actual verification of the qualifications of adjuncts. The national director of career services witnessed this firsthand in 2015, when she audited a graduate employment information form for the Houston North, Texas, campus and discovered that a graduate from an ITT associate’s degree program had been hired to teach an electronics course, after having “been a tutor providing assistance in the absence of an electronics chair.”³⁹⁸ The national director wrote in response, “How is this person qualified to be an instructor? How did she get hired as an instructor without having to update her resume? Is she still driving a bus?”³⁹⁹

Unqualified classroom instruction was an accepted reality, even by ITT’s own staff. As noted by one former employee, “[o]n many occasions instructors have taught classes whereby they were not qualified. Even when this issue was brought to the attention of those in charge, nothing was done to rectify the situation.”⁴⁰⁰

ITT’s short-sighted policies often drove away talented faculty. For example, in 2013 ITT started requiring department chairs to teach at least four courses per quarter to save on hiring costs.⁴⁰¹ This policy inevitably whittled down the teaching staff to the point that, by the end of ITT’s operation in late 2016, students were apparently enrolled in programs with no chairs, no faculty, and no adjunct instructors at all.⁴⁰²

In 2012, ITT also declared that section size “needs major attention from the college management,” because HQ determined “that students in sections of nearly 40 do not drop at a higher rate than those in a lower section size,” and therefore campuses must “manage to the higher section size where possible.”⁴⁰³ This lack of increase in dropouts was apparently enough for HQ to justify increasing class size for the sole benefit of saving money.

Turnover among instructors because of these, and other, harmful faculty policies was obviously very high. In response to one student’s complaint that for a single course he had 11 instructors in 11 weeks, an ITT manager acknowledged: “My first reading of the letter lead me to believe that his having eleven different instructors in eleven weeks was not possible but . . . I do believe that he had 7 different teachers for the class.”⁴⁰⁴

ITT also refused to expend any corporate resources on updating its curriculum. When

it considered adding new programs, it assessed whether the program would “require significant cap[ital] ex[pense] for equipment, improvements, significant lab space” and “programmatically accreditation.”⁴⁰⁵ Instead, ITT chose to offer programs that offered training for jobs where there is “no credential required” but “the training may help” in finding employment.⁴⁰⁶

Kevin Modany illustrated this attitude perfectly in his response to a necessary “curriculum revision” for the nursing program.⁴⁰⁷ After being told that the update would cost \$120 per student, he incredulously spat back: “I hope I’m reading this incorrectly! Otherwise they are too high . . . by about 10X!”⁴⁰⁸

ITT also relied on external vendors to produce the content for its courses. Around 2012, it got into a dispute with its supplier, Pearson. Student complaints were already mounting about out-of-date textbooks:

- **Spokane Valley, Oregon – 2012:** In April 2012, a student complained that textbooks were out of date and did not comport with the actual software being used in class.⁴⁰⁹
- **Hanover, Maryland – 2013:** In August 2013, students complained about “books, lab equipment, and internet speed.” Additionally at issue was the lack of “proper instructions for labs.” There was apparently no resolution, as the campus IT Chair had “taken this issue with the books to HQ last quarter and we are still waiting to hear back.”⁴¹⁰
- **Kennesaw, Georgia – 2014:** An April 2014 complaint about a textbook not matching course material was confirmed by ITT as valid: “The complaint from the Student Survey Response was valid. The Course required a new book, but HQ never changed the curriculum to reflect the content of the new book.”⁴¹¹

In July 2012, it was clear that ITT’s course offerings called for textbooks that ITT’s supplier, Pearson, could not deliver: “These are mainly courses for which Pearson could not produce material. In most cases they were given months to identify material and they told us they did not have material. The minimum development time is 9 months from the date they produce satisfactory materials.”⁴¹²

In September 2012, ITT rolled out its “Intellicourse” project, which was an attempt to save money on textbooks by teaching on tablets.⁴¹³ Concurrently, Kevin Modany directed that there would be no limits for section size in Intellicourse classes.⁴¹⁴

This Intellicourse initiative was plagued by complaints regarding substandard quality and bad technology from the very beginning. The senior vice president of learning technologies reported to Kevin Modany that “we had issues rolling out the tablets (wrong versions of the app installed was one issue) but the main issue appears to be network drops and about 40% of the class had the tablet lock on them and/or drop connection at some point.”⁴¹⁵

In response, ITT hosted a town hall with students participating in the Intellicourse pilot

in October 2012, and learned that there was “frustration over the WiFi issues and the spinning issues we had over the last four weeks” and that students “typically” go to a library or a McDonalds to “find a hot spot.”⁴¹⁶

In December 2012, ITT was still scrambling to fix problems with Intellicourse. For example, a support technician at Canton, Michigan, reported that “starting around 7 pm EST the Intellicourse system slowed down to basically a standstill so the instructor sent them all on break . . . I am guessing that this would’ve been 6 pm Central when those schools started to try to log in?”⁴¹⁷ It was reported to Kevin Modany that “the reason we don’t have the offshore team working on this” is that there was no “support \$” in the budget, and that there was “some sort of performance issue consuming too much server capacity. [A]dditional resources need to be added . . . It should not be stressed at this level of usage.”⁴¹⁸

In late 2012, Kevin Modany was asked about wireless plans and whether ITT could “load local servers with the Intellicourse content and then have the tablets access that content/server while students are in schools (materially reducing the reliance on the bandwidth of the network)?”⁴¹⁹ He responded in the affirmative and said that ITT was “moving forward w/ providing a wireless plan for the student” since “the #1 complaint from our Indy pilot was having to find Wi-Fi sites outside of the school.”⁴²⁰ Always keenly fixated on the bottom line and offsetting costs, Modany answered, “The plan is to provide a plan (yes) but we haven’t figured out how to charge the student for it.”⁴²¹

By January 2013, Modany had had enough and planned to “shut down the Learning Technologies team on or before February 15” to “stop this hemorrhaging” on Intellicourse.⁴²² Modany announced on January 30, 2013, “I’m going to advise [the vice president of learning technologies] that we are shutting down this group as soon as is practical but in no case later than Feb 15. We will endeavor to outsource the development of digital courses to Pearson as a component of an overall curriculum procurement contract.”⁴²³

In September 2013, ITT rolled out “ebooks,” which was the Pearson version of “Intellicourse.” At this point, however, ITT still had not fixed its bandwidth issues, and it included three campuses (West Chester, Pennsylvania; Overland Park, Maryland; and Southfield, Michigan) in the rollout even though these locations had nowhere near the bandwidth necessary.⁴²⁴ ITT eventually, and begrudgingly, had to accept spending some money to upgrade the bandwidth at these campuses, with Modany writing, “While I don’t like paying \$8k at a school that’s already losing money I don’t see that we have much of a choice.”⁴²⁵

C. Student Schedule Bait-and-Switch

Another way that ITT trapped its students was by consolidating its schedules in order to spend the least amount of money on instructors. This meant that ITT made promises upfront to prospective students about a flexible schedule that could accommodate jobs or children, but did not take students’ needs into account once they were

enrolled. As explained by students:

- **Charlotte North, North Carolina – 2015:** “When I first enrolled in ITT-Tech I already had an uneasy feeling about the timing because I was basically TALKED into going ahead because the new quarter was only a week in[.] I specifically said that I work 3rd shift and that it will be hard for me to take evening classes. Well it turns out that these past couple of quarters all I’ve been offered is evening classes. I really feel like once ITT-Tech was sure to get my money then [i]t was like ‘see ya when we see ya.’”⁴²⁶
- **Desoto, Texas – 2012:** “When I first enrolled at ITT Desoto, Texas, location, I made it very clear that I would be an evening student due to my work schedule. Now it seems as though I, along with many others have been switched to daytime classes. When I inquired about the change, I was told that the classes for next term are only offered during the day. This is absolutely unacceptable. I should have been notified long before now (2 weeks prior to next term) about this change. At this moment, the only options that have been made available are to switch to another location, or take the daytime classes. Both options are not viable options for me as I cannot go to another location that’s out of my way; and I am unable to take daytime classes.”⁴²⁷

A letter of resignation from an instructor at the Louisville, Kentucky, campus, emailed to corporate officials, gives a clear look at how student welfare was consistently deprioritized as a matter of principle at ITT:

The majority of our student population is working individuals and desire to acquire a degree to move up or better themselves financially. When classes are cut back and those same students are forced to either quit their job or find other employment in order to take a class to complete their degree and that class is offered one time a quarter and may not be offered for several more quarters, it places an undue hardship on them.⁴²⁸

In early 2012, Modany launched a “curriculum redesign” that would cut costs by moving all general education courses online. Even students enrolled at a brick-and-mortar school would be required to take these courses online, although ITT provided a physical space for the courses. Students would essentially gather in classrooms to watch online lectures. ITT began rolling out this program by identifying all courses at physical locations that had an enrollment of less than 10 students, and moving them online.⁴²⁹ An email from the national registrar to campus directors stated that the new “resident minimum census per course” rule “is NOT an optional exercise; each identified course/section must be offered in blended format.”⁴³⁰

The chief academic officer warned Modany that “we have no guarantee these students have any access to online outside the school,” but the change went ahead anyway.⁴³¹

A primary issue with this change was that online courses were both of lesser quality and often lacked the benefit of convenience, because many students were not able

to watch them from home and therefore still had to come in for “class.” Nevertheless, students were still forced to take them, despite not having agreed to take online classes.

As one 2013 complaint from a student at the Rancho Cordova, California, campus explained:

This is in regards to the forced online courses myself and the other students in my program have had to take in the last couple quarters. My problem is that I NEVER signed up for online classes. I specifically came to ITT because of the on campus Electrical Engineering classes. I do not learn well in an online class, and this attitude around the campus of I just need to suck it up and take the class, doesn't help me. I have a 4.0 at the moment and this online class is threatening GPA. I'm not paying to go to online school! I'm paying to have a teacher in the class room that can teach me, I fail to see how it is my problem that ITT decided to switch programs so there are less people to take the class.⁴³²

Contemporaneous statements from instructors also voiced many of these same concerns about the forced move to online learning, particularly with respect to the lack of educational quality. As shown in another 2013 example from Rancho Cordova, California:

I have several students who are being forced to take online classes when that is **NOT** what they came here to do. Often, the online instructors are not getting back to students or have the ability to correct incorrect questions. I have been working with students who were thrown into an online class at the last minute (they are to graduate this quarter) because of the change to the 'Advanced Strategies' class.⁴³³

In February 2016, a person who had been an instructor at ITT's Kansas City, Missouri, campus for almost a decade sent an email to Kevin Modany and others, writing: “Many Bachelor students are having to take their CAPSTONE class online in 6 WEEKS!! A CAPSTONE CLASS!! This is supposed to show what they have learned the entire time they've been here. If you're going to be turning this into an online school, you need to make sure the students know this!! This is NOT the type of students we have!”⁴³⁴ This complaint was forwarded to HR and an investigation *of the instructor* soon commenced.⁴³⁵

In March 2013, a group of students submitted a complaint describing a similar situation regarding their program capstone being moved online: “This should be a student's choice, not Corporate's. Corporate makes the rules up as they go. This is what I consider poor decision-making. How many people are going to fail CAPSTONE because of these poor decisions. We listen to complaints about saying there is not enough money for things that the students ask for but I see ITT Tech on T.V. spending hundreds of thousands of dollars on commercials. You cut our teachers hours but I see you offering free scholarship services.”⁴³⁶

The following are additional examples of statements and complaints by former ITT students explaining how they were harmed by this sudden move to online learning:

- **Youngstown, Ohio – 2012:** “When I signed on to go to ITT, I inquired about the online classes and whether or not I would have to take any and I was informed that I would not unless I chose to take them. That is one of the reasons I did sign on to ITT[.] I DO NOT do well at online schooling!!!! I require the structured setting in a classroom. I am also paying a great deal of money to your school for my education for you to be doing this to the students. According to your commercials you work around schedules and you can attend day or evening classes. You have already shafted me with my animation class in the middle of the afternoon, therefore making it a day I am unable to work at my job. I work in a hospital and work several different shifts and you are not making it easy on anyone with these new schedules and adjustments, and now you make this online class with lab time in the middle of the afternoon . . . seriously [sic] you need to get real.”⁴³⁷
- **Kansas City, Missouri – 2012:** A student complained about “being forced to take online courses” and stated that he was “failing one as a result of struggling with the online learning environment. He complains that he is a disabled Vet and has an elevated stress level, so he cannot handle being in an online course because of the technical issues he faces. He claims that when he enrolled, he told his program chair and his recruiter that he cannot take online classes.”⁴³⁸
- **Green Bay, Wisconsin – 2012:** A student complained that “he was misled while enrolling at the campus.” He “was adamant [sic] when talking to his enrollment representative, voicing that he did not want to take any classes online” because “he does not work well with computers,” and “he chose to attend the Green Bay campus so that he could physically attend classes . . . [H]is enrollment rep told him he would not have to take any classes online.”⁴³⁹
- **Louisville, Kentucky – 2012:** Student “lives 50 miles away [from campus] and where he lives his internet provider does [not] have the technology he needs to complete his online course.”⁴⁴⁰

The dean at Oak Brook, Illinois also expressed similar concerns, writing to HQ in 2013:

[T]he problem begins when [students] see their schedule and the course is offered on campus and then we get notification from HQ that we have to move the courses they designate to the hybrid/core 6 week format. We call the students to inform them of the schedule and this is when the fun begins. What adds fuel to the fire that this is the bachelor capstone project which involves one or more groups of students working together on setting up a network for a company over the course of 12 weeks and making a presentation to an audience[.]⁴⁴¹

ITT blithely ignored these complaints: “[T]he Catalog states that most of the Gen Ed classes can be taught online at the discretion of the school, so even if no one wants to take the class in the blended format, there won’t be anything they can do.”⁴⁴² Notes from a meeting at HQ described “[p]ush back on online courses” as a “natural effect due to operational change. Nothing to fix—simply let the change go through its course.”⁴⁴³ When a student from South Bend, Indiana, complained in 2012 about being forced online, ITT’s internal response was, “I think she needs a therapist?”⁴⁴⁴

ITT fielded so many complaints from students about this “blended” model that it developed standard response language for such complaints.⁴⁴⁵ ITT eventually landed on a rationale for explaining this cost-saving move when responding to students, telling them that “taking online learning prior to graduation [will] enhance skill sets that one will need for training/retraining in the work world.”⁴⁴⁶ Modany himself reiterated this theme in “town hall” meetings with employees, stating “that employers want employees that know how to learn online.”⁴⁴⁷

When the Ohio Board of Colleges and Schools contacted ITT in July 2013 about the hybrid/blended course model it was implementing at its campuses, ITT’s official response was to “confirm that we provide a clear and conspicuous disclosure of the likelihood that students may have to take online courses.”⁴⁴⁸ At best, this response was disingenuous, given the number of complaints ITT had already received about the bait-and-switch involved in this initiative.

The “blended” curriculum also posed serious operational challenges, because ITT’s systems were not set up to take attendance for resident courses delivered online.⁴⁴⁹ There was an optional in-person session, for which attendance was not monitored. Consequently, ITT could not know who had dropped out of the course.⁴⁵⁰ Only half of the students attended the onsite “lab” session of the hybrid courses, and nobody had been assigned to review or give feedback on the exercises in this orientation lab: “The attached report shows that there were literally thousands of HSP assignments in the March quarter that were not graded, so essentially the students got no feedback in the LMS on these critical orientation exercises designed to contribute to their success in an online environment.”⁴⁵¹

Kevin Modany observed in April 2013, “We need to think about a way to get section synergies but do it via regular delivery because for whatever reasons people are not doing well in these blended courses. If we actually forced attendance at the local level, that might do the trick.”⁴⁵² He chastised employees for “not managing it at the local level,” and deemed complaints about the model “outrageous.”⁴⁵³

In June 2013, the national registrar requested permission to cease creating additional hybrid sections because it was “a manual process prone to error” and was “much more complicated this quarter” because ITT was “trying to keep all students at a campus who are taking hybrid courses in the same sections if possible,” whereas “in the past they were just assigned to a section the same way as online students,” and the “faculty allocation process/optimization process is a hot little mess since it relies on a very

complicated series of spreadsheet with lots of formulas that is prone to human error in the best of scenarios and is worse with the blended section concept.”⁴⁵⁴

But ultimately, the only change ITT made to this “blended” model was to remove its application to courses in the first two quarters of a program of study.⁴⁵⁵ Modany also directed that ITT create a student acknowledgment form that was “automated” “as part of the packaging process that is electronically signed.”⁴⁵⁶

V. SADDLING STUDENTS WITH DEBT

ITT did not have a financial aid system that helped make higher education more accessible for low-income students. Rather, it had a financial aid *scheme* intended to maximize the amount of profit the company could squeeze out of each enrollee that it managed to get through its doors.

A. ITT Profited from Private Loans It Knew Students Could Not Repay

The majority of ITT's revenue came from Title IV federal aid, mostly in the form of student loans.

This heavy financial reliance on Title IV federal funding did have some limits, and ITT continually tested those limits.

The 90/10 Rule

Under a requirement of the 1992 Higher Education Act, known as the "90/10" rule, for-profit schools, like ITT, must show that at least 10% of their revenue comes from sources other than Title IV federal aid. The intent of this rule is to prevent proprietary schools from relying too heavily on federal aid. But one of its unintended effects was to cause ITT to actively seek out alternative or creative financing strategies, such as elaborate "scholarship" program ploys.⁴⁵⁷

ITT's "Champagne Scholarship" was a program that the Senate HELP Report identified as a "front"⁴⁵⁸ meant to improve the company's ability to maintain its compliance with the 90/10 rule. As explained by the Senate HELP Report:

Department of Education regulations dictate that scholarships awarded to a student do not count as Federal financial aid and instead count on the '10' side of the 90/10 calculation, only if the scholarships are awarded by an organization independent of the school. The independence requirement prevents schools from subverting the 90/10 rule by simply recycling Federal student aid money to award scholarships that count on the '10' side. However, several companies that operate for-profit colleges have designed scholarship programs that appear to be awarded by outside non-profit organizations, but in reality the design and control of the programs appears to come from within the for-profit school. In these cases, the money used to fund the scholarship comes from sources connected to the school and the awards are only given to students at that particular school.⁴⁵⁹

This rule also led to unintended and adverse consequences for student borrowers. For example, ITT specifically targeted members and veterans of the military because of the “90/10 loophole,” which classified G.I. Bill funds as counting toward the 10% rather than the 90% of allowed Title IV funding.^{460,461} ITT also compelled students to take out private loans that it knew they were unlikely to ever be able to repay.⁴⁶²

Prior to 2009, ITT partnered with Sallie Mae to create the private loans that ITT would force on its students to ensure its own compliance with the 90/10 rule. ITT’s risk-sharing agreement with Sallie Mae required ITT to guarantee full repayment of the remaining loan balance for all the originated student loans if the default rate exceeded a 24% threshold.⁴⁶³ In Sallie Mae’s own words, the risk sharing agreement’s guarantor provision was intended “[t]o induce [Sallie Mae] to extend credit to ITT’s students.”⁴⁶⁴ Sallie Mae eventually sued ITT for reneging on this agreement, and ITT settled the lawsuit by paying Sallie Mae \$46 million.⁴⁶⁵

Next, ITT began offering “zero-interest, short-term loans payable in a single payment nominally due nine months later, at the end of the academic year[, which] ITT referred to . . . as ‘Temporary Credit.’”⁴⁶⁶ ITT presented this offer as an affordable way for students to cover their tuition balance, as one mystery shopper described being told that any costs above those covered by federal aid “would be covered under a new temporary credit and that I would owe no money out of pocket.”⁴⁶⁷ Another mystery shopper reported that ITT’s financial aid staff told her that any costs beyond those covered by grants and federal loans “would be picked up by ITT.”⁴⁶⁸

However, the company failed to disclose the fact that if students were unable to repay the full Temporary Credit amount at the end of the year—which the vast majority could not do—then they would be forced, under threat of expulsion, into multi-year repayment plans in the form of private, high-interest, high-fee loans.⁴⁶⁹ When ITT converted Temporary Credit into private student loan debt, it removed an uncollectible account receivable from the company’s books and thereby gained non-federal revenue.⁴⁷⁰ ITT knew that many students would be unable to repay these loans, as the company was aware of its inability to collect on its own Temporary Credits.⁴⁷¹

After the money from Sallie Mae dried up, ITT resorted to other creative solutions to its financing problems, including the PEAKS and CUSO programs. The “PEAKS” student loan program, created in 2010, was structured as a trust that sold securities to investors and used the funds to make over \$300 million in loans to ITT students. The CUSO student loan program, created in 2009, was funded by a group of credit unions organized by ITT and made approximately \$141 million in loans to ITT students, lasting until December 2011. In its risk-sharing agreement for the CUSO program, ITT guaranteed the repayment of any delinquent student loans after a 35% default threshold was met.⁴⁷²

Although these programs ostensibly existed through third-party lenders, they were, in reality, entirely under ITT’s control and direction. ITT was intimately involved in every step of the loan origination process for these programs, from their creation and

underwriting to guaranteeing repayment of the loans. The only underwriting criteria for PEAKS, for example, were a student's prior receipt of ITT Temporary Credit and no bankruptcy declarations within the last two years.⁴⁷³

ITT's private loan programs were devastating to students' financial well-being. The PEAKS program, for example, had variable interest rates that could go as high as 25% and origination fees ranging up to 10%.⁴⁷⁴ And the costs to students under the CUSO program were no less onerous, with origination fees that also went as high as 10% and variable interest rates topping off at 18%.⁴⁷⁵

When ITT created the PEAKS trust—which, again, was never a true private loan arrangement, since the company itself retained a significant portion of the credit risk—it “kicked the can down the road by pushing the recognition of credit losses on private loans [for] a few years out.”⁴⁷⁶ This scheme reduced bad debt in the short term but had no effect on the long-term credit exposure of the loans, for which ITT was ultimately, wholly or partially, responsible under the risk-sharing agreements.⁴⁷⁷

By the end of 2012, ITT's management estimated that the company's recorded liabilities associated with risk-sharing agreement (RSA) programs were approximately \$123.4 million.⁴⁷⁸ By Q3 2012, the average 6-month default rate for PEAKS borrowers had hit 62.3%.⁴⁷⁹ ITT tried to conceal these awful default rates by having the company cover delinquent “payments on behalf of borrowers” (a program it referred to by the acronym “PBOB”). The company's sole motivation for implementing the PBOB program was to assure the PEAKS lenders of the program's stability and to avoid its risk-share liabilities.⁴⁸⁰ In fact, ITT had so formalized these extraordinary payments that it even set up a system to send its students Form 1099 tax forms, which required the students to recognize ITT's payments as income:

Form 1099-MISC		<input type="checkbox"/> CORRECTED (if checked)		(keep for your records)	
PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no. ITT EDUCATIONAL SERVICES INC. 13000 N. MERIDIAN ST. CARMEL IN 46032 (317) 706-9200		1 Rents \$	2 Royalties \$	3 Other income \$	4 Fed. inc. tax withheld \$
PAYER'S federal identification number (317) 706-9200		RECIPIENT'S identification number [REDACTED]		5 Fishing boat proceeds \$	6 Medical and health care payments \$
RECIPIENT'S name, address, country, and ZIP or foreign postal code [REDACTED]		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$	10 Crop insurance proceeds \$
Account number (see instructions) [REDACTED]		11 Foreign tax paid \$	12 Foreign country or U.S. possession \$	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no. -----	18 State income \$	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

3 9MISCBI NTF 2577376B Copyright 2013 Greatland/Nelco Forms Software Only

The inherently deceptive structure and precarious financial position of the PEAKS trust and CUSO program resulted in a 2015 action by the SEC, which alleged that ITT had fraudulently concealed the loan program's abysmal performance and extremely high default rates.⁴⁸¹

The high default rates associated with PEAKS were well known to ITT's CEO, who said, "PEAKS is structured differently so as to absorb higher levels of defaults than either SLM [Sallie Mae] or CUSO . . . With CUSO and PEAKS we are reserving now where we are not expecting any improvement in repayment rates (and that's a pretty ugly scenario)."⁴⁸²

These private loan liabilities became inescapable and unmanageable. As Kevin Modany acknowledged in July 2015, the performance of loans in ITT's RSA portfolios had "continued to deteriorate," with their related obligations continuing to "skyrocket[,] placing further pressures on cash flows."⁴⁸³

ITT had a very large incentive to enroll as many students as possible in these private loan schemes. It not only needed these private loan schemes in order to comply with 90/10, but it also needed students to take out these loans to fill the gap between what students could take out in federal loans and ITT's high tuition. Otherwise, students would not be able to attend at all and ITT would not have access to lucrative federal loans that accounted for most of its revenue. This intense, profit-driven pressure is what drove the "boiler room" sales culture that existed at every one of ITT's hundreds of campus-level financial aid offices, where students were pitched a terrible product and squeezed for profit.

B. Selling Loans

Campus-level financial aid departments were essentially sales offices designed to get students to “agree” to whatever financial aid terms and conditions the company presented to them. Financial aid coordinators were tasked with getting student signatures on financial aid forms. There was little pretense at ITT about what the first priority of every financial aid coordinator should be. They were not there to advise students on their best financing options. They were there to do the following:

- (1) Ensure that new students were approved for loans and financial aid as an integral part of their enrollment process.⁴⁸⁴
- (2) Ensure that current students had their loans repackaged (known as “packs” or “repacks”) for subsequent semesters and/or graduate repayment plans. “Repacks” referred to the process of coercing students into continuing financial aid arrangements. Financial aid coordinators were trained to hound students, pulling them out of class, and also “attend[ing] the graduation practice or ceremony” and “catch[ing] the student before it starts to obtain the signature” (in this example, on a Temporary Credit Payment Plan Letter).⁴⁸⁵

Financial aid coordinators were subject to intense “metrics” scrutiny. A former financial aid coordinator described how this sales pressure worked in her department:

FACs [financial aid coordinators] also had to meet quotas set by management, such as a minimum number of students packaged or repackaged with financial aid by a certain deadline.⁴⁸⁶

ITT financial aid offices followed the same “boiler room” model as ITT recruitment offices. Financial aid coordinators were told that “finance must be sold in appointment[s] just like the school is sold in the initial meeting with [the] rep.”⁴⁸⁷ ITT’s national finance director at HQ impressed upon the campus-level directors of finance the importance of financial aid coordinators having sales acumen, writing: “I would recommend that if the student reads the disclosures and is ‘afraid’, then the rep needs to **reclose** the student with the return on investment information.”⁴⁸⁸

ITT’s enrollment and financial aid processes worked hand-in-glove, by design. First, a recruiter would make an aggressive and targeted sales pitch, followed quickly by a meeting with financial aid. Recruiters and financial aid coordinators worked closely together to ensure that potential students signed their enrollment agreements as quickly as possible, which was always a prerequisite to meeting with the financial aid staff, a tactic that made it harder to back out by the time they were discussing financing with a financial aid coordinator.⁴⁸⁹

The description of a former ITT recruiter captures the closeness of these two departments:

When recruiting students, it was common for representatives to stay in the room with students for their financial aid appointments. In the course of my work at ITT, I witnessed many financial aid appointments. I regularly sat in on students' financial aid appointments when they were in the process of enrolling or re-enrolling at ITT.⁴⁹⁰

This former ITT recruiter went on to describe the effect of the quota system and how it made the enrollment process, including enrollment in financial aid, a rushed, uninformed blur for the student:

In large part because of the quotas and deadlines set by ITT management, representatives and FACs [financial aid coordinators] faced tremendous pressure to move students through the enrollment and financial aid processes quickly and ensure that documents were electronically signed even if the students did not understand what they were signing or did not agree to sign.⁴⁹¹

The sales methods and priorities of financial aid coordinators were the direct result of HQ's control and directives. The former director of finance of the Phoenix, Arizona, campus confirmed this connection, explaining:

[A]ll of these methods of control were focused on making sure financial aid staff was able to alleviate any and all student worries about cost and break down any financially related opposition to enrolling. The main technique for doing so was to present everything as manageable – emphasizing the financial benefits of schooling when all else failed – and rushing students through the process so that they did not have enough time to develop concerns.⁴⁹²

Meetings between financial aid coordinators and prospective students were intentionally rushed. Financial aid coordinators were not paid to provide students with correct information—their job was to make quotas and numbers, and this was only possible if meetings with prospective students were concluded as swiftly as possible.⁴⁹³ A former director of finance stated that “ITT’s policy was that students should sign all forms within one hour of first meeting with a financial aid representative.”⁴⁹⁴ As explained by another former director of finance: “Financial aid staff knew that the longer it spent with each student, the less time it would have to sign other students up for loans. So sessions were as short as possible. I was trained—and trained others—to keep sessions under one hour.”⁴⁹⁵

Another former ITT employee described this hurried process in the following way:

It was common practice for FACs [financial aid coordinators] to scroll through financial aid documents very quickly, telling the student “click here, click here,” without explaining what document the student was signing and without explaining the terms, conditions, or significance of e-signing the document. For example, I often watched FACs open

a private loan agreement, quickly scroll down to the bottom of the document without giving the student a chance to read or review the document, and instruct the student to “click here” to e-sign the document.⁴⁹⁶

The following statement, given under oath by a director of finance for two of ITT’s campuses, illustrates some of the methods the company used to keep students purposefully uninformed about their financial aid:

ITT Tech also had an ongoing practice of creating new forms that students would sign to make it look like students consented to any number of fishy practices . . . HQ would develop forms that students had to sign to consent to the program and would train Directors in how to describe the form and when during the pitch the form should be presented. I believe that at least half of students had no idea what they were signing when such a new form was presented. In fact, I was always trained to tell students not to worry about the details of the form because everything would be fine.⁴⁹⁷

Training documents provided sales scripts for financial aid coordinators to convey a sense of urgency to the student: “It is important that we schedule [your financial aid appointment] as soon as possible so that you can learn what financial aid options you may qualify for,” and “[w]e strongly recommend that you return within three days to learn what financial aid options you may qualify for.”⁴⁹⁸ Sometimes ITT’s financial aid coordinators took this urgency to an extreme level. A 2005 email to HQ reported a complaint from a potential student that a financial aid coordinator “was rude to him and called him a liar when he told him that he was still investigating other school [sic] . . . [and] tried to pressure him into coming in to fill out the financial aid paperwork, and yelled at him for not calling him back quickly enough.”⁴⁹⁹

ITT trained financial aid coordinators to downplay students’ valid financial concerns and instead insistently sell ITT’s (fictional) value. A broadly disseminated ITT training document, for example, addressed what to do if a student expressed the concern that “I really don’t think I can afford college” or “I don’t have very good credit.”⁵⁰⁰ This training document instructed financial aid coordinators to simply continue asking open-ended questions and assure the student that “we’ve worked with students before who have felt the same way, until they found out more information about what is available to them.”⁵⁰¹ The document goes on to characterize affordability as an apprehensive “feeling” of the student’s rather than a factual reality, which the financial aid coordinator is directed to overcome with deflective segues and broad assurances.⁵⁰²

One former director of finance stated that representatives were “trained” to make loans sound like a favor to students, and that they should continue to frame them as something “great” that ITT was arranging for them to reduce their short-term, out-of-pocket expenses.⁵⁰³

A former academic dean at ITT explained:

ITT had a policy that financial aid counselors could not give students, or prospective students, their loan obligation information printed out, and instead required students to read and e-sign documents only after looking at them on the counselor's computer screen.⁵⁰⁴

Mystery shoppers reported being rushed through e-signing documents, such as credit check approvals and authorizations to request transcripts, without understanding what they were signing. The most common theme in these descriptions was the absurd speed with which financial aid coordinators would rush students through financial aid appointments, as documented by the Consumer Financial Protection Bureau:

The whole meeting went so fast (the [financial aid coordinator] talked very quickly) that it was hard to understand what was going on . . . It was a challenge to keep up with [the financial aid coordinator's] pace, as she was very quick explaining things, and very fast on the computer. There were a few times where I just stopped her and asked her to please explain what she had just said.⁵⁰⁵

Additional sworn statements from students confirm the widespread occurrence of these rushed signing practices:

- **Nashville, Tennessee – 2008-2012:** "The loan paperwork was force-fed to me without the opportunity to read through it. There were a few times that I was told that what I was signing was grant paperwork, yet I now see that the 'grants' they some of were private loans that are set at an 18% interest rate."⁵⁰⁶
- **Durham, North Carolina – 2013-2015:** "I was originally told that my loans would be processed once a year, I was not told that they were processing multiple loans per semester during the once a year occurrence. I thought I was signing for 'x' number of loans for the entire year, not 'x' number per semester."⁵⁰⁷
- **Arlington, Texas – 2009-2014:** "They understated the number of loans and the amount of each loan necessary. I had reached a maximum capacity for a certain amount of loans, so I had to have a parent co-sign for a 'Parent-Plus Loan', and my parent is now having to pay over \$500 a MONTH for MY STUDENT LOAN. If payments cease it will jeopardize their government job which is supporting our entire family. They also referred to federal and private loans [as] one in the same."⁵⁰⁸

For ITT, the most crucial part of enrollment was ensuring that financial aid got processed: there was no company revenue without it. To that end, ITT encouraged its employees to do whatever it took to sell financial aid as hard as possible, which meant keeping things very brief and keeping students uninformed.

C. ITT Actively Misrepresented its Cost of Attendance

ITT's rule was to never actually tell a prospective student the true, full cost of attendance. Instead, the company directed enrollment recruiters and financial aid coordinators to give this information piecemeal, answer evasively, and avoid stating the actual, total cost.

The Cost Summary Payment Addendum was a key financial disclosure form that had to be completed by all prospective students. The Cost Summary Payment Addendum explained the student's costs, expected types of financial aid, and expected disbursement dates and amounts of aid for that academic year.⁵⁰⁹ However, ITT strove to make this document unreadable and even unfindable, often burying key figures and facts in dense legalese. ITT financial aid coordinators never sat students down and walked them through this document. Usually, they would simply refer them to the website where it was hosted.

The following sworn statements from former students explain what it was like to be pushed through this system without full knowledge of the cost of attendance:

- **Murray, Utah – 2004-2009:** "I was told it would cost me \$40,000 and my payments would be about \$400 a month for 10 years to get paid off. When I graduated I found their stacks of dozens of loans added up to almost \$100,000 and they even tacked on extra stuff after I graduated."⁵¹⁰
- **Tempe, Arizona – 2006-2008:** "I was repeatedly told that the cost was 100% comparable to other universities such as ASU. That my total cost would be about 17k. Come to find out that it was over 20k per year which was conveniently left out of the enrollment conversations."⁵¹¹
- **Duluth, Georgia – 2012-2015:** "They did not give you the total cost for the program. They would pull you from your class at the time for the semester re-registration for the loans and just told you to sign here, here, initial here. They said I qualified for grants because of my grade average. But I am not sure how that worked. I was not shown the complete cost of my student debt to the school until my final semester when they told me I had to pay out of pocket because I had exceeded the amount of the school. I was so upset and of course this was my last semester, I signed whatever they told me to finish. They said that you would be taking a private loan and just pay it back after I graduate. I was at no time advised I had reached or was about to reach my student loan cap. Due to the various grants and programs that were offered and because of my GPA being above the 3.5 they said I qualified for so many grants which would have then reduce my loans. This was very difficult to understand and not explained. My grants seemed to continue on like my loans."⁵¹²

Internal emails also reveal that it was policy not to walk students through the Cost Summary Payment Addendum during the enrollment period, with one campus-level employee in 2011 asking HQ: "I was going over this verbiage and I just had a quick

questions [sic]. I was not aware that we were supposed to walk the student through the CSPA [Cost Summary Payment Addendum]? This is a FA [financial aid] document that is populated after the EA [enrollment agreement] is signed by the student as well as rep. I did not think the FAC [financial aid coordinator] could go over CSPA with student prior to the e-sign of the EA.”⁵¹³

A former director of finance instructed financial aid coordinators to avoid showing students the expected charges over the entire program and instead “break it into bite-size pieces,” only showing the costs of nine-month increments, or quoting the cost in terms of credit hours rather than the overall cost of the program: “When it came time to present the cost of attendance, we were trained to break it into ‘bite-sized pieces,’ only showing the cost per 9 months . . . [W]e [also] never showed the cost without including information about eligibility for loans and grants.”⁵¹⁴ And this was clearly long-standing corporate policy: in an October 2004 internal email to HQ discussing a complaint that a student’s family had not been informed about the total cost of the program, the manager noted that “back then the student was actually given a better picture of the whole program than they are today, since now we only do 9 months at a time.”⁵¹⁵

A former Arizona-based director of finance explained: “I was trained and I trained others to focus on how ITT was helping students ‘reduce out-of-pocket costs’. As such, each loan we introduced was meant to sound like a favor to students: we were helping them cover the cost of their education. . . . Temporary Credits, in particular were meant to be treated as if they were not even loans.”⁵¹⁶

Mystery shoppers frequently reported that financial aid coordinators would misleadingly state that any costs above those covered by federal aid “would be covered under a new temporary credit and that [the student] would owe no money out of pocket,” and that any costs beyond those covered by grants and loans “would be picked up by ITT.”⁵¹⁷ A common line used by financial aid coordinators on students who were apprehensive about how much debt they would be taking on by enrolling at ITT was: “nobody pays back the loans anyways.”⁵¹⁸

ITT representatives, however, were quick to disclose the true cost of attendance after a student expressed an interest in *leaving* ITT. HQ instructed staff to scare these students into staying by revealing the true extent of their repayment obligations and emphasizing that only by staying enrolled would they prevent this debt from becoming immediately due. A former ITT dean described this strategy as “keep[ing] the student’s financial aid ramifications in front of their face” and said that this scare tactic was also frequently used to pressure students to stay enrolled after completing their associate’s program and continue onto a bachelor’s program at ITT in order to delay their repayment obligations, as discussed in the next section.⁵¹⁹

D. ITT Misrepresented Its Temporary Credit Program and Private Loans

ITT never fully explained the nature of its Temporary Credits system, how those “credits” became private loans, and what the terms of those loans were.

In a 2009 training presentation, financial aid coordinators were directed to “create a sense of urgency without scaring the student” and “present all options. Yes, this means (pushing) Temp Credit!”⁵²⁰

ITT had minimal qualifying criteria for Temporary Credit eligibility. Usually all that was required was a financing fee of \$500 and a lack of bankruptcy during the previous two years. As described by a national director of finance at HQ: “The object of the \$500 payment is that the DOF [director of finance] can check a box that says they are eligible for the TC [Temporary Credit]. So when the student applies for a private loan, the private lenders will give the student a private loan based on the TC flag attached to the student’s name.”⁵²¹ This same finance director at HQ directed staff to use the word “funding” to describe Temporary Credit to students, in order to hide the fact that it was a loan that would eventually have to be repaid.⁵²²

Despite these minimal eligibility requirements, there is evidence that financial aid coordinators were regularly, and improperly, enrolling students in the Temporary Credit program who did not technically qualify, since these enrollment quotas were key numbers that HQ used to measure the performance of financial aid coordinators. In an email exchange⁵²³ with the director of finance at the Clovis, California, campus, an HQ-level finance director informed the campus’s director of finance that a report of these improper enrollments had been compiled, but assured the director of finance that no action would be taken to correct the enrollments or discipline the financial aid coordinators involved, stating: “I was told to share the information. I wouldn’t worry about the past; I would just make sure going forward that this doesn’t happen.”⁵²⁴

A former director of finance from another campus also attested to the prevalence of students being enrolled in private loans despite lacking the necessary financial credentials and credit qualifications, recalling: “I also raised concerns about particular students who were enrolled despite . . . being in deep financial difficulty. I was told that in no uncertain terms that I was ‘overthinking things’ and that I was stepping outside the boundaries of my position.”⁵²⁵ Financial aid coordinators were essentially rewarded for ignoring the already bare-boned Temporary Credit enrollment standards.

ITT was barraged with student complaints about this issue, as well as queries from campus-level financial personnel on how to handle these complaints. The following examples illustrate their similarity and frequency:

- **Phoenix, Arizona – 2009:** An undated letter from the campus director of finance to HQ requested direction on how to handle a student who enrolled in March of 2009 and “feels that we misrepresented his Financial Aid options,” because “the

FAC [financial aid coordinator] told him that no private loans would be over 7 to 9 percent . . . [and he] felt that he was basically lied to in order for ITT Tech to get him to start the program."⁵²⁶

- **Nashville, Tennessee – 2010:** The director of finance at the campus requested guidance by email on how to handle a student who was “not happy with the interest rate with Peaks.” The director of finance then followed up to say that the “student refused to speak with me” and “hung up” on the financial aid coordinator who advised him to contact HQ. It is telling that the director of finance described HQ’s (unsatisfactory) response as “an explanation previously used to explain the options,” indicating that problems with students’ expectations of the Temporary Credit program were common enough to merit a canned answer from HQ.⁵²⁷
- **Fort Wayne, Indiana – 2010:** In another 2010 email, the campus’s director of finance asked HQ what to do about a student refusing to take a PEAKS loan, writing that the student and his mother “claim to have had issues in the past, having been misinformed about the TC [Temporary Credit] program.” The student “claims that he was told that when he graduates,^[528] his TC balance would be set up with payments.”⁵²⁹ The director of finance even admitted that “since we don’t have students sign anything indicating they must apply for a private loan, it’s basically his word against ours.”⁵³⁰

In response to a student at the Austin, Texas, campus refusing a PEAKS loan due to the high interest rate, an HQ director rhetorically asked, “What was the student expecting? A free loan now that we have a loan program for which he qualifies?”⁵³¹

1. Keeping Students in a Cycle of Debt: Associate’s-to-Bachelor’s Pipeline

ITT had concerted marketing and recruiting efforts dedicated to compelling students to remain enrolled at ITT after completing their associate’s degrees. They would pressure students to reenroll for more expensive programs of little value in order to squeeze every last bit of profit from them.

Internal company documents reflect this priority, with one example from 2009 listing an initiative for career services to “Market Bachelor [degrees] to unemployed AS [Associate] grads”⁵³² as both a solution to low employment among graduates and a way to sustain retention rates and ultimately increase profits for the company.

A 2012 complaint from a computer and electronics student in Lathrop, California, shows how ITT applied this pressure to students:

[C]areer services . . . dangl[ed] the great new jobs available for people if they enter the bachelor’s degree program. With finger pointed towards the students who could not attend the bachelors program for one reason

or another. I heard statements like (“None of the electronics companies are hiring A.S. Grads, Sorry”). That isn’t what you said last month; you said they wouldn’t hire us until we finished the A.S. program! Career services themselves also make very little effort making jobs available to anyone until they have finished the A.S. as a prerequisite. Then they follow through with a grand slam of how the companies only want B.S. students. Having talked to a few of my classmates I can say that for the most part, we feel ripped off. I remember being sold on the idea that job availability and higher wages were something you could almost guarantee after two years at ITT. I heard nothing even remotely sounding like the benefits only apply if you finish a B.S. degree program.⁵³³

This student went on to explain how this pushy sales attitude of forcing students to stay on after completing their associate’s degrees helped him see just how much of an overall fraud ITT was:

I don’t feel lied to by any one person either; it’s the attitude of the whole administrative staff, or at least the ones receiving recruitment incentives. My opinion is that no matter what the statistics say about unemployment, or potential income . . . it gets hard to see through the smokescreen of gorilla sales tactics. It’s more likely to make us wonder just how bad we screwed ourselves investing our educational dollars at ITT-Tech as well as how naive we are to have put our trust in believing that as educator’s you are dedicated to protecting what is in the best interest of your students, and not the almighty incentive dollar.⁵³⁴

Meanwhile, official feedback to recruiters included comments and directives applauding their focus on targeting associate’s students for reentry in bachelor’s programs, with one example from the Torrance, California, campus in 2014 stating: “He is also working on enrolling his students from AA to BA programs.”⁵³⁵

E. “Repackaging” Students Already on the Hook

Similar to the rushed, pressured tactics used on new students, financial aid coordinators forcefully pressured already-enrolled and graduating students into repackaging their loans (also called “repacking” or “repacks”), including their Temporary Credit issued by ITT.

ITT’s Cost Summary Payment Addendum included a section⁵³⁶ that referred to a 0% annual rate for its Temporary Credit program, which was deceptive. Although Temporary Credit balances themselves did not accrue interest, the private loans into which Temporary Credits were eventually rolled through repackaging absolutely did. And, critically, students were never told that this would happen. This was the undisclosed reality of Temporary Credits: they were no-interest loans only until the date they came due, nine months after enrollment, payable in a single lump sum. ITT knew that virtually no student would be able to pay back the Temporary Credit on those

terms. It was at this point that ITT would inform the student of these key details and then force them into a repayment plan through high-interest private loans. This was a primary way “repackaging” worked.

If students objected to the private loans that resulted from the repacks, financial aid coordinators would simply tell them that if they refused to comply they would have to pay any outstanding Temporary Credit, as well as the next year’s tuition gap, out-of-pocket—which, again, virtually no student could afford. Or the student would have to leave the school in the middle of their program and forfeit the time and money they had already invested.⁵³⁷

ITT made it abundantly clear to its financial aid coordinators that they were salespeople who had to meet their quotas—both initial loans and repacks—in order to keep their jobs. The company valued financial aid coordinators who could get students signed up for financial aid quickly, efficiently, and without protest or delay from the student⁵³⁸:

There was enormous pressure on me and the other representatives and financial aid coordinators . . . to make sales calls, enroll students, complete financial aid packages, and get students to attend an ITT class. This pressure was relentless.⁵³⁹

HQ provided financial aid coordinators with strategies for how to best mollify students who became understandably upset after learning that they were effectively being forced into private loans, like PEAKS. One such directive recommended that financial aid coordinators “just explain that you have a new private lender to use” as a way to finance the rest of the student’s education.⁵⁴⁰ In an August 2010 email directive to the director of finance at the Corona, California, campus, ITT’s national finance director at HQ offered the following platitude as a response to predictable student concerns over being forced into high-interest private loans: “If the student complains about the private loan, remind them that their education is not ‘free’ and that temporary credit is just that . . . ‘temporary.’”⁵⁴¹ HQ also directed financial aid coordinators to remember the list of “comments to avoid,” including any discussion about student default rates.⁵⁴²

A former ITT student, who attended the criminal justice program from 2006 to 2010, gave a sworn account of the high-pressure repackaging sessions that students were constantly subjected to, writing the following:

I was never explained any of the loans and many times I was pulled out of class to rush through more paperwork, even being told just sign it or you can’t go back to class. . . . They pulled me out of class 3 weeks before graduation and told me if I did not sign some documents I would not be able to graduate. I asked what was it, they replied unpaid debt to ITT, I asked for what and wanted the information. They refused and continued on that if I did not sign that I would not be able to return to class and would not graduate. I signed the paper to find out it was a Peaks loan with an interest of 18%. Never once would anyone explain anything to me about the loans.⁵⁴³

HQ directives stated clearly that a “student may be admitted to class only with a Finance Department signature.”⁵⁴⁴ And if there were outstanding issues, financial aid coordinators were to “call students at home [and] follow-up with [a] letter.”⁵⁴⁵

One training document issued by HQ in 2011 suggested that a good “opportunity to collect from the self-pay student is to request payment when students pick up their textbooks each quarter.”⁵⁴⁶ HQ instructions to financial aid coordinators also included directives to “partner with Acad[emic] Affairs to ensure quick access to students” and “target more difficult repacks at the beginning.”⁵⁴⁷ These directives also cited the importance of hitting “weekly goals for [finance] reps.”⁵⁴⁸

A former vice president of finance described these tactics as “leverage.”⁵⁴⁹ One financial aid coordinator emailed an instructor to “make sure that [the student] will come to see me or anyone in Financial Aid tonight if he shows up for your class.”⁵⁵⁰ The financial aid coordinator also mentioned that “for the past several weeks, I’ve left messages for [the student] at home and also sent call slips to his classes.”⁵⁵¹

Excerpts from contemporaneously recorded student complaints contextualize the confusion and harm of ITT’s repackaging machine:

When the representative for the school gets you to sign for the loan every quarter, the total cost was never disclosed. No copies were given. I didn’t find out how much I owed until after graduation. Then I had to fight with my employer to get a raise because they do not accept ITT degrees because it’s not properly accredited. I have co-workers that were recruited to ITT and can’t get their pay increase for the same reason.⁵⁵²

One director of finance described the repacking process in the following way: “As for repackaging students for loans after enrolled, it was meant to take as little time as possible—fifteen minutes at the absolute most. At the Murray [Utah] and Phoenix [Arizona] campuses, we pulled students out of class to sign their forms.”⁵⁵³

The following sworn statements from students typify the prevalence of these pulled-out-of-class tactics:

- **Oxnard, California – 2003-2007:** “Usually to sign up for more loans they’d pull me out of class, and we’d go into a small room. There they’d set out a folder with a bunch of paperwork and tell me to sign it or I can’t go back to class. It was always a very high pressure situation. Questions would be easily dismissed or they’d change the topic and never actually answer my questions. The difference between grants and loans was never explained to me either. From the info I did manage to get out of them I was under the impression that they were the same thing just one was issued from the government and the other was issued from a government lender. While signing documents they were usually in a folder with little post it notes telling me where to sign, they would rush me through the entire thing never really giving me a chance to read through it or even understand what I was signing.”⁵⁵⁴

- **Ft. Lauderdale, Florida – 2004-2007:** “Halfway through my studies, they pulled me from class and told me that I had to fill out some forms to continue my education, otherwise I would be dropped from the program. They didn’t tell me that I was signing up for high interest private loans. . . . If I knew I would be signing up for private loans with a 9.25% interest rate on them, I never would have done it. . . . Administration would not disclose my current loan balances during my enrollment at ITT Tech.”⁵⁵⁵
- **Omaha, Nebraska – 2005-2008:** “The student loan process during my time at ITT was terrible. During no time was I made aware that I had other options for a student loan servicer. My only option for borrowing was through Sallie Mae (now Navient) and the rates were dictated by Sallie Mae as well. Similarly, on one occasion what I thought was a Federal student loan was in fact a private student loan. That loan came with a 10% interest rate that was non-negotiable if I wanted to continue with my program. When I mentioned that the rate seemed inappropriate I was told my other option was to come up with the ~ \$6,000 for the next semesters tuition or risk not finishing my program. Another piece of the process that was bothersome was the fact that the individuals in the finance department would pull you out of class to have you sign student loan documents thereby guaranteeing you would quickly scan through and sign the documents in an effort to get back to class without missing much.”⁵⁵⁶
- **Norwood, Ohio – 2006-2009:** “When I first started signing papers I was told the total amount for my degree would be 24k to 26k. I thought it was pricey but from all of the misleading nonsense they kept feeding me about we would get more attention than someone who attended a different college I was okay with it. A couple semesters before graduation they started pulling us out of class, usually during a test or exam and told us that we could not return to class or graduate until we signed this paper. I was not told what the paper was that we signed. Just that we had to sign it. I was more concerned with going back to class and finishing my test. Little did I know I was signing papers to give them permissions to take out high interest private loans. If I would have known what I know now I would have never gone to that school. I was young and just out of high school listening to their crap about how I was getting a quality education.”⁵⁵⁷
- **Henderson, Nevada – 2007-2012:** “When I wouldn’t sign some of the loan paper work, they pulled me out of class into financial aid office and explain that if I don’t sign the loan paper I would be drop out of school. I did not know how many loans I have ‘taken’ out until I applied to purchase a home and was denied a mortgage loan because of my student loans. They did not explain the difference between a Pell grant, subsidize, unsubsidized, federal, private, or any other types of loan was.”⁵⁵⁸
- **Green Bay, Wisconsin – 2005-2012:** “Throughout my entire enrollment at ITT Tech, I would randomly be pulled from class by some in the finance department

to come in and 'update my student aid,' which typically involved them pushing me quickly through a few signatures, assuring me that it was just a quick protocol to make sure I wasn't kicked out of school for not having financial aid. They would push approximately 4-5 students through this in about an hour. I never received anything in regards to overall accumulated debt, but rather a form showing the cost per credit hour, and showing that I had enough loans available to cover my costs."⁵⁵⁹

- **Louisville, Kentucky – 2010-2012:** "The entire payment process was a blur. They would randomly pull you out of class and say that [your]loan wasn't going to cover what you still needed and that you would need to take out another loan. At one point the loan adviser told me my payment to them personally would be around \$230 per month and if I wanted the payment lowered I could bring in a few thousand in and she would place it in her desk drawer. I declined on that generous offer."⁵⁶⁰

The repackaging machine at ITT was just one more example of how students there were treated as targets to be exploited for corporate profit. Repackaged loans meant more revenue for the company, which is why employees were pressured to get students to "agree" to them at all costs.

F. Forging Financial Aid Documents

ITT's systems not only allowed for, but tacitly encouraged, financial aid employees to falsify loan documents. An Alabama-based director of finance confirmed that the constant pressure on financial aid coordinators directly translated into undue pressure on students as well as "rampant corner-cutting and outright fraud."⁵⁶¹ For example, some financial aid coordinators inappropriately retained student PINs that were required for accessing and approving their federal financial aid forms, and used these confidential identifiers to sign student forms without their consent or knowledge.

Internal emails reveal how ITT officials would discuss and "troubleshoot" specific instances of flagrant wrongdoing in loan paperwork. The following is an example from a 2005 email between company officials at HQ:

Per our earlier conversation, I told the Indy student (the one we applied for a loan for without his permission) that we would not compensate him monetarily for the mistake, and he told me that there is a law prohibiting businesses from doing this and that the fines attached to such an activity are more than what he is asking for as compensation (he wants at least \$1000). I've spoken with [HQ Finance], and he says that he isn't aware of the law the student is referring to, but feels that if there is such a law, perhaps we shouldn't dismiss his refund request so quickly. Is this something I should run by [HQ employee], or should I prepare the close letter denying his request for monetary compensation as we discussed?⁵⁶²

A director of finance at the Bessemer, Alabama, campus attested to this practice of e-signing on behalf of students, stating that “if a student did not come in for an appointment with financial aid, it was common for financial aid staff to fill out the forms and e-sign on behalf of the student, without their knowledge. This would also happen for parent borrowers.”⁵⁶³ In another example, this director of finance recalled:

In one instance, I brought a stack of papers to [redacted], who was Campus Director at the time. The papers showed that the financial aid office was making mistakes and even committing fraud with respect to student accounts. His response was unconcerned, and he advised me that so long as we didn’t get caught, everything was fine . . . [This campus director] was subsequently promoted to District Manager.⁵⁶⁴

This practice is substantiated by the documented observations of mystery shoppers, including in the following 2010 account from a mystery shopper at the Greenville, South Carolina, campus:

[The financial aid coordinator] asked for my social security number and if I knew what my US Dept. of Education pin was. Although he did not directly ask me to tell him what the pin was, this question made me uncomfortable as it was a roundabout way of asking for it. I lied and said I did not. He asked me what my favorite color was (the security question to reset the pin) As I was uncomfortable, I stated that I would pay for it. [He] said that if I changed my mind to call him.⁵⁶⁵

Kevin Modany was personally aware of mystery shopper findings of PIN misuse and other improper practices by financial aid departments. For example, a 2013 email forwarding such findings to Modany from the Green Bay, Wisconsin, campus reported the following: “I was rushed through the process, and she had me enter my pin and quickly put her school code into my FAFSA [Free Applications for Federal Student Aid], which I now have to correct. She did not ask permission or give explanation. Once I entered my pin she took over and updated my FAFSA with her school code. I found it very unprofessional and disconcerting as this is my FAFSA that I am legally accountable for.”⁵⁶⁶

Another mystery shopper report, dated September 2, 2011, and related to ITT’s campus in Mobile, Alabama, detailed exactly how recruiters would rush through enrollment and sign documents without students’ knowledge or consent:

I saw briefly on the computer screen and asked her to wait because I wanted to see what it said. I said again let me see. She reluctantly slid the mouse to me. I asked her why it said I (unknowingly) signed forms electronically, because I stated multiple times that I had not decided however if and when I had I preferred to take care of transcripts and financial aid myself. She said she was trying to help and it was the only way she could give me the test to help push me through. I found the page she skipped over and it stated that I electronically signed High

School/GED certification, Transcript Authorization, School Catalog & Handbook, Graduation Information Agreement, all dated and timed to the second between 2:33pm and 3:04pm. This time is exactly an hour ahead of our time. She ended up getting her supervisor because I told her I wasn't leaving without copies of the forged forms. Her boss told me they couldn't print them because they send people to spy on us, however she could remove my signature. Then she stated ITT needs a wet signature for it to be valid. I told her feel like they are being deceptive. I left with copies of the forms she initially told me she could not print that my electronic signature was fraudulently placed. Financial aid forms were dated for June 2011, however record request & registration documents were time stamped an hour ahead. I am absolutely astonished how they are attempting to cheat, lie, and fraudulently mislead individuals.⁵⁶⁷

ITT's own audits also showed students' Cost Summary Payment Addendums not being signed, with one example from the 2011 audit of the Salem, Virginia, campus noting, in part, that two out of 14 "CSPAs [Cost Summary Payment Addendums] included manual changes which students had not initialed."⁵⁶⁸ Another audit, from Atlanta, Georgia, in 2010, found that of 22 files reviewed, there were 16 FAFSAs that were signed by a financial aid coordinator or a director of finance as the "preparer," with student signatures entirely lacking.⁵⁶⁹

Financial aid coordinators also misused ITT's student portal, known as SmartForms. This portal system contained students' enrollment documents and financial aid paperwork, including FAFSAs, Cost Summary and Payment Addendums, and ITT's private loan documents, among other documentation.⁵⁷⁰ ITT employees misused SmartForms to approve financial documents without students' consent or knowledge.⁵⁷¹ As described by a former ITT recruiter:

ITT employees could log into their SmartForms account through the administrative side of SmartForms and, through that employee account, change the email address on file for the student. If the ITT employee substituted his or her own email address, and then clicked on the "Forgot ID/Password" link, Smart Forms would send an email containing the student's user ID and password to the ITT employee's email address . . . After obtaining a student's user ID and password, the ITT employee could then use that information to log into the student's Smart Forms account and electronically sign the student's documents.

. . .

Between 2008 and 2014, I personally witnessed ITT employees logging into students' Smart Forms accounts using students' user IDs and passwords, and e-signing enrollment and financial aid documents for students when the students were not present. I believe the employees did this without the students' knowledge or permission.⁵⁷²

Another example from 2010, documented through internal emails, showed how a financial aid coordinator from the Columbia, South Carolina, campus was terminated because another financial aid coordinator “personally observed [redacted] provide a student password and e-signed a student loan document for a student. Ms. [redacted] indicated there have been several other instances where Ms. [redacted] had the student’s private password ([financial aid coordinators] should not have student financial aid PIN or password information).”⁵⁷³ In reference to the same terminated financial aid coordinator, a student reported that “she does not remember applying for the loan” and she “has not e-signed the loan.”⁵⁷⁴

In fact, ITT had evidence of financial aid coordinators forging loans documents as far back as 2002. In 2016, a former student who first enrolled in September 2002 at the Wilmington, Massachusetts, campus reached out to ITT, stating that they “should not be responsible for [their] loans because [their] private loan documents were forged by the FAC [financial aid coordinator], and [they] had to withdraw because after [the] FAC was terminated for forging documents, [they] needed to get another co-signer or pay out of pocket for balance and [they] could not find another co-signer or afford monthly payments.”⁵⁷⁵ ITT confirmed that the financial aid coordinator that was working with the student had been terminated for forgery.⁵⁷⁶

One director of finance explained how outright fraud was made far easier with the introduction of e-documents and the SmartForms system. She explained that, “once enrollment agreements were signed electronically, Administrators could easily scroll past the total cost along with all of the other fine print, verbally explaining the form to students in a way that reduced worrie[s] and discouraged them from reading it.”⁵⁷⁷

This particular design element of the SmartForms system was documented and known by HQ as a viable path for recruiters and others to falsify student records. An internal memo from the compliance director to other HQ officials indicates that ITT had knowledge as early as 2008 that “representatives have access to SMART Forms and regularly manipulate email addresses in the form in order to have passwords sent”—although the memo claimed that representative did this “in order to assist students who cannot locate their passwords.”⁵⁷⁸

A corporate email, dated May 2011, describes how employees at the Tallahassee, Florida, campus would outright defraud students through a misuse of SmartForms:

Student . . . [redacted] attended a meeting with [recruiter] . . . and [financial aid coordinator] for the purpose of completing financial aid paperwork. When the students [*sic*] refused to electronically sign the paperwork, the Representative [*i.e.*, recruiter] escorted the student out of the building. When the Representative immediately returned to the interview room, the [financial aid coordinator] was still in the room and the student’s Smart Form account was still logged in. The Representative then logged the student out of the account and left the room. The Representative shortly thereafter checked the student’s form and found the enrollment agreement was signed.”⁵⁷⁹

An analysis of a limited sample of 7,500 SmartForms account records, spanning a range of campuses between 2009 and 2012, confirmed **1,497** separate instances of financial aid coordinators suspiciously requesting access to students' SmartForms accounts.⁵⁸⁰

Even within this sample, the number of confirmed instances of unauthorized access likely understates the frequency of the practice. For example, if an ITT employee was savvy enough to use a personal email address, rather than their employee email from ITT, it would be impossible to confirm that employee's wrongful access without a complete manifest of all the email addresses that every ITT student used to legitimately log on to their SmartForms accounts.

ITT had the capability to investigate misuse of this system, because SmartForms automatically documented when an account was accessed. Employees occasionally had legitimate reasons for accessing the administrative side of SmartForms—for example, to check if a student's paperwork had been signed. But there was no legitimate reason for a PIN request to be made by, and sent to, an ITT employee email (i.e., an address with the domain "@ITT," which was different than the student emails issued by ITT). Such PIN requests were supposed to only be made from the student side of the portal, by the student, for obvious security reasons.

Additional evidence from ITT's audit reports also confirms that SmartForms accounts were being improperly accessed by financial aid coordinators:

- **Arnold, Missouri – 2008:** "Representative established passwords for applicants to use Smart Forms...One of two Representatives interviewed indicated they create a temporary password for the applicant. The Representatives, by knowing the password, could electronically sign loan applications and the FAFSA."⁵⁸¹
- **Omaha, Nebraska – 2010:** "Two of two Representatives interviewed indicated that they were aware of applicants' passwords in Smart Forms and would write the password down on the back of their business cards as a courtesy to assist the students in remembering the password. The Representatives, by knowing the passwords, could electronically sign financial aid documents on a student's behalf."⁵⁸²

It was an open secret among ITT employees that unapproved e-signatures were routinely entered for students without their consent or knowledge. As described by a former ITT recruiter in Atlanta, Georgia, "I would often sit at a desk where I could see the FAC's [financial aid coordinator's] computer screen. From that seat I could watch as FACs e-signed financial aid documents for students."⁵⁸³ One former director of finance stated simply, "I endeavored to ensure that employees did not sign the names of students or parents [but] I did witness such fraud . . . I saw other behavior that I did not think was above board. ITT Tech had an effective policy of shutting down concerns about this behavior."⁵⁸⁴ This same director of finance went on to also state, under oath, "I witnessed recruitment staff forging student signatures on documents in my time there but [I] was too scared to report it to HQ for fear of being fired."⁵⁸⁵

ITT students also reported discovering loans that they never agreed to or signed for. Numerous complaint records confirm that these deceptions were perpetrated on ITT students:

- **Atlanta, Georgia – 2008-2012:** “The only financial aid that I applied for was the FAFSA. They forged my signature on private loans that I’m just learning about with Peaks Private loans. I never received any documentation about the loans that was taken out, nor anything explained to me about the loans. I have so many private loans with peaks and Navient that I am just learning about also.”⁵⁸⁶
- **Kansas City, Missouri – 2006-2009:** “There are MANY instances that I have found on all the enrollment paperwork (that I have since gotten copies of) where my signature/initials were forged, and not in my handwriting. There were many things that weren’t explained to me AT ALL, where I was told to ‘sign’ electronically.”⁵⁸⁷
- **Richardson, Texas – 2004-2006:** “At times it appears ITT failed to have me sign, therefore they completed paperwork and submitted without my consent. Reference attachment of forged signature on financial aid document. This document appears to be signed and dated by the same ITT representative who filed the paperwork. Forging signatures on government documents is against both state and federal law. The loan carried a 12.35% variable interest rate with a 7.5% origination fee.”⁵⁸⁸

The reality that outright fraud and forgery occurred year after year at ITT financial aid offices across the country is a shameful but unsurprising legacy, given ITT’s incentive structure: job survival relied on getting loans approved quickly and efficiently—no matter what.

G. ITT Misrepresented its “Scholarship” Programs

An important and consistent aspect of ITT’s various “scholarship” programs is that they were all created primarily for the company’s benefit. Nonetheless, they were touted as legitimate aid programs for students, who were misled about their true nature and purpose, resulting in widespread deception and misrepresentation about the true cost of ITT and the nature and sourcing of its financial aid.

ITT was constantly looking for ways to increase revenue from diverse sources in order to maintain compliance with the 90/10 rule.⁵⁸⁹ The concept of lowering or freezing tuition levels was generally unthinkable, unless it served an important company interest.

For example, in September 2012, Modany consented to lower the price of online tuition for undergraduates at Daniel Webster College “to be competitive with Ashford and Grand Canyon,” but left the MBA tuition rate at Daniel Webster, and all other tuition at ITT, unchanged.⁵⁹⁰ Upon learning that Apollo (the owner of University of

Phoenix) had frozen tuition, Modany stated, “No one knows the defined elasticity in pricing (including the [Apollo] folks). They are making pricing decisions based on emotion (not data). They may be right about the need to freeze and/or lower their price however if they are its just blind luck! To your main point . . . this wouldn’t seem to be enough to impact demand but . . . who knows!”⁵⁹¹

In July 2013, Modany expressed a desire for ITT to offer a “Tuition Subsidy (Cash Discount)”⁵⁹² such that new students who paid a down payment of \$250 at the time of enrollment would receive a discount of that same amount in their second and third quarters. Most ITT students did not make it to their second or third quarter and thus would receive no benefit from this “discount,” but the plan was to generate cash receipts for the federally mandated 90/10 revenue calculation without cutting the sticker price of ITT programs. This program constituted an illegal incentive under state laws for about a third of ITT campuses, and Modany observed that they could run it as a pilot and “[i]f it turns out to be something we want to do longer term we would then engage G[overnment] R[elations] to attempt to lobby for a change in the regulations.”⁵⁹³

The bottom line was that ITT could not cut its tuition because it needed its students to qualify for the maximum amount of federal student aid, and in order to do that and continue to operate, it needed to charge more than that maximum federal amount. Kevin Modany made this perfectly clear when he wrote, in 2013, “I hope APSCU [Association of Private Schools Colleges & Universities⁵⁹⁴] is planning to scream to the mountains that one sure fire way to lower tuition at proprietary schools is to eliminate 90/10[.] Not sure anything can be more obvious and to preach for lower costs while supporting 90/10 is disingenuous at the very best!!!!”⁵⁹⁵

These financial realities were the real reason why ITT instituted a variety of creative “scholarship” programs—in order to benefit the company’s bottom line, and certainly not its students. ITT’s misdirection with respect to the source of student funding extended to its mischaracterization of tuition gap-funding measures as “scholarships.”

1. ITT’s “Opportunity Scholarship”

One example of this type of program was ITT’s “Opportunity Scholarship,” which was an alternative gap-funding measure implemented in 2013 that ITT devised in order to move away from private lending programs and the credit exposure of its RSAs that resulted from extraordinarily high student default rates.⁵⁹⁶

The choice to call this gap-funding measure a “scholarship” was deceptive, but strategic. Critically, the Opportunity Scholarship in no way resulted in students taking out less federal loan debt. In an investor presentation, ITT clarified the true purpose of the Opportunity Scholarship, defining it as an “[e]ffective response to increasingly price-sensitive prospective students” that was “[d]esigned to improve enrollment trends by offering a lower price point” and “[e]liminate[] the need for private student loans” as a long-term gap funding solution; this would have the effect of reducing ITT’s

internal financing, which had “spiked in 2012.”⁵⁹⁷

In other words, ITT refused to cut its overall tuition, because it wanted to keep the maximum amount of Title IV revenue flowing, but it also wanted to be able to sell students on a lower-cost option via a “scholarship” that it could finely tune, by retroactive award, only to those students who persisted and met criteria.

One market research group that analyzed ITT’s Opportunity Scholarship program provided the following assessment:

Rather than adopt a wholesale tuition price reduction, which almost certainly would have helped the company’s lead flow and student start trends, the company chose to offer scholarships to students on a retroactive basis. Keeping list price tuition at \$493/credit hour (take a moment to digest that), enabled the company to maximize revenues from students that drop out in the first term . . . In many cases, the Opportunity Scholarship was used to simply eliminate a receivable that the student owed to [ITT].⁵⁹⁸

Pennsylvania officials also raised questions about the Opportunity Scholarship, flagging ITT’s explanation of it as being based on “demonstrated need” as insufficient, and suggesting it presented a “potential misuse of scholarships” as “a premium, special endorsement or discount” for prospective students, as “scholarships are usually awarded by a committee that evaluates more than just the ‘qualifications’ of a certain number of credit hours taken and grade point averages.”⁵⁹⁹

There are also numerous company emails and internal documents detailing the true purpose of the Opportunity Scholarship.

For example, an internal ITT memo stated clearly that the Opportunity Scholarship was meant to address Temporary Credits, explaining: “If you think about it . . . in essence what we are doing here is retroactively applying OS [the Opportunity Scholarship] to students that re-enter by forgiving part of the TC [Temporary Credit] that they owe the institution.”⁶⁰⁰

In response to a problematic rollout of the Opportunity Scholarship, which apparently had not been factored into the Cost Summary Payment Addendum, CEO Kevin Modany (transparently) wrote: “The key is that this scholarship is not and cannot be just a plug for the difference between the cost of tuition and Title IV availability! As long as we put in a solution that ensures that the field doesn’t implement OC [sic] as the ‘plug’ . . . we will be okay and I think your suggestion should do that. Agree?”⁶⁰¹

A December 2013 email from HQ’s director of financial services to Kevin Modany makes clear that the Opportunity Scholarship was contingent on the amount of Title IV aid someone gets, including Pell and PLUS loans, because they planned to simply plug in numbers and adjust down “if PLUS is approved.”⁶⁰²

The following excerpt is from a December 2013 corrective action form that

reprimanded an employee at the Owings Mills, Maryland, campus for giving students the option to finance a class through the Opportunity Scholarship, and reveals HQ's attitude that the "spirit" of the Opportunity Scholarship should *not* be to mitigate tuition costs (*i.e.*, company revenue) for students' benefit:

99% of the students' tuition was packaged with Opportunity Scholarship which provided them with what equates to a free class and ultimately a second degree. While HQ Finance provided guidance on how to package these students the result was that the campus was credited with starts that generated no revenue.

. . .

[T]he policy as applied was not in accordance of the "spirit" and intent of the policy . . . [I]t's clear that offering what amounts to a free class to earn a second degree artificially bolstered the campus start totals . . . [This] attempt to maximize the situation at the benefit of the campus numbers but not in the best interest of the company. This was a significant lapse of judgment.⁶⁰³

Kevin Modany's response to this corrective action form is also revealing of the program's true intent and purpose: "It sounds as if they misappropriated institutional assets. . . We need to put in some constraints on the OS [Opportunity Scholarship] to ensure it is utilized by legitimate students that are pursuing a full program of study with the institution."⁶⁰⁴

A little over a year after announcing the Opportunity Scholarship, HQ changed its parameters by requiring students "to borrow the maximum available in federal student loans before qualifying for any amount of Opportunity Scholarship funding. Students learned after they were already enrolled in the program and after the quarter had started that they would have to borrow more money."⁶⁰⁵ In other words, Opportunity Scholarships reflected the difference between ITT's extraordinarily expensive tuition and the amount of federal loans that it could squeeze out of Title IV and impose on students. ITT maxed out each student's federal aid eligibility before applying the Opportunity Scholarship to cover their outstanding tuition balances.

ITT also invested heavily in its marketing of the Opportunity Scholarship, misrepresenting it as primarily a cost-saving measure for students, while simultaneously discussing it internally as a financial booster for the company. An email from 2012 between HQ and outside media consultants discussed it in the following way: "Attached you will find an update on how the opportunity scholarship markets finished last week. Comparing leads week to week, it appears that airing these spots has increased lead flow in all but one market. I'll keep tracking how leads come in this week but looking at initial results, I'd say airing these spots are helping, not hurting."⁶⁰⁶

In an update to the Board, Kevin Modany described a "new advertising campaign focused on affordability to support [ITT's] recruitment efforts," which would

“reemphasize the existence of the Opportunity Scholarship” in order to address “a continued sensitivity to the price and value proposition of an investment in a postsecondary education.”⁶⁰⁷ And these efforts apparently did improve enrollment: In an investor call in April 2013, the company claimed that the Opportunity Scholarship led to a significant reenrollment improvement in the first quarter of 2013, and also stated that it had trained “admissions representatives across the country on how to effectively communicate the benefits of the Opportunity Scholarship” in order to “improve the effectiveness of those communications to prospective students.”⁶⁰⁸ Later that same year, Kevin Modany described the Opportunity Scholarship as the “most important driver of increased student starts” that has “significantly increased show rates over the past two quarters.”⁶⁰⁹

Despite being successfully marketed as making higher education more affordable, the Opportunity Scholarship, in reality, eliminated the need for ITT to either provide gap funding—which exposed the company to financial risk—or reduce the nominal tuition amount, all while leaving the revenue that ITT received from Title IV sources—that is, the debt for which students were responsible—intact.⁶¹⁰

ITT’s success in selling the Opportunity Scholarship to students is also confirmed by the students themselves, who frequently reported being misled about the nature of the Opportunity Scholarship program. Students recount that the program was falsely advertised as being “need-based”⁶¹¹ and designed to increase affordability. One prospective student in 2014 complained that “the Opportunity Scholarship is falsely advertised and misleads students to believe they will be entitled to more funding than they are actually eligible for.”⁶¹² This individual also noted that the program should not be “advertised as being based on income if it’s actually tied to the amount of government funds a student is eligible for.”⁶¹³

Additional sworn statements from former students also confirm that the company succeeded in creating a false impression about what the Opportunity Scholarship actually was. As expressed in the statements below, most students were misled to believe that they were actually receiving a legitimate scholarship, as opposed to temporary tuition coverage for amounts that exceeded the maximum amounts of Title IV loans:

- **Culver, California – 2014-2015:** “I was told I got an ‘Opportunity Scholarship’ and it would cover half the cost of school, but when I pull up the loan information, I am told it was never covered and I’m on the hook for the \$23,463. I never electronically signed paperwork nor did I see all of the paperwork I was supposed to sign. I had to write a letter to change from one program to the next. I inquired about when my student loan check would be in the mail, I was told it would go directly to the school and not to worry. Just leave it alone and get your education.”⁶¹⁴

- **Springfield, Illinois – 2013-2016:** “When I met with the financial advisor to go over the paper work she stated to me that the program would cost about 35,000 dollars total. [She] also told me that since I was not 18 that my dad would have to take out half the loans in his name, known as the Parent Plus Loan. So I would have 17,000 dollars of loans in my name and he would have 17,000 dollars of loans in his name. [The financial adviser] also told me I would be in the PIE program that I would receive two quarters free, in turn she said that would drop off about 8,000 dollars. Now the total was down to around 27,000 dollars. She then informed me that there was a scholarship called The Opportunity Scholarship which would award upwards of 5,000 dollars if I kept a C average, which was no problem for me. Now we’re down to \$22,000. Now that I am graduated I have received loan documents from [two] lenders... [One is] saying that I owe \$19,990.80. The Parent Plus Loan says that my dad owes \$18,980.69. Adding those two together would give me a grand total of \$38,971.49. That total is well above the \$22,000 I thought I was going to pay since I held honors and high honors throughout my school career there and there was going to be scholarships.”⁶¹⁵
- **Carmel, Indiana – 2013-2015:** “I was told I would get almost \$15k to finish and get my bachelors using the all new ‘opportunity scholarship’ for returning students. The finance person I was dealing with named [redacted] called me up and said good news rather than you getting \$5k worth of scholarship [money] we got you more federal loans to cover [] most of the cost and you’ll still get \$1700 in scholarship. I said ‘how is that a good thing . . . you can’t just take away my scholarship awarded money. That has to be illegal to do that. Why would I want to owe more money?’ [Redacted] told me it’s pretty standard there. It was really just to have the feds pay ITT more money and ITT pay less out of pocket. In 2008 when I was half way done with my associates degree I had got an email saying that I would need a \$5000 loan from Chase because at the time Sallie Mae couldn’t procure my federal loans and Chase was the only lender according to ITT. Keep in mind they told me this like two days before classes started so if I didn’t [accept] then I would have had to drop out and figure something else out.”⁶¹⁶

2. Other ITT “Scholarship” Programs

The Opportunity Scholarship was just one example of several “scholarships” that ITT operated for its own fiscal benefit.

The company’s “Presidential Scholarship,” for example, offered a retroactive 20% tuition reduction for certain graduating bachelor’s degree students, for the purpose of improving debt profiles of ITT graduates for reporting purposes. Internal documents show that ITT management concluded this was more “economically efficient” than reducing tuition generally, since ITT was concerned with improving reporting statistics without sacrificing income from students who did not graduate.⁶¹⁷ And ITT employed

its classic bait-and-switch with these scholarships. In a 2004 response to a mother complaining that her son was promised a Presidential Scholarship to enter a bachelor's program, which ITT then revoked, the ITT manager baldly stated,

[Y]ou . . . mentioned that you felt your son was being 'cheated' out of the 20% discount because the program he was interested [in] was discontinued . . . [T]his program discontinuation is not why your son cannot receive the Presidential Scholarship. As stated above, the Presidential Scholarship was discontinued and was no longer available to students following the start of the September 2004 quarter.⁶¹⁸

So this was effectively a double bait-and-switch—for both the promised program and the scholarship.

ITT's "Champagne Scholarship" was another program that the Senate HELP Report identified as a textbook example of a typical 90/10 "front,"⁶¹⁹ created with the primary intention of improving the company's ability to maintain its compliance with the 90/10 rule. It was named after the company's former CEO, Rene Champagne, and was given to nearly every student who applied for it. Its relatively small amount of \$3,000 for full-time students, with \$0 of expected family contribution, was nevertheless enough to improve the company's 90/10 position.⁶²⁰ "Over the course of a year, the company planned to award a total of \$21 million in scholarships. That amount [was] enough to move ITT's overall 90/10 ratio by more than 1 percent, a significant amount if a school were to be in danger of exceeding 90 percent."⁶²¹

H. Targeting and Cheating Veterans

ITT profited from targeting veterans for its predatory product.^{622,623} Because money from the GI Bill and Defense Department Tuition Assistance was not counted as federal education dollars for the purposes of the 90/10 rule while ITT was in operation,⁶²⁴ ITT and other for-profit schools specifically recruited veterans to exploit this loophole. A 2012 letter to Congress signed by nearly two dozen state Attorneys General described this discrepancy as a violation of the "intent of the statute."⁶²⁵ The Senate HELP Report also identified the then-growing problem of for-profits exploiting technicalities to comply with the 90/10 rule, including through their targeted focus on recruiting veterans.⁶²⁶ Nonetheless, ITT and other for-profits have made extensive profits by exploiting this self-serving "accounting gimmick."⁶²⁷

Between 2009 and 2011, ITT recruited 11,856 veterans, which allowed the company to receive \$178 million in post-9/11 GI Bill benefits, averaging \$15,042 per veteran.⁶²⁸ In contrast, public colleges collected an average of \$4,642 per veteran in the same period.⁶²⁹ About 12,500 veterans attended ITT in 2015, and 6,842 GI Bill recipients were slated to attend classes at ITT during the next academic term, which was scheduled to begin on September 12, 2016,⁶³⁰ but never actually occurred due the school's sudden closure and bankruptcy.

ITT recruiters were frequently directed to specifically target veterans, even veterans suffering homelessness, as described by a former employee: “[T]o solicit interest in ITT programs, I would go to job fairs, workforce events, and Stand Down events for homeless veterans (events where homeless veterans are given supplies and services, such as food, clothing, shelter, health screenings, and other assistance).”⁶³¹

A good example of how veterans were lied to, particularly with respect to ITT’s actual costs to them, is recorded in a 2011 mystery shopper report from the Clovis, California, campus, which was emailed directly to CEO Kevin Modany. This report read: “[The ITT recruiter] stated that the school was [a] yellow ribbon supporter and VA would cover 50% and financial aid would cover 50% making it a \$0.00 cost to me.”⁶³² This was obviously misleading, as it implied the student would not owe any money—which was certainly untrue.⁶³³

Despite the availability of GI Bill financing, which should have covered the full cost of veterans’ educational services, ITT also signed veterans up for federal and private loans without their knowledge or consent to maximize the amount of money the company could extract from each veteran it enrolled. Veterans who attended ITT reported that they only learned after graduating that ITT lied about using grants to cover their tuition. For example, ITT told one veteran who attended the Sylmar, California campus from 2003 to 2007 for Electronics and Communications Engineering Technology that his education credits would cover most of his tuition. This was false, as this veteran later attested:

I was specifically targeted as a military veteran and recruited with continuous phone calls because they wanted my GI BILL. . . . They never gave me my money for my grants, they lied and distributed elsewhere without my consent. . . . I thought that my student loan grants were paying my federal student loans, but that was a lie, I don’t know how my grants were distributed.⁶³⁴

Another veteran who attended ITT in Pittsburgh, Pennsylvania, reported:

They never told me that my GI bill with yellow ribbon program was going to be exhausted when I signed up for the Bachelor program along with all of the grants I qualified for. Towards the end of my program about 9 months out I found out. Now I have no way of continuing my education. . . . I am currently having to pay \$240 monthly due to this which has given me a hardship since I have 4 children[.] I am a disabled Veteran and I have loans totaling \$20,262.94 and as much as I have paid over the past it has not went down.⁶³⁵

Additionally, ITT’s internal audit reports demonstrate that the company routinely failed to report the correct student status to the Veterans’ Administration (VA) and routinely failed to properly record student attendance (including last day of attendance, daily attendance, and dropping students after missing 22 consecutive days). Such “errors” would affect who was responsible for refunding overpayments. ITT’s management was

aware of these audit figures, especially in relation to the company's mishandling of VA credits. Internal documents from 2010 revealed that the "#1 audit finding" was issues with the handling of credit balances and over-awards, including over-awards of "VA adjustments," which involved the school's failure to timely report a status change to the Veterans' Administration when a student changed to part-time status or dropped out of their program entirely.⁶³⁶

ITT also kept money that was earmarked for veterans' living expenses. In an email from ITT's HQ to all campus directors of finance, ITT directed finance personnel to discourage veterans who wanted to use "their VA monthly check" for living expenses rather than tuition, writing that directors of finance should "strongly counsel [veterans] on the evils of doing this [by] explaining what happens if they drop out with a balance then going to collections and possibly adversely affecting their credit and their ability to reenter later."⁶³⁷

According to a former ITT professor interviewed by the veterans' group Veterans Education Success, ITT "significantly delay[ed] the disbursement of veterans' housing allowance and book \$ long after VA had sent it."⁶³⁸ This professor also witnessed students who were "pulled out of class to visit the financial aid office and were told to take out an extra \$5,000 in loans immediately," including a student who should have been fully covered by the GI Bill, stating, "It was always a mystery where the money went."⁶³⁹

The harm ITT inflicted on veterans was significant. They were unfairly saddled with loans they never needed, and were not told about, to pay for their degrees. This debt burden further disadvantaged veterans who wanted to continue their education at other schools, only to discover that they were unable to do so because ITT had exhausted their education benefits.⁶⁴⁰

VI. ITT GRADUATES WERE LEFT WITH NOTHING BUT DEBT

A. ITT Graduates Could Not Find Jobs to Repay Their Substantial Debts, and Career Services Did Not Help Them

Despite the lies ITT told prospective students, ITT was well known in the for-profit industry, and even among its own employees, as an institution of poor quality, best described as a “degree mill.” One ITT employee described ITT’s credibility as follows:

ITT earned a poor reputation with many of the companies that had previously hired its graduates on a regular basis. As department chair, I occasionally met with industry representatives to discuss what they were looking for in terms of the education we were providing. It became clear from these meetings that these companies were growing less and less impressed with the quality of graduates coming out of ITT and that our appeal as a school for them was declining.⁶⁴¹

All too often, students learned about ITT’s sub-standard reputation only after graduating and entering the job market:

- **Plymouth Meeting, Pennsylvania – 2011-2013:** “I was denied a promotion at my previous employer because a ITT degree doesn’t have any accreditation. My degree is more of a hindrance to my career goals. I have my current job based only on my work history . . . I have removed ITT [T]ech from my resume completely, and have a better chance of moving up. ITT [T]ech is known as [a] push center around here. The education that is received is below work experience. I am paying for an embarrassment on my resume for a worthless degree.”⁶⁴²
- **Portland, Oregon – 2000-2002:** “I had ITT on my resume for years, I eventually was told by one of the interviewers that I need to take it off, and most people were probably discarding my resume specifically because it has ITT on it. I didn’t believe it for years, but eventually it became clear. In fact, one of the job placement officers helped me build my resume, and made ITT the highlight of it. I liked that of course, I had just paid all that money! But it took years of embarrassing myself before people let me in on the in-joke.”⁶⁴³
- **Arnold, Missouri – 2005:** “In the companies that I have interviewed with they were extremely hesitant and have told me so straight out about hiring a graduate from ITT. Many have stated that they felt that the graduates from the school were not nearly prepared enough for the job at hand. I was not a typical student at the school, I graduated 2nd in my class as salu[t]atorian”⁶⁴⁴

HQ was well aware that most ITT graduates were under-employed, if they were being placed at all in jobs related their fields of study. In one 2011 training document for career services on handling “Employer Relations,” the following response is recommended for the “common issue” of employers noting that “[w]e only need high school graduates for minimum wage jobs”:

I can appreciate that you only have openings for entry-level minimum wage jobs, but we have a number of graduates who are in transition and are looking for a place to apply the new skills they’ve learned. They would consider minimum wage jobs because, over time, their skills can add value and enhance the operations of your company and thus, increase their value.⁶⁴⁵

And this was not an isolated event: as far back as 2004, an internal ITT memo to HQ had reported a complaint from an Earth City, Missouri, graduate who had been “sent on a job to a temp agency . . . I [the career services employee] tried to explain that a temp job was better than no job at all.”⁶⁴⁶ In another training presentation from December 2013,⁶⁴⁷ ITT suggests that career services officers simply direct graduates to Monster.com or LinkedIn for job leads.

ITT managers often expressed a cynical and keen awareness of the high number of unemployed graduates. In an April 2012 email, the national director of career services noted that there were 20,000 “unemployed cohort grads” who had recently been emailed by ITT to see if they wanted assistance; the director proceeded to joke, “I am still waiting to get picked off in the parking lot someday by a disgruntled grad.”⁶⁴⁸

ITT’s poor career services was well summarized by one student who received no assistance from that department when looking for a job:

I’m a former student of ITT Tallahassee campus. I’m currently in an employment search. Without going thru my entire history with ITT, I’d like to point out it seems Career Services on this campus has lowered or eliminated me as a priority for assisting in that search since sometime in late October, prior to this time [the career services employee] had been very helpful. Lately nothing out of this Office, no return of calls, emails and etc..... I find this highly disturbing: 1. as this is a service, I’ve paid for 2. This school can call me from time to trying to recruit me for the Bachelors program. 3. I’m also contacted by ITT regularly in relation to a student loan I owe to ITT, a loan, I can’t repay without a job.⁶⁴⁹

Sometimes the fact that ITT’s degrees were valueless could not be ignored by HQ. For example, an October 2012 email between Kevin Modany and the national director of career services reflected this inescapable reality, as Modany responded to the fact that the company was unable to hire one of its own graduates for an entry-level network administrator position:

I have to note that this is more than just about filling one job order. You

have to realize that our entire IT department gets the wrong impression about the quality of our academic output when we can't fill a simple job order for a solid Network Administrator (at the entry level). I believe they all start to question the quality of what it is we do as a company and that impression could not be further from the truth. As such, I would love to knock their socks off with a few quality candidates so that they get a better understanding of what we do as a company and the quality of our graduates.⁶⁵⁰

ITT's harm—excessive tuition, pressured sales tactics, material lies—truly manifested when students finally graduated and realized that their ITT degrees were a hindrance to securing career opportunities, which inevitably made repayment of their exorbitant loans nearly impossible for many former ITT students.

As previously discussed, ITT is remembered today as one of the most expensive proprietary schools with one of the industry's highest rates of default within two years of attendance.⁶⁵¹

The real suffering caused by these loans is best explained through the sworn statements of former students:

- **Murray, Utah – 2004-2009:** "I consider suicide daily because of this mistake I made and because of the predatory nature of the loans there is no legal way possible for me to address them. I cannot do IBR [income-based repayment] because of the vast number of private loans they did, I cannot restructure because my credit is destroyed. I cannot pay the loans because the degree is widely considered trash from a diploma mill. Going to ITT Technical Institute was by far the worst mistake I have ever made."⁶⁵²
- **Swartz Creek, Michigan – 2009-2011:** "I can't get approved for a mortgage, now I can't buy a home for my family. I can't get any loans. I can't afford to pay my loans. They tricked me into private loans through peaks loans. They won't consolidate those. ITT told me all my loans would be consolidated after graduating."⁶⁵³
- **Rancho Cordova, California – 2004-2010:** "I have to live check-to-check, and still get calls from the predatory private lender that they pushed me towards. I have worked hard to stay current on all payments, but haven't even made a dent in the balance owed. I can't buy a house, and I can't get married because I don't want my future wife to be saddled with my debts."⁶⁵⁴

ITT's business model was to enroll as many students as possible, load them up with federal debt to drive up ITT's revenues, coerce them into Temporary Credits to cover any shortfall, repackage those credits into expensive private loans to squeeze out some more dollars, and, finally, send those students out into the world undereducated and drowning in debt. The real marvel is that ITT did this for so long and so successfully without being shut down by regulators or cut off by the federal Title IV loan program.

VII. THE STRATEGIES AND DETAILS OF ITT'S PERVERSE BUSINESS MODEL

A. ITT's Priorities: Executive Compensation & High Tuition

In the words of the Senate HELP Report: "Perhaps most troubling is that the pay of executives at for-profit schools is based primarily on enrollment and profit goals, not student success."⁶⁵⁵

According to the Senate HELP Report, ITT paid Kevin Modany a total compensation package of \$7,629,172 in 2009,⁶⁵⁶ including bonuses and stock, during a year marked by dramatic downward macroeconomic trends. ITT's 10-K filing for 2014 indicates that the top four corporate executives all made well over \$300,000 as their annualized base salary that year (excluding any bonuses or additional forms of compensation), with Kevin Modany earning a baseline salary of \$824,074.⁶⁵⁷

ITT's business model depended entirely on expansion through increasing enrollment, year after year. In its 2009 Annual Report (SEC Form 10-K), ITT explained that it was "implementing a growth strategy designed to increase revenue and operating efficiencies by increasing the number and types of program offerings and student enrollment at existing institutes."⁶⁵⁸ ITT enrolled approximately 40,000 students in 2004,⁶⁵⁹ increased its student enrollment to 47,000 students in 2006,⁶⁶⁰ then reached its peak of about 73,000 students in 2011,⁶⁶¹ before declining to about 35,000 to 40,000 at the time of ITT's closure.⁶⁶² ITT emphasized this "growth strategy" in every successive year it operated, including in its 2015 Annual Report,⁶⁶³ which was published just six months before the company filed for bankruptcy.

Student enrollment was key because tuition—primarily in the form of federal student aid—was ITT's sole source of revenue.⁶⁶⁴ For this reason, tuition at ITT was very high, and could not be reduced without affecting the company's operating revenue and bottom line. In August 2012, a potential buyer asked Kevin Modany whether ITT "had modeled and/or thought about cutting our sticker price," and a corporate employee responded that "the impact would obviously be very significant and there wasn't a business reason to do that."⁶⁶⁵ Instead, ITT chose to promote institutional scholarship programs⁶⁶⁶ as cutting "actual costs" to students.⁶⁶⁷ Even if scholarships did lower the "actual cost" to students, ITT knew that it could not truthfully advertise its programs as "affordable."⁶⁶⁸ (Despite this, two years later, ITT issued a corporate press release touting "an increase in the [a]ffordability of its [d]egree [p]rograms".⁶⁶⁹)

B. ITT's Priorities: Cutting Student Benefits While Pursuing Unbridled Growth

An internal report to the company's Board of Directors from October 2009⁶⁷⁰ provides a snapshot of ITT's systemic problems and disjointed priorities. The report highlights that student enrollment increased 26.2% as compared to the same period in the prior year and student retention continued to improve, with the company's operating margin also improving "primarily due to greater leveraging of . . . fixed costs across a larger population of students."⁶⁷¹ The report went on to note that ITT was continuing to identify new locations for expansion. However, notably, the report also found that student employment rates continued to be low (and indeed, were 21% below the prior year's rates).⁶⁷²

By 2012, ITT was in a bind. It needed to cut costs and "reduce [its] cash outflow,"⁶⁷³ and Modany identified \$73 million from the operating budget as "opportunities for cost reductions."⁶⁷⁴ In March 2013, Modany stated that ITT was "right in line with goals for cost reduction as we've been eliminating costs throughout the organization."⁶⁷⁵ He noted that "student complaints are much higher than prior year[s]," but he attributed this to the fact that ITT made cost cuts that affected faculty, and "we see faculty gripes show up as student complaints."⁶⁷⁶

Kevin Modany also made it clear that because ITT "need[ed] to watch expenses very closely," especially "capital expenditures," if a campus was going to add a new program or upgrade equipment, it would "need to provide a return on investment justification that outlines the benefits to the P&L of the expense[.]"⁶⁷⁷ Modany reiterated that "everything has to be 'zero sum,'" and expenditures—including on laptops or tablets for students when ITT was experimenting with an "Intellicourse" or "ebook" curriculum delivery model—"need to be offset by charges/deposit program for students."⁶⁷⁸

When ITT tried to save money by moving away from paper textbooks and instead delivering content electronically, students experienced massive problems because ITT did not have sufficient bandwidth or a wireless network capable of allowing students to access the course content during class. When pressed on whether the company would offer wifi within its schools at a sufficient capacity, Modany's response was: "The plan is to provide a plan (yes) but we haven't figured out how to charge the student for it."⁶⁷⁹

In one incident, in September 2014, ITT realized that it needed to procure laptops for students because it was the only way to deliver content for curriculum that it had designed. ITT had already abandoned the version of the ebook model for which the content was designed, but was still offering the courses to enrolled students nonetheless. Modany was furious at the expenditure and resentful of the need to spend money on students:

THIS MUST BE ADDRESSED AS WE CANNOT CONTINUE TO THROW
AWAY SHAREHOLDER RESOURCES DUE TO OUR INCOMPETENCE!

Hopefully you all understand how strongly I feel about this! While you may not be.....I'm embarrassed with how we are managing this and it is my own personal failure that we've gotten to this point (that we simply cannot manage our resources and are allowing our students to steal our assets while we sit idly by and all we want to do is.....ORDER MORE ASSETS with our shareholders resources)! Absolutely unacceptable....no other way to describe this!⁶⁸⁰

This attitude—that paying for legitimate student needs was an attempt to “steal” assets that rightfully belonged to shareholders—prevailed throughout the company. In September 2013, when a student in Owings Mills, Maryland, requested to take a course as a directed independent study rather than as an online 6-week course “because he feels it’s too much workload for his schedule,” the national registrar denied the request, stating, “We are not making an exception here; we will not increase our incremental costs.”⁶⁸¹

The major cost containment efforts of 2012 and beyond failed to ultimately right the ship. The company had significant risk-sharing obligations and legal fees. That year, ITT agreed to pay Sallie Mae \$46 million to resolve its guaranty obligations on a pool of private student loans made to ITT students. It also anticipated that it would pay \$78 million that year on its PEAKS and CUSO risk-sharing agreements.⁶⁸²

In late 2014, Kevin Modany also entered into an agreement with Cerberus Capital, a known lender of last resort, explaining to the Board of the Directors that the terms included a “\$150 mil 3 yr Term loan” and a repayment “rate [of] approximately 10-11%.” He conceded that it was “an expensive financing arrangement [but] given current debt markets it is commensurate with the market rate for a transaction of this type and most importantly does not include any equity component.”⁶⁸³ ITT’s 2014 10-K estimated a debt service obligation for 2015 of over \$19 million.⁶⁸⁴

The company also reported the following in its 2014 10-K filing: “Legal and professional fees related to certain lawsuits, investigations and accounting matters increased \$25.1 million, or 362.3%, to \$32.0 million in the year ended December 31, 2014 compared to \$6.9 million in the year ended December 31, 2013.”⁶⁸⁵

So, in 2014, Modany undertook another round of cost containment efforts, this time aimed at headquarters. He directed budget cuts to bring spending for legal and compliance (which included human resources) down to 2009 levels.⁶⁸⁶ When the national registrar’s office requested a new position be funded, Modany responded by comparing ITT to the Titanic:

I will be clear in noting that [we] won’t be adding a new person to HQ and in fact need to materially reduce our expenses (I’ll be on that effort shortly) so unless this is a reduction in staff (and I don’t see it as one . . . just rearranging the chairs on the deck of a boat that has a load that is already too heavy). . . . I’m not sure it makes sense. I will be more clear in the next O[perations]R[evue] (thought I was already) that we are cutting

costs and that no one should be asking for any new people and in fact should/will be required to offer up cost reduction opportunities.⁶⁸⁷

Kevin Modany also targeted campuses that were not profitable—and in 2014, 58 locations were operating at a loss⁶⁸⁸—and converted them to a “Small Market Model” or SMM, which basically gutted the administrative and teaching staff at the campus and required them to receive those services from headquarters or another nearby campus. As explained to the Board of Directors, the plan called for “a reduction in campus staff at the location commensurate with a decline in total campus enrollment.”⁶⁸⁹ Kevin Modany estimated that these “operational changes” would bring in an annual operating cost reduction of approximately \$275,000 per campus.⁶⁹⁰ By the end of 2014, the SMM had been implemented in 24 locations, with another 25-30 scheduled for implementation in into 2015.⁶⁹¹ Modany noted, “While it is early in the implementation of the Small Market Model cost reduction initiative we have not yet observed any material differences in the operating performance of the Small Market locations in comparison to those that have not been converted to the new operating model.”⁶⁹²

This was not true. The director of the Boise, Idaho, campus noted in December 2014 that students were experiencing problems with their schedules:

This issue with the schedule traces back to being reduced to a small campus census and letting our Registrar go. We had to combine the DOF [director of finance] and Registrar position which took time to hire someone [sic]. They trained for the DOF position and started transitioning to the Registrar position, became frustrated and resigned. Another campus has been managing our schedules and the Dean has been trying to assist with schedule changes, Transfer Credits, etc. after the Registrar left⁶⁹³

ITT also shortchanged students by cutting support services out of its budget. As Kevin Modany explained to a board member in 2012, “We are looking at our current teaching model and believe that we have an opportunity to increase effectiveness and efficiencies” through “the creation of a centralized academic support group that would be responsible for providing various levels of academic and administrative support to our resident students,” including by identifying “low-touch-type activities that are conducted at the school level that we think we could improve on with the use of a consolidated support center.”⁶⁹⁴

But the Student Support and Academic Success Center⁶⁹⁵ was actually a call center. ITT used this call center to solicit students who had not reenrolled in ITT and threaten them with collections if they did not either pay their alleged outstanding balances to ITT or re-enroll.⁶⁹⁶ The company claimed that this call center was there to serve current and former students, but the only way current and former students were “served” was by being relentlessly hounded by ITT telemarketers when it seemed likely they were going to drop out or not agree to a repackaging of their financial aid.⁶⁹⁷

ITT's attitude toward its business and its students was slash-and-burn. Cutting costs at the expense of any educational benefit was the company mantra. It squeezed profits in the short run, and in the long run caused the company to collapse into bankruptcy.

1. ITT's Fraud Scheme Depended on a Continual Influx of New Victims

Marketing and advertising were critical to ITT's recruitment-driven business model. Because ITT's sole source of revenue was tuition—mostly in the form of federal student aid—it needed continual sources of that tuition, in the form of hundreds of thousands of students poised to be taken in by the fraudulent scheme. To reel in those students, ITT hired third parties to generate leads. ITT's reliance on marketing and advertising was no secret: its 10-K frankly admitted, "If we were unable to successfully market or advertise our programs, our ability to attract and enroll prospective students in our programs would be adversely affected and, consequently, our ability to increase revenue or maintain profitability would be impaired."⁶⁹⁸

For fiscal year 2009 alone, ITT budgeted a total of \$741 million for marketing, recruiting expenses, and profit,⁶⁹⁹ leaving just 43.9% of its revenue for everything else, including educational services.⁷⁰⁰

As described by the Senate HELP Report:

ITT spent \$2,839 per student on instruction in 2009, compared to \$3,156 per student on marketing and \$6,127 per student on profit. The amount that publicly traded for-profit companies spend on instruction ranges from \$892 to \$3,969 per student per year. In contrast, public and non-profit 4-year colleges and universities, generally spend a higher amount per student on instruction while community colleges spend a comparable amount but charge far lower tuition than for-profit colleges. Other Indiana-based colleges spent, on a per student basis, \$11,856 at Indiana University Bloomington, \$4,193 at Indiana Wesleyan University, and \$2,827 at Ivy Tech Community College."⁷⁰¹

The Senate HELP Report additionally cited ITT as a prime example of a for-profit institution committed to this principle of heavily prioritizing new enrollments:

While for-profit education companies employed large numbers of recruiters to enroll new students, the same companies employ far less staff to provide tutoring, remedial services or career counseling and placement. In 2010, with 88,004 students, ITT employed 2,550 recruiters, 431 career services employees, and 109 student services employees. That means each career counselor was responsible for 204 students and each student services staffer was responsible for 807 students, but the company employed one recruiter for every 34 students.⁷⁰²

In ITT's 2015 strategic marketing plan, \$50 million was allotted for cable TV advertising, \$1,747,980 for radio advertising, and \$48,826,000 for local TV advertising.⁷⁰³ According to company documents, 31% of total revenue was allocated for marketing in 2014.⁷⁰⁴

Crucially, even as ITT was desperately cutting costs and watching every penny in most areas, it increased its spending on marketing.

Kevin Modany was very involved in this area, and would "review the landscape and dig into the leads data and the claritas [sic] profiling and related conversion rates."⁷⁰⁵ He emphasized, "I do not have anything more important on my agenda at this point! I cannot emphasize the importance of these efforts!!! . . . [W]e spend close to \$200 million on this and I'm sure you can now understand that this is my personal top priority for 2014."⁷⁰⁶

In May 2014, Kevin Modany approved spending an additional \$1 million on lead generation services, going to vendors like Data Champs, PMA Group, Cactus Media, Quinn Street, and University Mission. The projection was that these vendors would produce 241,738 affiliate leads, resulting in 5,223 applications for a projected conversion rate of 2.2%.⁷⁰⁷

In late March 2015, Modany updated the Board of Directors on "the operational challenges we are facing" and the "material cost reduction effort at the company (over the past 12-24 months) that has positioned us very well to generate positive cash flow for 2015 despite the downturn in the enrollment metrics."⁷⁰⁸ In this update, Modany projected an EBITDA (earnings before interest, taxes, depreciation, and amortization) for 2015 of approximately \$100 million.⁷⁰⁹

a. ITT Relied on Affiliate Marketing and Lead Generation to Identify Potential Targets for Its Fraudulent Scheme

An affiliate marketer earns a commission by generating traffic, leads, or inquiries to its client. In 2014, 87% of ITT's leads came from affiliate vendors.⁷¹⁰ ITT hired these entities, which used misleading tactics to generate leads. For example, one pretended to be a resource for identifying retail job openings and asked visitors, "While we generate your Retail Jobs Search please complete your profile for a more targeted search."⁷¹¹ Instead of learning about retail jobs, the user would be served an ITT advertisement. Similarly, the lead vendor Percipio gathered leads for ITT by hosting websites aimed at individuals looking for work at McDonald's.⁷¹² Another ITT lead generation vendor used a landing page that advertised "Free Money for College."⁷¹³

Kevin Modany bristled at the suggestion that affiliate marketing was an unsavory and abusive practice. He claimed that "our approach has always been that we would correct anyone's misperceptions about our offerings once they got into our funnel (if someone along the way . . . a lead generator or anyone else . . . uncle, aunt, brother, etc. . . . gave you a wrong impression). To me that's an incredibly effective risk mitigation strategy[.]"⁷¹⁴ On another occasion, Modany elaborated:

I continue to preach the reality of the fact that no student ever commits to anything financially before they receive all of the required disclosures! If anyone was confused by this . . . and honestly, it is hard to see how someone could say they truly were 'duped' into pursuing a postsecondary education in this manner . . . they would have had the facts set straight for them . . . long before they ever even came to our school and most certainly long before they ever began classes and began to incur charges (after attending for 30 days)! While we in no way promote or condone such egregious behavior of some of these affiliates . . . the argument that this suggests that students are being duped into college via these communications makes absolutely no logical sense to me. None whatsoever. It is completely illogical! We can only mitigate the risks that we control!⁷¹⁵

A primary objection that Kevin Modany had to lead generation sites that did not provide accurate information about ITT was not the fact that these sites were misleading, but that they were not always as effective as he would have liked in generating new students.⁷¹⁶

2. Focusing on Recruitment, not Education

Because ITT's business model was solely based on profiting from tuition, mostly in the form of federal student aid, its highest priority was recruiting students it would then saddle with debt. To do so, it baked recruiting incentives into the compensation of employees at every level of operation, guaranteeing a focus on enrollment over outcomes. Every role within ITT, from the Board of Directors and corporate executives down to front-line recruiters and financial aid coordinators, had performance objectives related to sales, which were directly tied to their compensation and, in many cases, their ability to retain their jobs.

This management methodology was explained by Kevin Modany in an August 2011 video message to the company detailing the performance management system. Per Modany, "[S]tudent success begins at the point when we make an offer to help someone improve their life through the pursuit of high quality, career-based postsecondary education."⁷¹⁷ This offer is made "in our advertising and media efforts," and although ITT

sometimes refer[s] to the individuals that accept our offer of assistance as a 'lead' or an 'inquiry' . . . to be more accurate, these are people that accepted our offer to help them improve their life through education. Since we made this offer and the prospective student accepted our offer by responding and giving us a call or sending us information through the website, we are obligated to do all that we can to make good on the offer that we made to this individual . . . [I]t is our obligation to maximize the number of people that accepted our offer of assistance that ultimately

progress through the recruitment part of the student success cycle. We then continue our focus on maximizing student success by assisting the transition of prospective students from the recruitment process into the financial aid process.⁷¹⁸

A critical tool in ITT's Performance Management process was "Plan vs. Actual" reports. ITT set benchmarks for every position ("the Plan") and consistently tracked an employee's performance ("the Actual").⁷¹⁹ Across the board, satisfactory performance meant "achievement of an employee's specific goals at rates no lower than 'average' for the company and/or school. Think about it . . . When we hired each of you, we did not do so because we thought you were BELOW AVERAGE."⁷²⁰ The performance plan year ran from April 1 to March 31.⁷²¹

The incentives established by these metrics were clear, as was their tendency to encourage unethical conduct. As one high-level employee in a headquarters meeting stated, "I'm not going to lie to you, I'm graded on [student] retention."⁷²² A campus director who was assessed based on his ability to re-enroll students who had previously dropped out was found to have "terminated 19 students and then had them re-enter in order to improve his reentry performance results. Some students were dropped and re-entered on the same day."⁷²³ A former recruiter explained how the director of admissions at his campus encouraged recruiters "to approach students and talk them into switching majors. By getting a student to switch majors, they had to apply again and [re]do financial aid, which gives Reps points . . . plus they counted as a new start on the next start date."⁷²⁴ A call center representative who was under a mandate to make 80-100 lead calls per day to prospective students was disciplined for "repeatedly calling the same number to increase the call volume" he was reporting.⁷²⁵

ITT management tracked every call that recruiters made and the number of appointments they scheduled with prospective students. They also tracked "conversion rates," which was the number of leads that the recruiter was able to convert into an enrollment, as well as "sits," a term that referred to a student staying enrolled for a certain number of classes.⁷²⁶ Depending on the recruiter's position (from entry level to "Master Representative"), ITT required anywhere from 10 to 30 "starts" (i.e., new students signing up for classes) per quarter.⁷²⁷

One former recruiter recalled how "HQ designed and implemented an incentive system that was obsessively focused on metrics, from student enrollment [and] re-enrollment."⁷²⁸

Until July 1, 2011, federal law permitted schools to offer recruiters incentive-based compensation. On that date, a change to Section 487(a)(20) of the Higher Education Act (HEA) went into effect, which prohibited schools from providing incentive compensation to employees or third-party entities for their success in securing student enrollments or the awarding of Title IV HEA program funds. This strict ban was part of a larger set of Program Integrity Rules issued by the Department of Education starting in 2010. Following this change, ITT carefully re-characterized its numbers-driven

sales culture to avoid the appearance of violating the new ban on incentive-based compensation, but this was really just a cosmetic change focused on nomenclature. It simply adopted other methods to reward its most aggressive recruiters.

A 2011 training document⁷²⁹ outlined a system for awarding points to recruiters based on the number of interviews (1 point), accepted students (3 points), and pre-packaged⁷³⁰ students (4 points) that a representative attained in a week. Representatives with the highest points in a week were assigned “Tier 1” status, which entitled them to receive the best leads the following week.⁷³¹ A former recruiter explained how, due to the rule change, ITT could not use the term “quota” anymore, but that performance “metrics” were nonetheless quotas that recruiters had to meet.⁷³²

According to another former ITT employee who worked as a financial aid administrator (the campus-level managerial position above the financial aid coordinators):

The incentive point system created a high pressure environment that was extremely unpleasant to work in. Managers penalized and publicly embarrassed staff members who were not meeting their numbers . . . Firings were frequent. There was more turnover at ITT than at any place I have ever worked.⁷³³

Yet another former director of finance reported, “HQ ensured that its staff did as much as it could to bring in money from students by encouraging competition among employees and among campuses.”⁷³⁴ This director of finance went on to explain how the company’s fixation on profits created a company-wide culture obsessed with performance metrics, explaining how performance “was measured according to the amount of money a department was bringing in, regardless of which department it was. Admissions departments had to keep recruitment and enrollment numbers up; financial aid had to maintain high percentages of loan paperwork completion and low accounts receivable.”⁷³⁵

Financial aid coordinators were all “evaluated by their packaging numbers.”⁷³⁶ A former director of finance at the Bessemer, Alabama, campus confirmed that financial aid staff were assessed with a “point system” that focused largely on the financial aid coordinators’ “success in getting students ‘processed’ or ‘packaged’ for financial aid.”⁷³⁷

C. “Enterprise Risk Management” and ITT’s Intentionally Lax Internal Controls

Much like the performance management system, ITT had an elaborate “enterprise risk management” system. This included a system of internal controls designed, nominally, to ensure regulatory compliance and ethical behaviors. Kevin Modany boasted of ITT’s enterprise risk management system as “best in class” and held it out as an example to other large, publicly traded for-profit colleges.⁷³⁸ In reality, ITT’s internal controls were easily circumvented and consistently undermined by the corporate culture of fealty to

the bottom line, as the following examples demonstrate:

- Kevin Modany and other executives kept information from the Board’s audit committee and generally treated it as an annoyance. When a campus director of finance was found to be stealing student payments, the CFO rejected the suggestion that the incident be reported to the audit committee: “What would be the case that the DOF [director of finance] plays a significant role in internal controls? If asked, I could not make that case.”⁷³⁹
- Modany appears to have personally cajoled and bullied members of the audit committee against asking too many questions: “Talked to [head of audit committee] before the meeting and he is all set on his request (he basically backed off on all of it).”⁷⁴⁰
- Poor audit findings and ethical complaints were also withheld from the Board. In a 2016 email, Modany pushed back on the idea that the Board or audit committee should be involved in ethics alert line (“EAL”) reports that involved the CEO or other top executives, writing, in part: “Again, folks here have no issue reporting this stuff because we set the culture that NO ONE is above our compliance program . . . I’m happy to discuss further but I honestly don’t think we need a change here (based on history). But again, I’m open to what makes sense and what the Board would like us to do here . . .”⁷⁴¹
- Modany advised his business development employees to go around the legal department when certain issues—including possible payment of incentives to recruiters—were “a little too ‘outside the box’” for legal.⁷⁴² He gave the same advice regarding ITT’s internal regulatory affairs department: “[S]ometimes you have to just call out and question the feedback we get from regulatory as it relates to development opportunities as it is just in their DNA to ‘choke the baby’ (often times unnecessarily so)! They are paid to avoid risks at times at the expense of our growth!”⁷⁴³
- When the national director of career services assumed her role at HQ, she spent time auditing campus-level job placement rates and checking files to verify placements. This was apparently something that ITT’s internal audit department did not do.⁷⁴⁴ Modany told her to do “less policing & more producing.”⁷⁴⁵

ITT dictated the parameters of its own internal audits. In one example, the company announced a principle that students who earned a part of their high school diploma in a language other than English should be administered a basic test prior to admitting them. The national registrar at HQ asked several times for a question to be added to the enrollment questionnaire to identify ESL students, but the requests were “denied at the highest level.”⁷⁴⁶ As a result, there was no way for Internal Audit (“IA”) to “test for this objective.”⁷⁴⁷ In another example, the national director of career services noted that Internal Audit did not assess whether a graduate employment was properly deemed as “In Field” or “Related Field,” a distinction that was required to be reported to ITT’s accreditor. Falsification in that area “was not caught” because “we (IA) don’t

look at these.”⁷⁴⁸ The result was that the national director of career services felt there were many “Stretch” designations for graduate employment reported by various campus-level directors of career services—including one, named corporate’s “DOCS [director of career services] of the Year,” who counted an exotic dancer as an “In-Field” placement.⁷⁴⁹

Thus, many serious issues, such as falsification of job placement rates,⁷⁵⁰ somehow never appeared in ITT’s internal audits. No system of internal controls can displace a corporate culture that places enrollment and financial aid packaging above all else.

D. ITT’s Culture of Silence and Institutional Fear of Reprisal

Through sustained and targeted efforts, ITT systematically silenced critics, whistleblowers, and complainants in order to conceal its fraud and deceptive practices. It aggressively responded to criticism, brushed aside student complaints, and came down hard on employees who voiced valid concerns.

ITT maintained an ethics alert hotline, ostensibly intended as a means for employees to report wrongdoing. However, former employees describe this hotline as a tool for identifying discontented employees in need of discipline or termination. A longtime employee of ITT’s financial aid departments explained that the true purpose of ITT’s ethics hotline was well known:

ITT Tech had a hotline that employees could call to report fraud to HQ. In my experience, employees who called this hotline were disciplined while those against whom fraud was reported were not. I recall a particular instance in my time at Murray [Utah] when a new recruitment representative called the hotline to report wrongful behavior by a long-term veterans recruitment representative. The new representative was fired within weeks, and nothing happened to the long-term representative. Everybody . . . understood this to mean that calling the hotline meant effectively forfeiting one’s job at ITT.⁷⁵¹

A former academic dean at ITT who called the ethics hotline to express concern over the company’s unethical business practices attests that “[n]one of my complaints was investigated or taken seriously by anyone inside or outside of the campus.”⁷⁵² This employee was “advised that I was not an attorney and was not qualified to claim that any laws or policies had been violated,” and was also told to “abandon my complaints,” which he did not, resulting in his termination.⁷⁵³

Another employee who worked as a recruiter for four years at the Baton Rouge, Louisiana, campus said that under ITT’s culture of silence:

ITT Tech actively attempted to prevent discovery of misleading and fraudulent behavior going on at its campuses. . . . HQ maintained a hotline through which one could report wrongdoing, supposedly

anonymously. However, I never witnessed or heard of any reported wrongdoing being disciplined. In fact, I witnessed [an employee] face retaliation for calling the hotline. Somehow [campus directors] found out (or guessed) that she had reported wrongdoing via the hotline. She was then assigned only the worst leads and her performance suffered . . . and [she was] fired a month later.⁷⁵⁴

This employee then described how he finally availed himself of the ethics hotline and knew after doing so that his “fate was sealed . . . Within two weeks I began to be assigned worse leads. Then I started being accused of things that simply had not happened. Anticipating being fired, I found another job and resigned in February of 2014.”⁷⁵⁵

Another employee, who worked as a financial aid director at ITT’s Birmingham, Alabama, campus, recounted that she was “let go from my position in November 2011. The formal explanation was ‘corporate restructuring,’ but I believe that I was fired for speaking up” about her concerns with ITT’s endemic noncompliance with basic financial aid rules and regulations.⁷⁵⁶

HQ knew that whistleblowers were retaliated against at the campus level. One example of this is seen in an email, dated July 2010, from an employee⁷⁵⁷ at the Tampa, Florida, campus to HQ:

The primary event that led to my reporting to HR/Compliance was the unjustified threat of corrective action my DOR [director of recruitment] made against me when (in my view) she became irritated by my bringing ethics concerns to her attention. Clearly, I was being threatened so that I would cease my reporting. That event led to me approaching the Ethics Hotline for other resources to consult; this in turn led to my interaction with you (Compliance) and [redacted] (Human Resources). Subsequently, our teleconference took place, during which I believe you were quite thorough in taking notes on each of the ethics situations I had previously reported to my DOR. . . . At the end of the teleconference, I voiced a concern that there was a considerable need at the Tampa campus for the Admissions/Marketing Department to receive training concerning what is permissible when dealing with students.⁷⁵⁸

Another example of employee whistleblowers receiving blowback from the company was documented in a corporate email chain from July 2012, which included the following statement from an admissions representative at the Tulsa, Oklahoma, campus:

This is clearly retaliation for speaking with the District Manager about the numerous company policy violations and legal violations committed by Campus Director [redacted]. Since the initial complaint three of the Representatives who spoke out against the Campus Director have been submitted to HR for Corrective Action, two of these employees have

received Final Written Warnings, something unprecedented at the Tulsa campus.⁷⁵⁹

In another example of ITT's retaliatory culture, corporate HR investigated a 2012 charge that the director of recruitment at the Columbus, Ohio, campus "would sit late start students in their first quarter classes to make his number, which was confirmed by two faculty members."⁷⁶⁰ However, in HR's response, the charging party was advised that her comment highlighting this wrongdoing was itself "not an appropriate comment, and could lead to corrective action if continued."⁷⁶¹

Likewise, after an ITT employee raised concerns about whether a drafting degree ought to be offered online, she was chastised to her superior:

She does not appear to be in favor of an online Drafting degree. I recommend you have a discussion with her regarding using data and research instead of her opinion to draw conclusions (she has not included any data or research with her conclusions). She has stated that she feels an online drafting graduate would not be employable. This is contrary to how I would expect an online faculty manager to feel. I am not sure we want her contacting employers to discuss employing an online drafting graduate since she is already negative to the concept. She will project her feelings to the employers.⁷⁶²

The list goes on. A program chair who complained about being forced to pass students who had not completed their coursework satisfactorily was cited for "inappropriate behavior."⁷⁶³ An instructor from Youngstown, Ohio, was given a corrective action citation for making "multiple statements towards active students regarding the future of the school and program for which he teaches. The statements were misleading and damaging to the success of the students and undermines the efforts of ITT Tech."⁷⁶⁴ A representative who complained about abusive enrollment tactics was described by her superior as a "cancer [who] needs to be removed."⁷⁶⁵

This attitude extended to student complaints as well. In a 2013 email to corporate directors, a student at the Chantilly, Virginia, campus complained that course surveys were not confidential, and that the student "fear[ed] retaliation from the school's higher ups. I have seen what they have done to the other students I know and I will not be interrogated for an hour about how I express myself. I thought these surveys were supposed to be confidential?"⁷⁶⁶

E. ITT's Relationship of Convenience with its Accreditor, ACICS

As previously mentioned, ITT was accredited by the Accrediting Council for Independent Colleges and Schools, or ACICS, which has been known for years as an enabler of wrongdoing committed by for-profits.⁷⁶⁷ "The council [ACICS] gained notoriety for allowing for-profit school chains Corinthian Colleges and ITT Technical Institute to remain accredited despite widespread findings of fraud."⁷⁶⁸

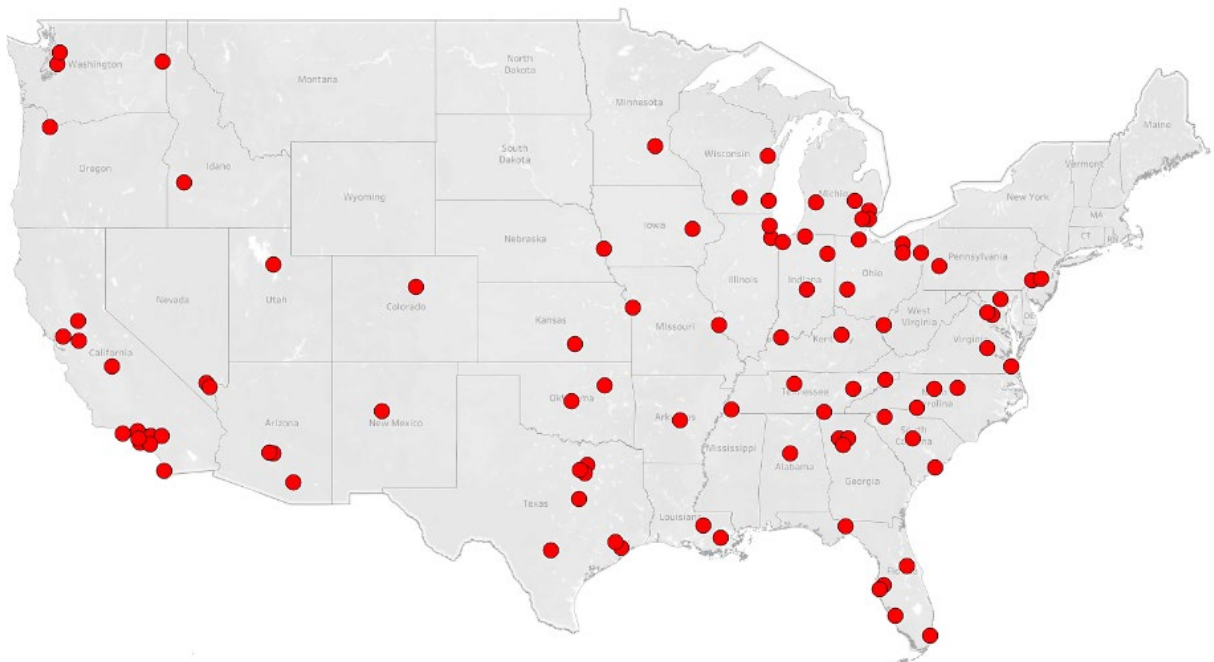
The relationship between ITT and ACICS was one of comfortable, mutual benefit. ACICS would rubber-stamp ITT's accreditation status, despite serious instances of wrongdoing and substandard practices, because it financially benefited from remaining ITT's accreditor. In 2012, for example, ITT underwent a cycle of accreditation at all of its campuses that uncovered adverse findings. In response, ACICS made the decision to "defer" ITT's accreditation status.⁷⁶⁹ Despite this decision, ITT confidently advised investors that the accreditor's findings were "minor and we are not concerned that our responses will not sufficiently resolve all of them."⁷⁷⁰ To reach this "resolution," ITT paid ACICS a total of \$1,989,349.99 in 2012, at the same time as ITT's approval status was deferred.⁷⁷¹ Almost half of this amount—49.1%—was earmarked for "annual sustaining fee assessment," and the rest was for "new program applications, reaccreditation visits, non-substantive change notifications, etc."⁷⁷² This scenario exemplifies the conflict of interest that existed between ITT and ACICS, and the mutual interest both parties had in ignoring ITT's many systemic problems.

ACICS worked with ITT whenever possible to satisfy the company's demands. For example, in 2011, ACICS lifted requirements that would have limited ITT's ability to expand and offer new programs despite its poor student outcomes.⁷⁷³ In 2012, ACICS assured ITT that it would give it extra time to satisfy the Department of Education's heightened benchmark standards for retention and placement and would continue to allow failing campuses to begin new programs.⁷⁷⁴

ITT HQ felt comfortable knowing that ACICS was always willing to work with them. In response to questions about why ITT was seeking approval for "new" programs that appeared to be exactly the same as existing programs (a strategy for evading the consequences of the gainful employment regulation, discussed below), a regulatory affairs manager in 2013 wrote: "I have had many, many conversations about this and we always end in the same place—they [ACICS] process our apps and we get approvals."⁷⁷⁵

ACICS also looked the other way on ITT's terrible retention rates. According to the Senate HELP Report, ITT reported that of the 64,921 students who enrolled at ITT in 2008-2009, 52% of them (or 33,733 students) had withdrawn by mid-2010, with the median enrollment period for these withdrawn students lasting 3 months.⁷⁷⁶ This dropout problem continuously plagued ITT, particularly in its online program, in which 1 in every 4 students dropped out within the first 4 weeks.⁷⁷⁷ Emails from 2015 reflect strategies the company developed to address this issue. One strategy was to distribute online students across resident campuses,⁷⁷⁸ a tactic that ACICS expressly endorsed.⁷⁷⁹ (This tactic then created a placement rate problem for the resident campuses that ITT had to figure out how to game.⁷⁸⁰) Additionally, corporate directors moved to a conditional enrollment model for online students so that they would not count in the retention rate calculation if they dropped out.⁷⁸¹ Notably, Kevin Modany resisted advertising this new model as a "trial enrollment" period⁷⁸² and did not want students to know that they had the option to discontinue their enrollment.⁷⁸³ He even expressed a desire to keep information about this initiative on a need-to-know-basis within the company.⁷⁸⁴

As a visual representation of how lenient ACICS was with ITT's objectively poor metrics, the following map represents campuses that could not satisfy the required 50% threshold for job placement and student retention in 2012, which should have prevented their re-accreditation. ACICS, however, was willing to grant contingency approval for all of the following campuses, despite their woeful outcome figures:



When ACICS initiated a pilot program to verify placement rates, ITT lobbied to modify the program to make it toothless. ITT wanted “an alternate proposal using something akin to the SFA Audit process whereby, for example, accountants at Pricewaterhouse Coopers, or PWC, would make the selections and Internal Unit would verify subject to PWC’s review/oversight.” Noting that “EDMC [another for-profit education company] is equally concerned,” Modany said, “We should definitely gather the schools noted and get [ACICS] on the phone . . . and explain that [they] should not just bend over and take what the ED is requesting without proposing a viable alternative.”⁷⁸⁵

Subsequently, the national director of career services at HQ was assured that ITT had “a call into our friends at ACICS” to discuss the requirement that placements be verified in writing (as opposed to orally).⁷⁸⁶ ITT’s feedback to ACICS was that the verification program should be scrapped, or that ITT should be able to select or train its own vendor to “level the playing field.”⁷⁸⁷

When ACICS pushed back on one of ITT’s business development ideas—offering short-term courses internationally—Modany’s reaction was: “The idea that ACICS says we can’t operate in foreign countries doesn’t make sense, if the reason they give is ‘we don’t want you to’ or even ‘we don’t have the resources to accredit the programs.’ That’s a problem that they need to solve—the solution can’t be ‘you can’t do it.’”⁷⁸⁸

Modany asked to speak with “Dr. Grey,” the head of ACICS, personally, so that he could “hear it from the horse’s mouth.”⁷⁸⁹

In another instance, Modany stated he would “call Dr. Grey for a personal interpretation” of an ACICS standard that was hindering ITT’s business strategy.⁷⁹⁰ He also pushed back on the frequency of accreditation visits (“We need to talk to them about the accreditation period for the other schools! We aren’t going through this crap every two years!!!!”).⁷⁹¹

When ACICS asked Modany in July 2016 about an influx of calls it was receiving about ITT potentially going out of business, he responded:

My how far off reality’s tracks we have traveled if this is a topic of legitimate conversation between an accreditor and its largest member institution. That said, I hope and trust we are not being asked to comment on unsubstantiated (and ridiculous) internet rumors! I’m confident we’ve not succumbed to validating this type of outlandish internet slander with a request for a response!⁷⁹²

ITT, of course, declared bankruptcy two months later.

F. Corporate Bullying

At every turn, ITT tried to discredit anyone who criticized the company, from investment analysts to elected officials, regulators to reporters, and even its own students.

For example, after reading a letter submitted by a nonprofit advocacy group to the Department of Education calling for tougher accountability measures against schools like ITT, Modany asked his lawyers, “Can we sue Pauline Abernathy and TICAS [the Institute for College Access and Success] for these slanderous comments about preparing for our closure. This is outrageous commentary solely intended to harm our business. I’m tired of these assholes from TICAS taking unresponded shots at us and the sector at will!”⁷⁹³ Another letter from the same advocates elicited the following reaction:

It’s time to take these socialists head on instead of hiding in the sand when they come storming down the beach with their ideological populist mantras masked by an insincere interest in protecting tax-payer money! If we want to protect tax-payer money we’ll stop subsidizing community colleges that take in billions of state and federal dollars and produce graduation rates in the high single to low double digit rates with unknown employment rates and starting salaries (as they don’t even collect this data)! While we are at it. . . let’s hold the HBCU’s [historically black colleges and universities] accountable for their absolutely dismal performances . . .⁷⁹⁴

When Holly Petraeus of the Consumer Financial Protection Bureau (CFPB) made statements about ITT and other for-profit schools, Kevin Modany wrote:

It's amazing to me that someone is permitted to step up to the table and provide so much unsupported, anecdotal slander as part of official testimony! Someone should have raised their hand and asked her . . . 'um . . . excuse me . . . but can you support any of these slanderous claims with any statistically valid data or are they just nice stories that you wanted to tell today that support your prejudiced views against the free markets?' The fact that someone would place any credibility on any of these claims per her 'observations' as 'she traveled around the country' is mind blowing and embarrassing to me as a citizen of the country governed by the people listening to her! Wow!! What a circus!!!⁷⁹⁵

Regarding another CFPB and Department of Education official, Rohit Chopra, Kevin Modany stated, "This guy should be sent to Guantanamo Bay for about a decade of R&R; which should include an aggressive regimen of 'water sports'! His purposeful manipulation of the facts, abuse of power and attempt to defraud the Treasury out of taxpayer funds should be viewed as economic terrorist activity and he should be treated accordingly!"⁷⁹⁶

When responding to an inquiry from a reporter about a student's allegations that his loans were forged by an ITT employee, Kevin Modany directed, "Take off the gloves with the student and slug back! Do not hold back in any way and anything that we can put out there to question the legitimacy of his complaint we should most definitely do so. . . . [W]e need to call him out publicly."⁷⁹⁷ With respect to the reporter, Modany fumed, "This guy is a little scumbag and we need to call him out!"⁷⁹⁸

When a former student sent a message to current students warning them not to continue at ITT, Kevin Modany opined that he was part of a "union/liberal front group" and asked that a "cease and desist letter" be sent to "bring him to his senses."⁷⁹⁹ If that failed, Modany asked, "what possible legal action we could take. We need to snuff this kind of nonsense out. Right now, their precious little millennial egos are getting attention by their telling lies (and probably getting paid by the union). It is not costing them anything. That needs to change."⁸⁰⁰

Kevin Modany was not used to students voicing complaints against ITT in public, because ITT forced students into closed-door, confidential arbitration procedures through a clause in their enrollment agreements. When the Department of Education proposed to limit the use of such clauses, Modany expressed outrage: "Am I reading this incorrectly?!?!?!? How can that be enforceable? This is outrageous!"⁸⁰¹ He was also quite candid about the possible outcome: "We would be subject to class action lawsuits! That's why we didn't want to lose them [arbitration provisions]. The Obama administration is pushing so hard to get rid of them as a favor to the Plaintiffs bar."⁸⁰² Modany went on: "assuming this doesn't get derailed, there's not more sunrises on the other side of July 1, 2017. Absent a legal challenge on this . . . the die has been

cast!"⁸⁰³ When he learned that DeVry had voluntarily abandoned the use of arbitration, Modany stated, "I don't know how they could have concluded the expense is manageable."⁸⁰⁴

Kevin Modany's views on the students that his company was meant to serve and educate were derisive and dismissive. His comments on a fundraising request by a student debt project were classic Modany:

Why is it someone else's fault that people borrowed money and enjoyed the benefits of the use of that money and now have to pay it back???? Why is it in this country that very thing bad [sic] that happens to someone is the fault of someone else? When is it our own fault for the bad things that happen to us? When are we going to start saying that it is okay to hold people accountable for their own actions?? How has society become so enamored with the idea that rich people make bad things happen to people who have zero responsibility? How far away are we from refusing to put people in jail for committing crimes and instead starting to prosecute (civilly and criminally) responsible, law abiding citizens (parents, teachers, coaches, bosses, etc.) who had contact with these criminals at some point in the degenerates [sic] life such that we can blame the responsible citizen for the criminal behavior of the lawless few?!?⁸⁰⁵

On the other hand, ITT did not hesitate to use its students as props to protect its reputation, although its efforts in this regard were often laughable. For example, in 2012, ITT was desperate to counteract its negative portrayal in the Senate HELP Report, particularly the "insinuation" "that a veteran is so gullible as to be duped into a career college."⁸⁰⁶ They identified a former student as a potential spokesperson for the school, to be featured in an "Alumni Magazine." The student was a veteran, and had already been featured in an ITT Tech TV commercial and on its website. (ITT spent \$319,973 airing a 30-second spot featuring this graduate, which, according to company metrics, led to 93 leads, and \$1,052,675 airing a 60-second spot featuring the graduate, leading to 286 leads, for a total cost-per-inquiry of \$3,441.)⁸⁰⁷ But when ITT looked into this strategy further, it realized it could not use this student to create a narrative of ITT serving veterans, because he had "never made a payment on his federal loans."⁸⁰⁸ The company then identified a second student veteran, who had also already been featured in an ITT Tech commercial, but ITT discovered that this student had defaulted on his PEAKS loan. Kevin Modany did not see this as an obstacle and requested that marketing "follow up on this with [the CFO] and he can have [the servicer] check his name to see if his loan has been recently rehabilitated (I suspect that it has or soon will be)."⁸⁰⁹ (Modany was in a position to know because ITT was making payments on PEAKS loans at the time). But, ITT learned, the same student had also had his federal student loans placed in an economic hardship deferral, which the vice president of marketing noted as curious, "as the commercial represents him being in a supervisory position."⁸¹⁰

Kevin Modany was equally contemptuous of his company's instructors. When a nursing chair raised concerns about the program and asked for more resources and compensation, and was supported in this request by other nursing instructors, Modany responded irately: "Typical terrorist tactics of an irrational faculty. They attempt to get students to rally against the school. We've seen this before. We let her grab the gun and take the hostages so now this likely gets a little messier than it otherwise would have been."⁸¹¹ He proclaimed, "We will not give this woman a DIME. Not one red cent! Litigate it to the end before we give her one nickel. And when the smoke clears if we can sue her for recovery of all associated legal costs I want to do that (and anything else we can think of.)"⁸¹²

Modany did not hesitate to threaten legal action against anyone who stood in his way, including entities with lawful authority to regulate ITT's conduct. In one example, following the company finally receiving approval from Kentucky to offer a nursing program, Modany grouched: "They were giving us the runaround so we had to hire an attorney and magically they subsequently gave us the preliminary approval."⁸¹³

G. Exerting Political Influence and Evading Gainful Employment Requirements

At the same time as ITT aggressively attacked its critics, it invested in and cultivated relationships with elected officials who could protect its interests. As Modany wrote to former ITT CEO Rene Champagne in early 2012, "I hope the sector is prepared to contribute lots of dollars to Republicans across the board to send idiots like [Senator] Durbin packing."⁸¹⁴ As the head of the trade association, APSCU, stated, "[i]n today's Washington world," influencing legislation and policy "requires a minimum of over \$10 million just to have a seat at the table."⁸¹⁵

In response to an article highlighting the excessive spending on marketing by the for-profit education sector, Kevin Modany noted, "[W]e've been very successful in pushing back on the 'marketing prohibition' initiative in the past (and suspect we will continue to do so)."⁸¹⁶ ITT also vigorously lobbied against gainful employment regulations, including by asking all ITT campus directors to contact their respective members of the U.S. House of Representatives and Senate to "communicate our concerns regarding the ill-advised and poorly conceived gainful employment regulation."⁸¹⁷ Modany sought a personal audience with then-Governor Mike Pence to discuss gainful employment (a "fiasco" from an administration "hell bent on pre-empting the role of Congress in making laws") and the "ridiculous" incentive compensation ban.⁸¹⁸

ITT went to great lengths to evade regulations from the Department of Education designed to limit participation in federal student aid to only those institutions and programs that delivered on their promises to students. In particular, ITT executed a complicated and intricate strategy to "comply" with the gainful employment regulation. This regulation, promulgated in 2010, required career education programs such as those offered by ITT to stay below certain debt-to-earnings ratio thresholds

for its graduates. Modany described the regulation as “an absolute nightmare of epic proportions. . . . Well done by the Socialists on Pennsylvania Avenue . . . but a very sad day for our economy and global competitiveness.”⁸¹⁹ This sentiment was echoed by Diane Auer Jones, who would later become Undersecretary at the Department of Education under Betsy DeVos, who described gainful employment as “one of the most horrific examples of social engineering that I have ever seen,” and claimed that “the classism imposed by GE is nothing short of astonishing.”⁸²⁰

In 2010, Kevin Modany advised the company’s Board of Directors that “[t]he overwhelming majority of our programs do NOT comply with the proposed [regulation] and require remediation initiatives.”⁸²¹ ITT estimated that it would have to reduce its tuition by approximately 11% to pass the debt-to-earnings metric, but rejected this course of conduct as not “economically efficient,” because the gainful employment regulation “is based on median debt for graduates, not all students, but the tuition cut would be for all students, not just graduates.”⁸²² A second option for remediation was to give “debt reduction awards” to graduates, but to be lawful it would have to be need-based, and the result would be that the award would go to those “who likely received the most grant aid and thus have the least amount of debt.”⁸²³ The third option for remediation was “curriculum revision,” which would “be operationally challenging.”⁸²⁴

ITT went with the “operationally challenging” option because it did not involve providing students with money—that is, it would allow the company to continue its profit-making scheme unimpeded. The plan was to nominally repackage existing programs into “new” programs so that the new programs would not yet have graduates to report for gainful employment purposes.⁸²⁵ ITT made only minimal changes to existing curriculum and textbooks, but enough to evade the gainful employment regulations.⁸²⁶ Several internal documents record these meaningless programmatic name changes, including the following examples from the spring of 2011:

- (1) The ITT School of Business renamed several of its programs and gave them new acronyms. The presentation notifying employees of these changes gave no explanation for why these changes were made.⁸²⁷
- (2) The School of Business also notified staff of name changes being instituted for the Project Management Program including a renaming of the “Bachelor Degree Program in Project Management” to “Bachelor Degree in Project Management and Administration.”⁸²⁸
- (3) Another April 2011 Academic Affairs presentation from the School of Information Technology stated that in September 2011 the Associate Degree Program in Computer Network Systems would be arbitrarily changed to “Associate Degree Program in Network Systems Administration.”⁸²⁹

(4) In the same April 2011 document from the Information Technology School, the “Bachelor Degree Program in Information Systems” was renamed “Bachelor Degree Program in Information Systems and Cybersecurity.”⁸³⁰

In order to execute this name-change strategy, Modany enlisted NIIT, a company in India, to update ITT’s curriculum so that it appeared as if the programs had been updated, even though in substance they had not.⁸³¹

The effect of this strategy was that, by the time the first gainful employment numbers came out, 80% of ITT’s student census was enrolled in programs that were not subject to that cycle of gainful employment enforcement.⁸³² This delighted gleeful corporate managers, one of whom responded, “It’s nice when our plans work out.”⁸³³

1. Corporate Leadership’s Views on Borrower Defense

In 2015, Corinthian Colleges, Inc., declared bankruptcy, prompting a flood of activity around loan cancellation for students of the chain. Kevin Modany described this reaction as “grandstanding . . . by the socialist liberal left and their political ‘think tank’ groups that masquerade as ‘student advocates.’”⁸³⁴ Modany forwarded a press release announcing federal student loan cancellation for Corinthian students to ITT’s Board of Directors, commenting, “This is without question one of the most frightening pieces that I have seen from ED in my 13 years in the postsecondary education sector!”⁸³⁵ He was particularly scornful of then-Attorney General of California Kamala Harris, whom he saw as

closing down the CA schools because she held out for federal loan relief for CA students. As such, she is now spending taxpayer resources to justify her botched negotiation that led to 1,000s of CA residents losing their jobs and 10s of thousands of students getting tossed out into the streets in the middle of their studies. Dumb ass! The ED has already said that the Heald College students get relief! Clearly now she is going after the Everest schools to try to get the same for those CA graduates! We’ll see if the ED tosses her a bone on our watch/expense!⁸³⁶

Kevin Modany described the 2016 borrower defense regulation as “a constitutional rape”⁸³⁷ that “makes a mockery of due process.”⁸³⁸ He also observed that ITT would “need to be very careful about the language in any settlement” of their various enforcement actions with respect to borrower defense, noting that the leaders of EDMC were “idiots”⁸³⁹ and “morons”⁸⁴⁰ for not getting a release on borrower defense liability from the Department of Education when it settled a large lawsuit (EDMC’s general counsel had explained that the company “didn’t push on the issue based on several conversations with ED where they confirmed that they do not plan to seek student loan forgiveness based on either the FCA [False Claims Act] or AG investigation settlements”).⁸⁴¹

VIII. CASE STUDY: ITT'S BRECKINRIDGE SCHOOL OF NURSING

The nursing program at ITT—known as the Breckinridge School of Nursing—stood out as an especially egregious example of ITT's deceitful behavior toward students to get them to enroll and stay enrolled at all costs. The program was notorious for its poor academics and career outcomes, and for concealing its lack of programmatic accreditation specific to nursing programs. ITT's general accretor, ACICS, did little to either improve these educational standards or ensure that ITT disclosed to prospective students that the Breckinridge School of Nursing lacked specialized, programmatic accreditation for nursing.

A. Nursing as a Profession

The nursing profession has been one of the fastest-growing fields in the United States for the past several years, with the Bureau of Labor Statistics estimating a 9% growth average expected over the next ten years.⁸⁴² As far back as 2010, a nationwide shortage of nursing professionals was well documented, with industry analysts recommending an increase of working nurses by 80%.⁸⁴³

Registered Nurses (RNs) and Licensed Practical Nurses (LPNs) are two of the most common types of nursing professionals in the United States, and both carry licensure and graduation requirements. An RN is an individual who has graduated from a state-approved school of nursing, passed the National Council Licensure Examination (NCLEX) Examination, and been licensed by a state board of nursing to provide patient care in that state.⁸⁴⁴ An LPN is an individual who has completed a state-approved practical or vocational nursing program, passed the NCLEX-LPN Examination, and been licensed by a state board of nursing to provide patient care.⁸⁴⁵

The key term with respect to nursing schools in these definitions for RNs and LPNs is "state-approved." This means that, at minimum, a nursing school must be compliant with the regulations and standards of the state where it is located. Generally, these rules are enforced by state agencies, commonly referred to as "boards of nursing" or "nursing boards." The requirements for state approval of nursing programs vary by jurisdiction, but many states require nursing programs to hold specialized programmatic accreditation in order for their graduates to qualify to work as nurses.

B. National Nursing Accreditation and Why It Is Important

The Accreditation Commission for Education in Nursing (ACEN)—which before 2013 was known as the National League for Nursing Accrediting Commission (NLNAC)⁸⁴⁶—is recognized by both the Department of Education and the Council for Higher Education Accreditation as the leading national authority in nursing accreditation.⁸⁴⁷ NLNAC

status is often referred to as “specialized” accreditation, because it is a national authority with respect to the particular profession of nursing and assesses all levels of nursing education, from associate to clinical doctorate.⁸⁴⁸ The NLNAC is the only accrediting agency recognized by the Department of Education for accrediting all nursing programs that educate students for every type of practice role.⁸⁴⁹

There is a crucial difference between general accreditation by organizations such as ACICS and specialized nursing accreditation under NLNAC. ACICS is an institutional accreditor. ITT was required by the Department of Education to maintain institutional accreditation through ACICS in order to operate as a post-secondary institution capable of receiving Title IV funds. NLNAC, on the other hand, is a programmatic, or specialized, accrediting body. It pertains only to nursing programs and imposes additional standards for schools to meet in order to fully accredit their nursing programs.⁸⁵⁰

In many states, formal NLNAC approval is voluntary, but states have adopted their own standards in such a way that schools should be able to gain approval.⁸⁵¹ In other states, NLNAC approval is required. In some instances, if the state does not require programmatic nursing accreditation, it instead requires regional accreditation, which ITT did not have.⁸⁵² But more importantly, participating in NLNAC accreditation allows a nursing program to validate its commitment to quality and high standards in the nursing profession.

Many employers and clinical sites view nursing-specific accreditation as a crucial element when assessing the worth of any nursing program, regardless of the state where it is located. For example, St. Mary’s hospital in Evansville, Indiana, told ITT that “they refuse to hire [ITT’s] graduates because [its] campus does not hold voluntary NLNAC accreditation.”⁸⁵³ At the Fort Myers, Florida, campus, the ITT campus staff told HQ the following about why NLNAC accreditation was so important:

The most important reason we desire programmatic accreditation is to align with the strategic vision of our local hospital systems in order to secure clinical placements for our students . . . [T]hey were not willing to sign an affiliation agreement with us unless and until our nursing program obtains candidacy for accreditation . . . They refuse to pay tuition for their employees that attend ITT Technical Institute based on the premise that other area nursing programs will not accept ITT transfer credits and this creates barriers for students that have a desire to further their education and career goals. For example, students would have to take GE [general education] and possibly core classes again if they decide to attend a local university to pursue a higher degree in nursing . . . They [local hospitals] also refuse to enter into affiliation agreements with a nursing school lacking programmatic accreditation. We were able to temporarily secure a clinical affiliation agreement with [local hospital] in December with much effort for mother-baby clinical when a competitor closed its doors suddenly, but even that will be fleeting without our program being accredited.⁸⁵⁴

In short, being programmatically accredited means that the program has been independently affirmed to be of high quality and allows graduates to qualify for all nursing jobs,⁸⁵⁵ whereas a lack of programmatic accreditation prevents certain types of nursing employment (e.g., positions with the Department of Veterans Affairs or other federal-employer nursing jobs), disallows the transfer of nursing credits to other institutions, and may prevent a student from being licensed in the state of their choosing or prevent licensure reciprocity.⁸⁵⁶ Because of these conditions, students seeking nursing degrees would specifically favor this type of accreditation, regardless of whether a nursing school is technically *required* to be programmatically accredited or not—a fact that ITT knew very well.⁸⁵⁷ For example, the Lexington, Kentucky, campus very clearly explained to HQ “the large magnitude of resistance” their students faced because “[w]ithin a fifty mile radius there are eleven schools which offer a nursing program. Every single one of those schools is accredited except for us. . . . We have been turned down for clinical opportunities at three large facilities because we are not accredited, but two of them informed us they have opportunities for us once we become accredited.”⁸⁵⁸

C. ITT’s Nursing Program

ITT first became involved in nursing education in 2007, when it opened its first nursing program at its Indianapolis, Indiana, campus.⁸⁵⁹ ITT’s mantra when starting its nursing program was “[w]e just need to get the pole in the water and wait.”⁸⁶⁰ In 2011, ITT began what it called the Breckinridge School of Nursing, which it operated out of many of its campuses in over a dozen states.⁸⁶¹ As mentioned above, ITT as a larger institution was nationally accredited by ACICS, but its Breckinridge School of Nursing was never accredited by NLNAC.⁸⁶²

States where ITT operated its nursing program included Alabama, Arizona, California, Florida, Idaho, Indiana,⁸⁶³ Kansas, Kentucky, Missouri, Michigan, Nevada, Ohio, New Mexico, North Carolina, Nebraska, Oklahoma, Oregon, South Carolina, Tennessee, Texas, and West Virginia. In many of these states, programmatic nursing accreditation was not required—at least not initially.⁸⁶⁴

However, ITT knew that programmatic nursing accreditation was highly sought after by students,⁸⁶⁵ employers,⁸⁶⁶ and clinical sites,⁸⁶⁷ and as result, it endeavored to obtain that accreditation. ITT’s motivations to gain NLNAC accreditation are evident in a 2013 accreditation proposal, which stated the following:

Early pursuit of this Accreditation through NLNAC resulted in the denial of the final approval for the Indianapolis Campus at the final committee level. As the healthcare landscape changes so too have some of the hiring practices at the very institutions our students are seeking employment from. One such change has been put into practice at the Veterans Administration and Department of Defense. These institutions have now mandated that eligibility criteria for future hires of registered

nurses must be from a school that possesses Programmatic Accreditation from ACEN or CCNE. While this government sector of healthcare remains in a small portion of the overall job market opportunity for our graduates, we have additional anecdotes on a campus by campus basis that several larger tertiary hospital systems have placed similar criteria for hiring in place.⁸⁶⁸

In the same accreditation proposal, ITT stated what they viewed as the benefits of getting NLNAC accreditation:

- “Graduates from accredited nursing school programs potentially qualify to attend other accredited schools to pursue advanced studies.”
- “Accreditation can potentially make [an applicant] more competitive in the job market; some employers may prefer to hire accredited practitioners because they are trained under nationally established standards for nursing education.”
- “Once accredited, the School can promote this status potentially offering it an advantage over other non-accredited institutions recruiting students in the same vicinity.”
- “Allows the state boards of nursing to potentially view the school in a different light.”⁸⁶⁹

However, ITT never achieved specialized accreditation through NLNAC for its nursing programs, which was a deficiency that came to define the Breckinridge School of Nursing until its cessation with ITT’s ultimate closure in 2016. Its lack of NLNAC accreditation is largely attributable to shortcomings in its educational standards and graduate outcomes, which were quite poor as compared to the standards required for accreditation. Yet ITT still continued to mislead students about its accreditation status.

D. ITT’s Top-down Model and Failure to Invest Resources Doomed Its Attempts at Programmatic Accreditation

As with many of its other programs, the systemic shortcomings of ITT’s nursing program were the result of stringent, top-down corporate control, which emphasized short-term profit maximization above all else.

ITT simply did not put in the work and resources necessary to meet the standards of NLNAC. In the words of a consultant hired to assess the Indianapolis campus’s readiness for NLNAC accreditation in 2011, ITT “started with an application and modified it for purposes of the Self-Study—wrong methodology.”⁸⁷⁰ In 2013, a different consultant concluded, after a mock NLNAC visit conducted in February 2012, that the campus was far from being able to meet accreditation requirements. Crucially, low NCLEX passage rates “indicate[d] a need for a change in curriculum.”⁸⁷¹

This was not the first time ITT had been warned that its nursing curriculum was a

problem. In September 2011, “the consultant identified that the program originated in 2005-06 and is already outdated.”⁸⁷² In October 2012, ITT received a proposal to rewrite the nursing courses that, at \$300,000, was deemed “too high” a cost, and prompted Kevin Modany to state, “We don’t necessarily need to push the envelope here.”⁸⁷³

The 2012 consultant also identified the lack of nursing autonomy as another issue⁸⁷⁴:

Meeting the individual needs of the Indianapolis campus may require a change in the corporate approach to the type of changes I have addressed. Requiring all changes to be approved at the national level, may not be the most advantageous approach to quickly solving problems of a local campus. A local approach to change may better meet your ~~needs~~ at this time. ← NO

The handwritten “no” in the above message was added by CEO Kevin Modany.

The experts on the ground warned ITT HQ that their tight control and refusal to grant autonomy to the subject matter experts at the campus level would be an obstacle to attaining programmatic nursing accreditation. In one example, the nursing chair at the Indianapolis, Indiana, campus advised against replacing the campus program handbook with a standard corporate handbook:

My only concern about merging the handbooks is that what we wrote then becomes corporate and we do not have the easy autonomy to make changes at the campus level. The more that becomes controlled primarily by HQ, the less we can make changes as needed so it then appears to NLNAC that we do not have input except to send suggestions. The changes may not occur nor happen in as timely a manner as we would like.⁸⁷⁵

The response from Regulatory Affairs was that the decision “is entirely a matter for . . . HQ. I appreciate your position and wish I could offer a compromise but the message is not mine, I am a messenger and not a policy maker in this case.”⁸⁷⁶

Another obstacle related to the fact that Kevin Modany insisted on personally approving and signing off on all student and employer surveys. These surveys were an essential component of the accreditation process: ITT was supposed to measure and adapt its program delivery according to this feedback. But even as schools were submitting materials for accreditation, they lacked such surveys, and could not provide them without getting “Kevin’s comments,” which would take several months.⁸⁷⁷ It is likely that Modany’s stonewalling was based on the fact that surveys tended to yield negative feedback, such as one survey response declaring that an ITT clinical site was “a complete disgrace to the nursing profession.”⁸⁷⁸

In fact, several state boards of nursing determined that this level of corporate control, with little or no input from local directors or nursing professionals, directly contributed to major shortcomings at campuses they oversaw:

- **Arizona Board of Nursing – 2015:** “Control of Respondent’s program, including day to day classroom activities, such as testing requirements, daily schedule, calculation of grades and curriculum, rests with ITT Educational Services, Inc. (corporate) and not that local faculty and program administrator, as required . . .”⁸⁷⁹
- **Indiana Board of Nursing – 2015:** Regarding the South Bend campus, the board “would like to see a larger oversight from nursing [staff] over the nursing programs.”⁸⁸⁰
- **Texas Board of Nursing – 2015** The board was “concerned about a ‘history’ of hiring unqualified people to serve as nursing chair and want[ed] to make sure that [ITT] understand[s] how critical that role is to the success of a nursing program.” It also “expressed concern about the lack of nursing leadership, the lack of understanding of the role of nursing by campus administration and HQ, and the lack of training and mentoring for Nursing Chairs.”⁸⁸¹
- **Arkansas Board of Nursing – 2012:** Following a site visit to the Little Rock campus in November 2012, the board raised the following questions: “1. To what extent, and by what process, does the Little Rock Arkansas chair and faculty have input into the curriculum development?; 2. What controls, related to quality assurance for the program, are delegated to the Little Rock Chair and faculty?”⁸⁸²

Autonomy for the nursing program was never going to happen, even if that meant programmatic accreditation would never happen. ITT’s failure to treat local experts with respect, and its refusal to invest in educational resources, doomed its attempts at accreditation. In 2012, Kevin Modany expanded upon his view of nurses and the desirability of their input on ITT’s curriculum:

The Nurses have a very tight ‘union’ . . . if you are proactive and collaborative with them (this is to inform them . . . not to let them make any decisions) . . . they are fine. If you leave them out of the process, they fight like mad! Just insecurity of the profession from years of being seen as the doctor’s personal shit pan (excuse the crudeness . . . but it seemed the best way to get the point across). Net/net it is all very manageable if we do it right.⁸⁸³

In keeping with this attitude, ITT, and Kevin Modany in particular, resisted evidence that ITT’s pay scale was too low to attract and retain qualified instructors and chairs. When the chair of the West Palm Beach, Florida, nursing program resigned in August 2012 because “the salary is too low,”⁸⁸⁴ she was described by HQ as “not a cultural fit.”^{885,886}

A nursing consultant serving as interim chair of the nursing program in Rancho Cordova, California, in late 2012 described the program as a “near disaster” because “getting competent people onboard at the price we are paying is extremely difficult - and when we do we need to probably fire 3 of the 4 existing faculty as well as the administrative assistant.”⁸⁸⁷ This consultant stepped down shortly thereafter, leaving Rancho Cordova without adequate faculty or a chair. The president of Breckinridge reported to Kevin Modany in June 2013 on these issues, noting, “We had a great deal of difficulty recruiting for this chair and turnover has been a significant issue,”⁸⁸⁸ and “it’s the same story about how we underpay.”⁸⁸⁹ When Modany finally relented and raised the compensation for nursing faculty, it yielded positive developments in program delivery. Upon hearing this, Modany sarcastically stated, “Impressive faculty . . . great . . . we’re losing our ass due to what we are paying them . . . but they are impressive”⁸⁹⁰

One such “impressive” faculty hire was the new chair at Rancho Cordova. Upon taking the job, she learned that she was “not fully informed about the state of the program,” which—along with three other program locations that also became her responsibility—was under warning status from the California Board of Registered Nurses. She notified HQ that she would need to “work sixteen hours a day seven days per week doing the job of four persons in order to meet” the board’s deadline. She had also been unaware of “the new pay scale that will make it practically impossible to hire competent and experienced faculty members,” and she warned that she was unable to remove faculty who demonstrated “ongoing inappropriate behavior” “because we need these faculty members.”⁸⁹¹ She asked for a longer contract and to revisit her compensation. ITT’s response was to fire her—an action that caused significant uproar amongst the faculty, which Modany described as “[t]ypical terrorist tactics of an irrational faculty. They attempt to get students to rally against the school. We’ve seen this before. . . . We let [the chair] grab the gun and take the hostages so now this likely gets a little messier than it otherwise would have been. Bottom line we’ll shut it down and give everyone their money back before we give her a dime!”⁸⁹²

ITT’s playbook of relying heavily on adjunct instructors also caused problems with state nursing boards and NLNAC. In August 2013, the nursing chair in Albuquerque reported that the New Mexico Board of Nursing was concerned that ITT paid adjunct instructors a lump sum per course, because this payment model disincentivized their participation in training and other activities. Upon hearing the suggestion that adjunct nursing instructors be paid hourly for training, Modany responded: “We’ve heard this many times previously and it just keeps coming back up because we have weak managers . . . that fuel this fire and don’t know how to put it out at a local level (without ‘blaming it on HQ’).”⁸⁹³ Modany went on to complain, “[W]e have another employee asking for more money and again a weak manager who doesn’t know how to handle the matter so he ‘tosses it up the ladder!’”⁸⁹⁴ He ended the email with, “p.s. The BON [board of nursing] has absolutely NO AUTHORITY to tell us what we should be paying our employees! The mere suggestion of such is OUTRAGEOUS!!! [Employee] should be disciplined for using this as a ‘reason’ to increase our costs! Unbelievable!!!”⁸⁹⁵ Not done, Modany later wrote:

BTW.....show me where in any state regulations where the BON has the authority to dictate pay to instructors! [Employee] is 'off the reservation' with suggesting that pay is a BON concern! Do they want the union membership to get paid more....sure they do....do they have any authority to dictate pay.....not that I'm aware and I would be beyond shocked if the regs provided them with this authority. I know the country is moving closer and closer to a socialistic state with this administration but to suggest that a regulatory body can dictate compensation is overboard even for today's liberal socialistic environment!⁸⁹⁶

When reminded that "if we are unsuccessful with obtaining accreditation in Albuquerque in the specified time then we lose BON [board of nursing] approval," Kevin Modany responded, "That's absolute HORSE SHIT."⁸⁹⁷

Kevin Modany fundamentally did not accept that any entity external to ITT had a right to dictate how ITT's nursing programs were organized and delivered. For example, when signs pointed toward ITT's failing to attain accreditation from NLNAC at any location, he switched his talking points to a defiant tone: "We are not going to make changes to our program strictly from recommendations from outside entities/ accreditors—we are focused on student success and our NCLEX results speak to the success of our program."⁸⁹⁸

If his position were not already perfectly clear, Modany made sure that everyone knew that "approving us to move forward" with programmatic accreditation at a given campus "in no way is an approval to increase expenses in any form or fashion."⁸⁹⁹

To the contrary, Modany ordered a review of nursing program faculty staffing with the goal of *reducing* expenses. He asked for campuses to be assessed on three metrics: (i) whether every nursing faculty member was having at least 240 "contact hours" of teaching—and Modany specifically directed that student-facing and beneficial activities such as "sim lab/open skills lab; one-on-one tutoring; HESI testing administration; [and] various committees" "have not been approved for inclusion in the 240 hour requirement"; (ii) being at or above a faculty-to-student ratio of 1:25; and (iii) not exceeding a specified full-time-to-adjunct ratio.⁹⁰⁰ Modany also wrote, "If I'm reading this correctly we have 60 FT faculty more than we should have," resulting in "excessive cost that we will be removing from the operating model for Breckinridge."⁹⁰¹ "We need to make this a priority!"⁹⁰²

At the same time, Modany was keenly aware that nursing programs were a strong draw for unwitting prospective ITT students, and thus he pushed to open nursing programs in as many locations as possible. In 2014, even after the abysmal performance of these programs, Modany pushed for an "Accelerated BSN" (Bachelor of Science in Nursing, intended for individuals with a bachelor's degree in another field), asking top managers, "How quickly can we get [programmatic accreditation] at all RN [registered nursing] markets," "Do we need any additional capital over and above what we already have," "Can we fit this into our current clinical inventory," and "Do we need any

additional staff (hopefully not),” and directing that the team “begin executing on it as soon as possible.”⁹⁰³ This plan was formulated between Modany and the Senior VP of Business Development, without the participation of the person nominally in charge of the Breckinridge school.⁹⁰⁴ Interestingly, the “black book” business plan for the BSN program noted that the overwhelming majority of hospitals and other employers *required* a bachelor’s degree for new hires, a fact that ITT did not otherwise disclose to the students already in its nursing associate’s degree programs.⁹⁰⁵

E. “Nursing-Chair Roulette” and Other Shell Games: Keeping a Sham Afloat

ITT knew that its nursing programs were not sustainable and would never attain programmatic accreditation. This was fatal to their state approvals as well, as “the BONs are requiring the same level of delivery that NLNAC requires.”⁹⁰⁶ Nevertheless, ITT needed to keep up the pretense of perpetual “candidacy” status, to keep enrollments and loans flowing for as long as possible. To do so, the company engaged in a dishonest shell game without regard to the consequences for its students.

ITT’s failure to attain accreditation for its Indianapolis, Indiana, program was the ultimate proof that *none* of its programs would ever pass NLNAC standards. ITT took an all-hands-on-deck approach with Indianapolis, putting all other campuses on hold, and still came up short. The issue was that they could not fake a sustained commitment to programmatic standards. Indianapolis did not maintain the requisite full-time faculty-to-student ratios, and its faculty did not actively participate, as required, in an ongoing assessment of the nursing curriculum and outcomes. In response, ITT undertook to “revise/edit, create and update documentation” and manufacture (*i.e.*, backdate) faculty participation by requiring faculty to sign an acknowledgment that they had been participating all along (“A minimum of two documented faculty meetings on the creation of the Follow-Up Report will be held before 10/29; however, each participant will be requested to sign the attached as an acknowledgment of their involvement in the response process.”).⁹⁰⁷

But these efforts were patently insufficient. A nursing chair at a different campus, who shared her views on the “self study,” acknowledged this fact. The chair expressed that her experience writing self-study documents and attending workshops and seminars provided by NLNAC led her to “feel extremely comfortable saying, if we sent this document to NLNAC that would be our 3rd denial.”⁹⁰⁸ “If the team has been working with this document, there is no way they could be successful. It is the equivalent of trying to build a house with instructions on how to build a table.”⁹⁰⁹

Even in the face of this inadequacy, ITT drove forward with the expansion of its nursing program into new states, as well as in states where its existing programs had already drawn the ire and scrutiny of state boards. In July 2013, the head of HQ business development asked Regulatory Affairs to look into whether Wisconsin and Minnesota still required regional accreditation to open a nursing program, and also to check for

NLNAC language in requirements for Utah, Colorado, Louisiana, Wisconsin, Georgia, and Pennsylvania.⁹¹⁰ When advised that “Georgia and Pennsylvania will not turnaround quickly even if the Nursing Board is favorable. These two states take FOREVER,” the head of business development responded, “We just need to get the pole in the water and wait.”⁹¹¹ In other words, while they waited to get accreditation, why not just make money in the meantime by continuing to run the programs and enroll more students?

Breckinridge was a shoot-first-and-aim-later operation. The head of business development went ahead with plans to open an extension site in Richardson, Texas, even after being told by Regulatory Affairs and ITT’s nursing consultant that ITT needed board of nursing approval and a graduating class at its first Texas site before doing so. The nursing consultant also warned the head of business development to “avoid the Richardson area because it is already saturated and clinical sites are not available,” but he ignored this advice.⁹¹²

In Illinois, the board of nursing wrote that it was “very frustrated and puzzled” that ITT was apparently opening new programs in Oak Brook and Mt. Prospect without “any communication” with the state board, without nursing chairs, and “when there has not been any NCLEX pass rates from the existing school” at Orland Park.⁹¹³ The board of nursing questioned “if ITT understands the process.”⁹¹⁴ A senior vice president of business development responded internally that the two new programs were not an extension site of Orland Park, and therefore should be able to open their doors regardless of Orland Park’s lack of outcomes.⁹¹⁵ He suggested that ITT simply name two chairs from other programs as interim chairs (there should be “no problem,” he opined, since one of the chairs was from out of state and therefore not known to the Illinois board of nursing).⁹¹⁶ Upon reading these suggestions, one regulatory affairs manager stated to another, “Looks like we’re trying to play nursing chair roulette again. Not sure we should keep playing this game....”⁹¹⁷

The same issue arose in Alabama, where ITT opened a nursing program in Bessemer without taking the appropriate steps first. The board of nursing responded with an exasperated email⁹¹⁸:

Subject: RE: Nursing Board Letter of Deficiency: Bessemer ITT Technical Institute

Here we go again....who is actually serving as an Interim Nursing Program Administrator? Telling me you are getting assistance from other programs clearly does not address the deficiency notice and the regulation that requires you to have a nursing program administrator. Tell me the person who is acting in that role until you hire someone for the position? And Mr. Hamm is not a registered nurse in Alabama so his knowledge may be useful to you but he would not be able to serve as the interim and we never approved for program administrators for new programs in Mobile and Madison to provide you with services as the interim. They have their own issues to contend with and they are provisionally approved as well. Telling me it will be 90 days before you hire someone is of great concern. When does your first class graduate? And for provisional programs the Board did not change the NCLEX® rules. You have the first time graduates who will determine your NCLEX scores and whether you move from provisional to fully approved.

The efforts of Regulatory Affairs to coax compliance and sound alarms went unheeded, to their frustration. They were charged with generating documents that should have been handled by subject matter experts, which ITT refused to hire. The situation was deemed by HQ “beyond outrageous,” with employees commenting that “the math doesn’t even add up,” and “only the[] full approval” of the nursing programs “rides on this.”⁹¹⁹ In other instances, Regulatory Affairs believed that internal audits of nursing programs were being “checked off” without assessment of quality and implementation, and board of nursing site visit reports revealed “shameful” noncompliance despite purportedly clean internal audits.⁹²⁰

Campus Spotlight: Henderson, Nevada

The Henderson, Nevada, nursing program needed to secure NLNAC accreditation by the end of 2014 in order to remain in good standing with the state board of nursing. In October 2012, a visit report from the board noted that Henderson “has not had a qualified fulltime administrator” for almost a year, and only for four months of the prior year.⁹²¹ Regulatory Affairs warned that “[p]eople need to understand how serious this is getting. . . . The program is in shambles and it’s no wonder and I don’t know how they would possibly get NLNAC approval.”⁹²² The search for a chair had at that point “resumed,” but without “urgency.”⁹²³ The deadline for submitting for NLNAC candidacy was November 1, 2012, but ITT’s nursing consultant “seem[ed] certain she does not have a nod to move forward,” even though “if they don’t go now . . . their program would be over” because Henderson would never become accredited by the end of 2014.⁹²⁴ A senior vice president of business development directed Regulatory Affairs to submit for candidacy nonetheless, because “I don’t think we have a choice.”⁹²⁵

But in January 2013, ITT learned it “ha[d] a major issue” in Henderson: per the board of nursing, Henderson was not allowed to enroll new students, a prohibition unlikely to be lifted until a program chair was hired and remained in place for a period of time.⁹²⁶ Meanwhile, current students would have graduated by the time a NLNAC team would do its site visit. A senior vice president and chief academic officer wrote, “I don’t see how we can obtain NLNAC without students. . . . Even if we have a start this year the students will not be in any Nursing Courses as the first 3 quarters are Gen-Ed which also may be an NLNAC issue.”⁹²⁷

The board of nursing’s informal recommendation was that ITT “teach out” the nursing program with the currently enrolled students and then reapply for a new program. HQ was uncertain how to proceed, and would not approve expenses (such as a mock NLNAC visit) for the campus, because the likelihood of success was so low. The alternative was “to just let this version of the program run off and reapply”; however, “approval of a new program is unlikely[.]”⁹²⁸

Regulatory Affairs asked higher-ups whether to proceed on the recommendation of the Nevada board of nursing and “initiate a teach out through ACICS and the state?” They were advised: “Let’s be careful here . . . We can effectively manage to wind down

an approved program without necessarily calling it a 'teach out.'"⁹²⁹ Another executive asked for other options to be considered, including pursuing NLNAC approval despite not having any students: "Deciding to teach out the program is a serious step and one that would not be received well. Before we bring that up to Kevin [Modany] we need to be certain we have no other options."⁹³⁰

While all this was happening, there was no point of contact at the campus for Regulatory Affairs. One Regulatory Affairs manager remarked to another, "I honestly don't know who I should be asking these questions of at this point. Who do you suggest? This is so crazy."⁹³¹

ITT decided to name its interim national chair of nursing, who was also a contract employee serving as ITT's nursing consultant, as interim chair of the Henderson program. Regulatory Affairs questioned "the appropriateness" of this decision, given that the individual "still seems to have Nat'l Chair responsibilities,"⁹³² and further was not licensed as a nurse in Nevada, meaning she would be committing a misdemeanor.⁹³³ HQ went ahead anyway.

The interim chair was informed just days before a May 2013 meeting to advise the board of nursing that Henderson would submit for NLNAC accreditation by May 20th. The response from Regulatory Affairs: "What?????????????"⁹³⁴ Regulatory Affairs had been under the impression that the campus was surrendering the program. The interim chair asked higher-ups at HQ, "Could someone update me on what the future for this campus is? There are regulations surrounding teach out of a program in Nevada and the Board and students would need to be notified if this is the case along with an extensive plan of action to carry the current students through."⁹³⁵ She was admonished to "[h]old off on any further emails and call me to discuss."⁹³⁶

Despite all of these warning signs, HQ maintained that the meeting of the Nevada board of nursing "went completely contrary to our expectations. . . . We have had the approval revoked and the program closed, which was not even a consideration previously."⁹³⁷

F. ITT Misrepresented the Accreditation Status of Its Nursing Program

ITT knew how critical the accreditation status of its nursing program was, especially in the eyes of prospective students. But rather than committing itself to achieving this accreditation, the company was evasive, vague, and misleading on the issue of accreditation of its nursing program. This concealment caused great harm to many students who unwittingly enrolled in the Breckinridge Nursing School without being fully aware of their program's accreditation status.

When it came to discussing NLNAC accreditation, a 2011 HQ PowerPoint instructed: "You may neither state nor imply that we are seeking such accreditation, you must answer any student questions as follows: 'We have no plans to seek such

accreditation’[.]”⁹³⁸ Further, it instructed that employees “[c]annot discuss ‘plans’ to seek NLNAC with prospective or with current students.”⁹³⁹

Adding to the confusion at the campus level, ITT HQ kept its accreditation machinations shrouded in secrecy. After receiving a terrible evaluation from NLNAC in Indianapolis in early 2011, HQ advised staff to keep information close: “Keeping you in the loop . . . (Please do NOT forward to schools, however)”⁹⁴⁰ HQ then shared some “pointers” with other campuses, without disclosing that Indianapolis would no doubt be denied accreditation, and that HQ did not currently intend to progress the candidacy of other campuses.⁹⁴¹ And even though years would go by before ITT reactivated candidacy for its Indianapolis campus, its website continued to discuss NLNAC candidacy status. Regulatory Affairs requested permission to take the information down, but the chief compliance and risk officer “want[ed] to leave all of it up for now.”⁹⁴²

Even when HQ decided to pivot and “put IND on the backburner until NCLEX gets higher,” and instead “move forward with Portland [Oregon] seeking NLNAC,” the directive was clear: the information was not “for public comment” and “needs to be kept confidential and not shared yet with Portland.”⁹⁴³ Eventually, it was HQ, and not the Portland campus, that wrote up a feeble self-study for NLNAC submission.⁹⁴⁴

In addition to glossing over the fact that it lacked NLNAC accreditation and was unable to actively pursue it, ITT also conflated its Department of Education–required accreditation under ACICS with nursing accreditation by obscuring the difference between the two. If potential nursing students asked about accreditation, which impliedly referred to NLNAC accreditation, ITT recruiters would often respond by saying that the school was “nationally accredited,” which, as explained above,⁹⁴⁵ referred to ACICS and not NLNAC, and would therefore constitute an inherently misleading answer.

The following image with this deceptive messaging was taken from a September 2009 presentation,⁹⁴⁶ developed and used specifically to recruit prospective nursing students:

ITT Technical Institutes:

- Actively involved in higher education since 1969
- Offer career-focused programs of study
- 60,000 students enrolled in more than 100 locations
- Accredited nationally by ACICS

The school catalog addresses ITT Tech's policy on the transfer of credits.

Note: Not all programs are offered at all institutes

WWW.ITTECH.EDU ITT Technical Institute

The same presentation goes on to offer the following line for recruiters to use in response to questions about accreditation⁹⁴⁷:

The school has Board of Nursing approval and when we graduate our first graduates eligible for accreditation [sic] In process for NLN-AC accreditation [. . .] Questions?

ITT's headquarters was aware of the use of these deceptive recruiting materials, and sent emails asking when the presentation was used and who saw it.⁹⁴⁸ Campus directors were aware even before 2009 that staff was continuously misrepresenting the school's accreditation status.⁹⁴⁹

This problem continued for years, despite HQ's knowledge of it. In early June 2010, ITT knew that it was placing all of its applications with NLNAC on hold until further notice. HQ held a meeting to develop "talking points" internally and externally, which explained:

[N]o written statements to the schools will be made . . . [W]e will not submit anything more to NLNAC until IND has completed the NLNAC review process; no timeline is available for that; 2) we will apply for additional accreditation following the IND review; 3) we are accredited by ACICS; therefore, we are an accredited program; 4) We will not discuss the details of IND's review at this point; 5) We are not going to make changes to our program strictly from recommendations from outside entities/accreditors--we are focused on student success [sic] and our NCLEX results speak to the success of our program.⁹⁵⁰

The next day, the director of Regulatory Affairs alerted campus leaders that there was a hold “TEMPORARILY” on NLNAC submissions, and then defensively postured: “Please remember that we are already an accredited program by ACICS (a recognized accreditor by the DOE and NLNAC), and our initial NCLEX results reflect our strong program. We will continue to deliver a strong program as we work with NLNAC.”⁹⁵¹ When a nursing chair asked, in response, for guidance from HQ as to how to handle a prospective student’s objection that “[t]he hospital where I work said I should not attend a non-NLNAC accredited nursing program,” she was directed to respond, “I can’t comment on other people’s opinions.”⁹⁵²

These carefully worded statements, crafted by HQ, misled students and regulators alike. For example, the Arkansas board of nursing interpreted the statement above about ACICS accreditation, which was included on the Little Rock campus’s application for recognition, to indicate accreditation by NLNAC.⁹⁵³ Regulatory Affairs disputed that it had made any such statement and simply claimed that the “statement is accurate and . . . should be included.”⁹⁵⁴

Campus Spotlight: Albuquerque

ITT’s obfuscation blew up in the case of its Albuquerque, New Mexico, campus. A New Mexico board of nursing site visit report recorded that, as late as January 2012, “corporate or school has not begun process of NLNAC [accreditation],” and noted that “many students [were] upset as they were told the school would be nationally accredited by September 2011.”⁹⁵⁵ An October 1, 2012 email chain with HQ confirmed that the Albuquerque campus would be losing its last clinical site partner because it was not accredited, and mentioned that Albuquerque would not be receiving NLNAC accreditation “anytime soon.”⁹⁵⁶

A series of successful arbitration actions⁹⁵⁷ filed by former nursing students at ITT’s Albuquerque campus present a telling narrative of the school misleading students about its NLNAC accreditation status and the importance of that accreditation to their careers as nurses. While the school assured prospective and enrolled students that it was either accredited or would be soon, internal communications reveal that little or no progress was made toward accreditation. One former student’s complaint noted, “When asked by [redacted] whether ITT’s School of Nursing was accredited by the National League for Nursing Commission, the ITT recruiter stated to [redacted] that the school was in the process of obtaining the accreditation and that it would be accredited by the NLNAC by the time [redacted] graduated from the school in 2012.”⁹⁵⁸

In reality, ITT’s Albuquerque campus received its initial “candidate” status from the NLNAC in September 2009, but did not take any further formal steps toward accreditation until it reapplied for candidacy in 2014. During this period, ITT’s Albuquerque employees were told *not* to formally advance their application.⁹⁵⁹ Rather, they were told that their accreditation effort would not continue until the ITT Indianapolis campus received NLNAC accreditation. According to the arbitration documents, ITT learned in March 2010 that the Indianapolis campus (Breckinridge’s

headquarters) had been denied NLNAC accreditation.⁹⁶⁰

And yet, despite the fact that the Albuquerque nursing program did not even attempt to progress toward achieving NLNAC accreditation, the school continued to tell prospective and enrolled students that it would be accredited soon, or actively misrepresented its accreditation status.⁹⁶¹

Only during the fall 2011 term did ITT finally begin telling students, if pressed, that it “ha[d] not pursued” NLNAC accreditation and could not guarantee that “it will seek such accreditation now or in the future.”⁹⁶² Nevertheless, ITT pivoted its messaging at Albuquerque and stated that its lack of NLNAC accreditation would not impede students’ and graduates’ ability to continue their studies elsewhere or work in the field.⁹⁶³

This was patently false. The nursing program staff at Albuquerque was aware that an increasing number of schools and employers would not accept ITT credits or hire ITT graduates due to its lack of NLNAC accreditation. Emails show that the program was rapidly losing clinical placement sites as those organizations began to require NLNAC accreditation.⁹⁶⁴

In the arbitrator’s findings for one of the plaintiffs, the arbitrator recounted how the student claimant had been categorically lied to with respect to the accreditation status of the nursing program:

[The] Program Coordinator[s] . . . statement to prospective program enrollees, which was not denied by ITT’s witnesses, constitutes an unfair or deceptive trade practice. . . . ITT would be required to correct those statements at the point where it was aware of their falsity. ITT did this in 2011 in order to clear up its students’ ‘confusion’ about NLNAC accreditation. ‘Confusion’ is a substantial euphemism; ITT students were shocked and alarmed. They felt deceived by the . . . promise. Students at that time faced the dilemma of staying with or withdrawing from the program.⁹⁶⁵

The rampant misrepresentations regarding accreditation status at the Albuquerque campus were also addressed in a lawsuit filed by the New Mexico Attorney General against ITT for violation of consumer protection laws, among other state law violations.⁹⁶⁶ Compounding the accreditation misrepresentations was ITT’s misrepresentation of credit transferability, which was impossible given ITT’s lack of NLNAC accreditation, as highlighted in the New Mexico complaint⁹⁶⁷ as well as in the Albuquerque arbitration actions.⁹⁶⁸

The New Mexico Attorney General’s complaint alleged that ITT’s Albuquerque nursing program was never accredited by NLNAC, and because the program was never accredited, other schools were unlikely to accept ITT transfer credits.⁹⁶⁹ The Attorney General asserted that, despite this fact, ITT told prospective nursing students that the nursing program held programmatic accreditation or was in the process of

acquiring it. ITT told other students that the program would receive programmatic accreditation when the first class graduated.⁹⁷⁰ ITT recruiters also distributed documents at information sessions and program orientations that misled students about the accreditation status of the nursing program, repeatedly using false claims of programmatic accreditation as a recruiting tool.⁹⁷¹

The complaint specifically alleged: “Despite never holding a programmatic accreditation status, ITT representatives represented to prospective and enrolled nursing students . . . that the nursing program held programmatic accreditation,”⁹⁷² and ITT “used the false claims of programmatic accreditation of the nursing program as a recruiting tool.”⁹⁷³ Ultimately, the New Mexico Attorney General’s case exposed how ITT credits and associate’s degrees from ITT could not be used as a basis for a bachelor’s degree in nursing from any other advanced nursing program in New Mexico. Nonetheless, ITT represented to students that credits or an associate’s degree could be used to obtain a B.S. in nursing from other programs.⁹⁷⁴

A student at the Albuquerque campus explained how she was misled about ITT’s accreditation status and how that lie irreparably harmed her:

Starting at the orientation we had with [recruiter], before we even started attending ITT, she told us they were accredited and wouldn’t be a problem to get a job as an RN [registered nurse] anywhere. Everything sounded good to me from that point and I was interested in going for my RN Degree. During my first few months of school, myself and others started hearing rumors that ITT wasn’t accredited but they were in the process of becoming accredited but they had to wait for the first graduating class to graduate. Which at that point I was already into it and I was determined to be an RN, so of course I thought as long as they get accredited before I graduate everything will be fine. So it had become a known issue to everyone and a teacher [redacted] let us know that we should confront [recruiters] to get all the rumors straight about accreditation and that as paying students we had the right to know the truth. . . . I dedicated myself to school, went through emotional and physical stress, my kids and my husband had to deal with me while I was in school and stressed out, and then everything I worked hard for the last 15 months was gone like nothing. I was so disappointed and I finally realized that this whole time ITT doesn’t care about [anyone] and the only mistake I made was not leaving ITT since the first red flag I got. I guess I was being positive about the whole situation and just kept telling myself “This too will pass and soon I’ll be an RN.”⁹⁷⁵

Even after all of this, ITT refused to affirmatively clarify its lack of plans to gain NLNAC accreditation at its Albuquerque campus. After a visit from the board of nursing in January 2013, the board suggested that ITT needed to have prospective students sign a disclosure during their visit with the recruiter that stated that ITT did NOT have NLNAC accreditation. HQ rejected this request:

We do not want to create a document for students to sign unless there is an explicit board requirement. In my opinion we are compliant with the Regulations. Our catalogs contain the current standing with respect to regional or national institutional accreditation status and national nursing accreditation status and board approval status. We cannot list affiliations we do not have. Since we have no status with NLN there is not anything to list. In my opinion if the board wants schools to indicate they have no status with NLNAC they need to rewrite the regulations.⁹⁷⁶

Many other campuses besides Albuquerque also saw numerous, documented instances of ITT misleading students about the true status of its nursing program's accreditation.⁹⁷⁷ These accounts appear in the words of the students who were harmed by these lies, including the following 2016 complaint narrative from a student who attended the nursing program at Newburgh, Indiana:

When I started the nursing program at ITT, I was told that by the time I graduated, their program would be accredited by the state and nationally and that we would not have any problem finding a job because there are such a shortage of nurses. The entire two years into our program, we were still being reassured that they were having no problem in the accreditation process. When I graduated in 2012, the school still wasn't accredited nationally. All the major hospital in our region would not hire ITT grads because of our lack of national accreditation. All of us had to settle for lower paying jobs in nursing homes because of it. I worked at a major hospital for 4 years as a patient care tech leading up to my graduation. My director wasn't even allowed to hire me as an RN because of graduating from ITT.⁹⁷⁸

Many student accounts tell similar narratives about being misled about accreditation. The following excerpt from a 2016 Lake Mary, Florida, student complaint addresses the impacts of these institutional misrepresentations:

I am a 44-year-old woman who tried achieving my dreams by going back to college to become an RN. I was recruited by ITT Technical Institute and their accelerated nursing program to achieve that dream . . . The course consisted of 8 twelve week semesters, 3 days a week, I made it work. This past August, the end of my 5th semester, the day before finals, the nursing director came into class and informed us the program was changing to 4 days a week, I was crushed, I could no longer continue due to family, work, and financial obligations. The director explained that they had to do this to obtain accreditation. I was so upset because I ask[ed] when I looked in the program if they were accredited and they said yes. The catch, I found out later, was the school is nationally accredited and the program was basically a prep course. Which means I would not be able to transfer anything I worked so hard for to another school so I could finish. I did not receive financial aid for this, I had to take out student

loans and am now having to pay back and have nothing to show for it. I'm still just a waitress and paying even more out because I was scammed by this school.⁹⁷⁹

Other former students gave similar accounts of the nature of the lie they were told regarding nursing accreditation, explaining how this lie caused years of career hardship:

- **2011 – 2013:** “They told us that they only needed one more class to pass the state boards to be accredited through the national accreditation boards turns out none of [their] classes had even come close to passing which they needed 80% of the students to pass, we were told everyone that graduated and passed were getting jobs with their nursing license not true most people had to take lower jobs at nursing homes or were told by the bigger hospitals that they weren't hiring ITT grads due to the bad reputation the school had for graduating unprepared nurses. And their career center never even helped anyone.”⁹⁸⁰
- **2011 – 2013:** “They told us that we would be guaranteed a job once we passed our boards and graduated the Nursing program and that no employer could turn us down. We later found out that several of the local hospitals would not hire students from the program due to the lack of accreditation[.]”⁹⁸¹
- **2014:** “I went to ITT as a student in March of 2009 to enroll into the nursing program. I chose the program because I believed, as promised, that the program would be accredited by the time of graduation. We were later told, that we could be ‘grandfathered-in’ if we happened to graduate before the accreditation happened. Well, that never happened.”⁹⁸²

When an Indianapolis nursing student did confront ITT in 2013 about misleading students about NLNAC accreditation, and requested a tuition reimbursement, ITT employees just saw this as a ploy “to get some money,” and ITT provided a stock, non-responsive answer:

You also claim that your Enrollment Representative assured you that the school would get NLNAC accreditation before you graduated. We are unable to substantiate this allegation, and this is inconsistent with the approved enrollment presentation that prospective students receive. In addition, Representatives are trained specifically not to make promises or guarantees. Our Representatives understand that the consequence for misleading students is termination.”⁹⁸³

ITT was so aware of misrepresentations around NLNAC accreditation that they even had “Standard NLNAC letter language” to include in responses to student complaints.⁹⁸⁴ In one such complaint, a man stated that his wife was promised that the Indianapolis campus would have NLNAC accreditation by the time she graduated, but she was now “an R.N. who can't be hired at any hospital, all she can settle for is to hopefully get hired at a few nursing homes.”⁹⁸⁵ HQ's response was that “he just wants to get some money. And he's not going to get any.”⁹⁸⁶

G. ITT's Consistently Poor Nursing Exam Results

As mentioned previously, the NCLEX exam is a crucial benchmark in nursing licensure. ITT's failure to produce high licensure exam passage rates for its students is not unusual for for-profit institutions. According to a 2011 report by the U.S. Government Accountability Office, "[t]he nine licensing exams for which graduates of for-profit schools generally had lower pass rates were for Registered Nurses (RN), Licensed Practical Nurses (LPN), Radiographers, Emergency Medical Technicians (EMT), Paramedics, Surgical Technologists, Massage Therapists, Lawyers, and Cosmetologists."⁹⁸⁷

As discussed below, ITT's Breckinridge School of Nursing did not prepare its students for the exam they needed to pass in order to become registered nurses or licensed practical nurses. And this was one of many factors that led accreditors at NLNAC to repeatedly deny the nursing program's accreditation application.

A nursing consultant paid by ITT highlighted this fact in a 2013 internal report. After conducting a mock visit to Indianapolis's campus, the consultant concluded that ITT would never attain the required NCLEX pass rates because their curriculum was outdated:

I believe that one way to raise pass rates is for faculty to develop a new curriculum that represents current practice. . . . This new curriculum should include a focus on critical thinking/clinical reasoning in order to meet the higher level expectations of the NCLEX, which is being raised again in April, 2013. Low pass rates for first-time test takers may indicate a weak curriculum. Students must then supplement the curriculum materials with additional study of materials and review that are outside of the curriculum. This is not a desirable consequence of completion of your courses and program. Students should have learned the content and be able to think at the levels they need to pass those standardized examination the first time they take them. The fact that many do not and require outside study of additional noncurricular materials, indicates a need for a change in curriculum.⁹⁸⁸

For about 20 of the 40 ITT nursing programs (by campus), the passing rate average was under 60%, which is significant because that was the standard required by ITT's accreditor, ACICS.⁹⁸⁹

The Attorney General of New Mexico similarly alleged that ITT's admissions policies "did not adequately screen or exclude those students that were unlikely to benefit from the program," including those enrolled in the nursing program, where ultimate passage of the NCLEX exam is a virtual prerequisite to employment as a nurse.⁹⁹⁰

The Indiana board of nursing also expressed concern over the low pass rates for all ITT programs, noting NCLEX pass rates of only 46% at Merrillville and 66% at Indianapolis. At a meeting with the nursing board, an ITT nursing dean addressed the

board's concern over low NCLEX scores by stating on the record that the "results are embarrassing and they are trying to make changes to their campuses."⁹⁹¹ In response to these low figures, the board suspended all new admissions for all ITT nursing campuses in Indiana.⁹⁹² Additionally, the Indiana board of nursing flagged the South Bend campus in 2015 as another low passage rate location, reporting 49.9% for that year.⁹⁹³

In a consent agreement with ITT, the Arizona board of nursing also noted a severely deficient NCLEX passage rate of 43% of graduates for 2014.⁹⁹⁴ The Texas board of nursing likewise found ITT's NCLEX passage rates to be woefully inadequate. Based on NCLEX rates, the Texas board adopted a change from its initial approval of ITT's Richardson, Texas, nursing program, to initial approval with a warning.⁹⁹⁵ As a basis for this decision, the board cited NCLEX data indicated a pass rate of 48.65% for 2015 and 45.83% for 2014.⁹⁹⁶ These trends strongly suggest that ITT both failed to prepare its graduates for the nursing profession and admitted unqualified students to its program.

In fact, ITT considered and rejected a plan to stiffen its admission requirements as a way to raise NCLEX passage rates. The specific proposal was to change the admission process to "add science back in," adjust the minimum overall score, and adjust the minimum subject scores.⁹⁹⁷ Instead, ITT decided to develop an online remediation course that students could take after they were already admitted. As explained by HQ: "For now let's table the entrance exam and focus on the exit portion and the 'Supplemental Instruction' (remediation) [sic] we can construct to address the situation and provide a better student experience without losing any of the benefit of what we are attempting to accomplish."⁹⁹⁸ Specifically, ITT was "attempting to accomplish" maximum student enrollment, not maximum student success.

H. ITT "Improved" Pass Rates with Arbitrary Program Changes that Forced Students to Drop Out

The Health Education Systems Incorporated ("HESI") exam is often used by nursing schools to help predict students' likelihood of success in tests such as the NCLEX. In a calculated and cynical manner, ITT used the HESI exam to cut students it did not think would perform well on the NCLEX to artificially improve its own image. In response to abysmal NCLEX passage rates, ITT began mandating that students score sufficiently high on the HESI exam as a prerequisite to graduating, and therefore sitting for the NCLEX. However, ITT did not tell prospective or enrolled students in advance that they were now required to pass the HESI exam. Many were left unable to graduate, sit for the NCLEX, or advance their careers as nurses. ITT was then able to report better NCLEX results while students were unfairly saddled with debt and credits that would not transfer, because ITT was not a fully accredited nursing program.

ITT also continuously, and without warning, changed requirements for nursing students. This was very likely because the company wanted to thin out the program's ranks to ensure high passage rates for the NCLEX exam. An example of this tactic can be seen

in an April 2013 email that ITT sent to nursing students at its Ohio campuses, informing them without prior notice that they would now be required to complete additional work to meet the new credit requirements, including an additional 30 clinical hours for students who had taken “Clinical Nursing Concepts and Techniques II” and ten extra “theory hours” for students in a pharmacology course.⁹⁹⁹

This tactic of making arbitrary changes to the required academic criteria with the intention of weeding out students who had paid large amounts in tuition and were actively working toward their exams is also reflected in the allegations of the New Mexico arbitration cases. In September 2011, ITT’s nursing program at Albuquerque abruptly changed its passing grade standard from 70% to 80%.¹⁰⁰⁰ The policy was meant to be—and ultimately was—applied to all students, pre-existing and recently enrolled. Already-earned grades, however, were “grandfathered” under the old policy.¹⁰⁰¹

Complaint records often attest to how students were directly and unfairly harmed by ITT’s frequent, unannounced, and unfair changes to its academic standards. The shifting requirements regarding HESI exam scores were particularly harmful and unfair to nursing students, as illustrated by the following excerpts:

I started the nursing program at ITT in September, 2010 as the first class and anticipated graduating in November, 2012. Throughout the program at the ITT Orland Park [Illinois] campus there were near constant issues. Some of these issues include: not having teachers to teach classes, teachers leaving before term completion, changes in curriculum, changes in graduation date, and changes in graduation requirements . . . After starting at ITT the HESI examination became an exit requirement to complete the program. This contingency was added after the program began. Not passing the HESI exit exam precluded my ability to graduate, take the NCLEX, obtain my license, work as a nurse, and repay \$53,000 in loans for an associates program . . . ITT began requiring [the HESI Exam to] prevent students from failing the NCLEX, data that is collected and public to potential students. . . . Because of the above factors, I am now in the exact same position I was in before starting at ITT except over \$53,000 in debt. I have no transferable credits, diplomas, or ability to work in a position that pays enough to repay my loans.¹⁰⁰²

Another Orland Park, Illinois, student expressed a similar sentiment in her own 2015 complaint to the company:

I’m very disappointed with ITT-Tech and their misleading information. Changing the score for the exit HESI without notification to the students (I was told by another student). There are other things that I wasn’t informed about when I started this program, the turnaround time for new instructors is unbelievable and there’s a total lack of communication unless there’s something that needs to be signed in financial aid. The

nursing head at the Orland Park campus is horrible at communicating with students. There's been several times that I've been in her office to discuss issues and while talking to her, she texts, doesn't show eye contact, or will answer a phone call. I've noted these issues every time student surveys were due. Not to mention the clinical sites that has been lost. My clinical experience was horrible. I had clinicals for critical care at a clinic so I have no critical care clinical experience . . . I am not a nurse and I do not have an associate's degree or any transferable credit hours despite a 3.46 GPA and completion of the program.¹⁰⁰³

ITT also attempted to artificially bolster its NCLEX passage rate by manipulating which students counted as "completers," relying on ACICS regulations as justification for designating those who failed to pass the HESI exit exam as non-completers.¹⁰⁰⁴ As Kevin Modany stated: "This interpretation and confirmation by ACICS should keep the number of 'completers' in the Nursing program relatively low for our colleges."¹⁰⁰⁵

I. ITT's Deficient Nursing Program Equipment and Instructor Quality

One of the most common complaints at ITT, and at the nursing program in particular, related to the objectively poor quality of both equipment and faculty, which included issues with or lack of clinical sites. The following excerpt from a former student of the Merrillville, Indiana, nursing program illustrates the lack of investment in faculty and the poor quality of educational resources:

We had teachers walk out in the middle of class and after the semester started and then we were taught by teachers that did not know that specific class. All information given to us as a Xerox copy. We bought books for classes that were never taken out of the plastic. We had 2 semesters of clinicals at the hospital where we spent 90 percent of the time in the cafeteria instead of on the floor learning. Then after the school was not allowed back at the hospitals we did our clinicals on you tube videos. There was also a class I had that we had the dean only show up to give us a test. Never had a teacher.¹⁰⁰⁶

A student from the Hilliard, Ohio, campus reported that they were four weeks into classes when a clinical site "fell through again."¹⁰⁰⁷ Another student at the Fort Wayne, Indiana, campus described the truly shoddy state of ITT's nursing labs and how the lack of proper equipment inhibited the ability to learn:

I felt and feel that the nursing lab is not at or above standard because many of the things in it do not work. My biggest concern is the virtual/interactive mannequin. It is very frustrating to have a lab and hear the instructor say over and over, 'just pretend this works', or 'just pretend this is how it is supposed to be'. I am not getting the full lab experience

which is supposed to give me clinical experience. When learning to insert a trach tube, listen for placement, and assess the patient, we had to pretend we had the right pieces to bag him--when we didn't, we had to pretend we heard breath sounds because he didn't work, and we had to pretend we heard airflow in his abdomen for placement because he didn't work. We pay so much money to go here and the lab is a vital part of learning. I have gotten very little benefit from it because it either does not have the needed materials or they don't work and subsequently we are given handouts to read or watch u tube videos. WE need hands on experience!¹⁰⁰⁸

Students frequently complained about the lackluster academic standards and teaching quality. One student complaint from 2015 explained just how alone students were, particularly with respect to the new obligation to pass the HESI exam:

I would like to point out . . . the failure of the instructor to deliver the lectures and the materials to the students. In the last nine weeks, the instructor showed up only once for our course, quickly reading through the PowerPoint slides. For the lecture[s] mentioned, she was only present 15 minutes, reading through PowerPoint slides. For most of the other sessions we were left on our own in the library with no purpose or goal, after we signed-in on the provided sign-in sheet. . . . When I and other classmates asked the instructor why we are not given lectures, the instructor kept saying: '. . . you study for the HESI, and I will worry about you for this class'. She then continued: 'I will make sure I pass you, if you pass the HESI.'

. . .

Finally, all of the exams do not correspond with the material that is given in the book. I cannot refer to the lectures as none were given to us. Even after those complaints, the Director and the Dean (and the instructor of the course) keep saying just study and try to pass. No reviews and no lectures were delivered. Also, when we went for a review to the instructor and asked to explain the terminology to us using a scenario, she admitted that she did not know how to apply such situation in a real world scenario.¹⁰⁰⁹

One faculty member, who worked at the Rancho Cordova, California, campus, wrote a distressed letter to upper management that included the following:

Furthermore, given . . . the lack of experienced faculty-staff members that needs constant training; the new pay scale that will make it practically impossible to hire competent and experience faculty members; the ongoing inappropriate behavior and disrespect by faculty, which nobody is willing to address because we need these faculty members . . . I had to take some time Sunday to write this letter.¹⁰¹⁰

ITT was consistently unable to keep faculty in its nursing program, let alone capable faculty.¹⁰¹¹ For example, at the Rancho Cordova, California, campus, three faculty members resigned in the span of two weeks in 2013 and the campus had great difficulty filling the nursing chair position, with chronic turnover being a significant issue.¹⁰¹²

At the Richardson, Texas, campus, ITT was so desperate to have a nursing chair in order to not violate the board of nursing rules that they conspired to pluck an instructor from another campus for a two-week interim period while they tried to permanently fill the role.¹⁰¹³ The Texas board of nursing was also very concerned about the Richardson campus because of the campus's history of hiring unqualified chairs and because of "the lack of nursing leadership, the lack of understanding of the role of nursing by campus administration and HQ, and the lack of training and mentoring for Nursing Chairs."¹⁰¹⁴ The board's concerns were expansive, including that ITT had provided "deceptive information" to the board. The board also questioned "if anyone at the Richardson campus has actually read the Texas rules pertaining to nursing programs."¹⁰¹⁵ The board went on to note that "the students already in the nursing program [are not] receiv[ing] the education they have paid for," and that "the campus is struggling with a massive grade inflation issue that results in students staying in the program and then not being able to pass the NCLEX."¹⁰¹⁶

At the Jacksonville, Florida, campus, ITT retained a nursing instructor who was supposed to be terminated for poor performance, simply because they "had no one to teach the class."¹⁰¹⁷

The abysmal quality of teaching standards at ITT's nursing programs caused many red flags at the boards of nursing in many states. For example, the Indiana Board of Nursing reported numerous problems with ITT's nursing programs over the years. Summarizing a 2014 site visit, the board noted the following:

Exams need more rigor and there is concern about insufficient number of faculty for 140 current students. There continues to be little evidence that local faculty input into curriculum, admission decision or exam content. None of current faculty was part of interview process for new Director. There are insufficient resources in learning labs, number of hardback volumes in library are small and not recent additions.¹⁰¹⁸

At a January 15, 2015 Indiana State Board of Nursing meeting, the following was noted regarding the ITT nursing programs at the Merrillville, South Bend, and Indianapolis locations: "Feedback has been that nurses don't understand what a nurse does when they come out of school."¹⁰¹⁹

In a 2016 consent agreement with the Ohio State Board of Nursing, ITT's Norwood, Ohio, nursing program was placed under stringent enrollment limitations, heightened control over the academic program, and strict reporting requirements. Specifically, the consent agreement reads: "In addition to providing training to campus and nursing program leadership on this rule, strict procedures have been put in place to insure that

all preceptors used by the Program have valid, unrestricted nursing licenses . . . [and] verif[y] the state of the nursing license for every instructor prior to the start of each quarter (with) [d]ocumentation of this review.”¹⁰²⁰ This language reflects serious concern by the state’s board of nursing over the quality of the program being offered by ITT.

Another consent agreement, this time with Arizona in 2015,¹⁰²¹ elaborated on serious findings by the state that ITT’s Arizona campuses were in violation of numerous state laws and nursing regulations. The agreement included the following factual findings, among others: (1) student surveys and evaluations were not anonymous;¹⁰²² and (2) three separate site visits provided the board of nursing with deficient documentation and lack of proof that ITT was satisfying the standards of the board.¹⁰²³

Other, independent reviews of ITT’s nursing programs also revealed a startling level of mismanagement and general deficiencies. A 2013 report of complaints compiled by the Arizona State Board of Nursing revealed the following claims¹⁰²⁴ against the ITT Breckinridge School of Nursing:

- On April 2, 2012, a faculty member indicated that she “feared for the safety of the students and the safety of the public” when she observed students from the program without adequate assessment and other skills.
- The program’s December 2009 admissions resulted in a 31% graduation rate. The March 2010 admissions resulted in a 16% graduation rate, and the June 2010 admissions posted a 2.8% on-time graduation rate.
- A faculty member alleged that Breckinridge had admitted students who were unprepared, stating, “they want bodies and they’ll pull them off the street.”
- Clinical faculty changed students’ answers on nursing exams to improve their scores.
- Students who reported faculty using profane language were subject to scrutiny after being told that retaliation would not occur. A student even transferred campuses because she feared retaliation from the program administrator.
- Campus directors and administrators subjected students and faculty to intimidation, retaliation, disrespect, and lack of responsiveness to serious problems. They even made student evaluations public.

In another example, this time from 2013 at the Henderson, Nevada, campus, a nursing instructor faced corrective action after a student under her supervision delivered the wrong medication. She failed to ensure that the student nurse asked the patient their name and date of birth prior to the administration of medicine; she allowed the student to take medication for two patients into the room at the same time; and she allowed the student to accept and administer a syringe of medication that the student had not drawn up herself and was also unlabeled.¹⁰²⁵

Additionally, ACICS and independent nursing boards filed reports with damning summaries of the lack of quality of instruction at a number of ITT nursing programs, including:

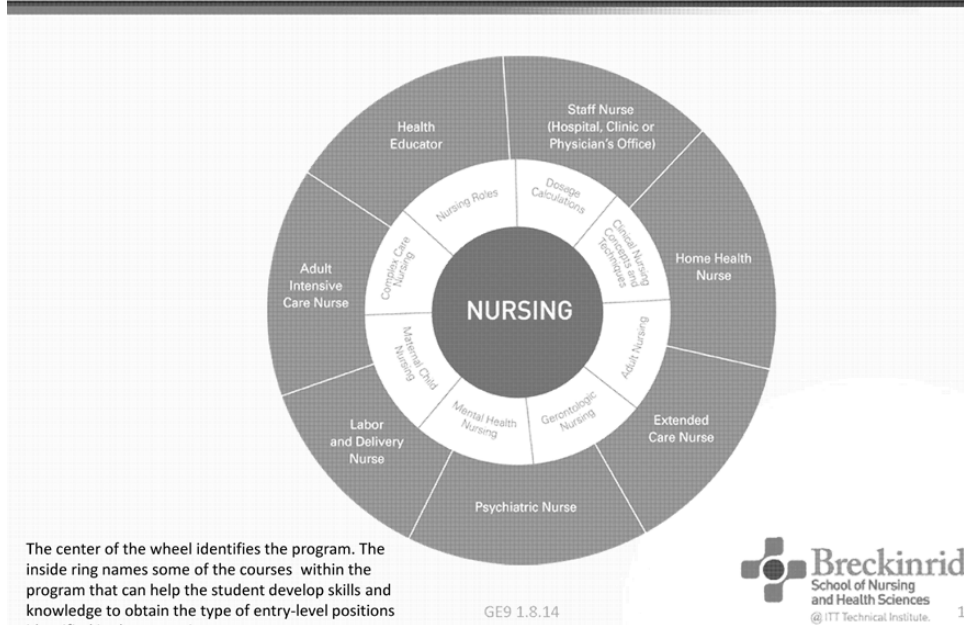
- **Rancho Cordova, California – 2012:** A 2012 ACICS report for the nursing program at this campus determined that ITT’s clinical/externship agreements were not mutually signed and did not include specific learning objectives, course requirements, or evaluation criteria.¹⁰²⁶ A progress report on ITT’s response to the California Board of Registered Nursing’s Report of Noncompliance Findings found seven total areas of noncompliance. The violations included inadequate program staffing and funding, clinically incompetent faculty, and inadequate clinical facilities.¹⁰²⁷
- **Hilliard, Ohio – 2013:** The Ohio Board of Nursing responded to a 2013 email from the nursing chair asking whether 12 of 60 clinical hours for pediatric nursing could be fulfilled with students observing at a school and writing a paper. The answer was no. The board of nursing additionally noted other issues, including that ITT was teaching maternal/child nursing with no clinicals; that ITT claimed to have a clinical component for critical care nursing fulfilled at a women’s reformatory; and that at least one preceptor did not meet the minimum requirement of 2 years nursing experience.¹⁰²⁸

This disorganization and incompetence had obvious impacts on the student experience. In the words of one student from Fort Wayne, Indiana, the “continual changes” in the nursing program, “including our 7th nursing chair in almost 3 years,” “need[] to get resolved,” otherwise “it will be a disgrace to say that I graduated from ITT.”¹⁰²⁹

J. ITT Misrepresented the Career Paths Available to Graduates of its Nursing Program

Similar to its misleading marketing of its other programs, ITT also misrepresented the value of its nursing program through the use of a “career wheel”¹⁰³⁰ purporting to demonstrate the wide array of career types available to its nursing graduates. This marketing device misled prospective students into thinking that an associate’s degree through ITT’s programmatically unaccredited nursing program would allow them to enter highly regulated nursing fields, including Staff Nurse (Hospital, Clinics or Physician’s Office), Home Health Nurse, Extended Care Nurse, Psychiatric Nurse, Labor and Delivery Nurse, Adult Intensive Care Nurse, or Health Educator¹⁰³¹:

Breckinridge School of Nursing and Health Sciences



Again, many of these positions were, by definition, out of reach for many ITT nursing graduates, given the nursing program's limitations and lack of accreditation.

Similar marketing materials dubiously extolled the benefits of an ITT nursing degree with claims that the school (1) provided access to classes that combined classroom/lab instruction; (2) allowed students to gain supervised clinical experience; (3) made students eligible to apply for and take the NCLEX exam for licensure as a registered nurse; and (4) provided career services assistance.¹⁰³² ITT also claimed that "[m]ost [ITT] programs of study blend traditional academic content with applied learning concepts."¹⁰³³

Related to program outcomes, there was also job placement rate manipulation at ITT's nursing program. A dean who managed academic affairs at the Tallahassee, Florida, campus from 2011 to 2015 noted that although "[t]he large majority of students ITT reported as being placed were in the nursing field[,] most of these students were already in the field when they started the nursing program."¹⁰³⁴

ITT's Breckinridge School of Nursing was a confluence of some of ITT's worst abuses, all rolled into one program of study, and its failure is a reflection of ITT's larger culture of lying to students about critical information to ensure high enrollment, squeezing those students for profit, and passing them through deficient and underfunded programs of study.

CONCLUSION

The evidence presented in this report shows the extent of ITT's abusive, misleading, and predatory practices. Its business model relied on ensnaring newly enrolled students immediately with student loan obligations that were concealed and misrepresented. It resorted to deceptive and outright illegal behavior to ensure enrollment in its financial aid system—a system that is still harming thousands of former ITT students to this day with inescapable, life-ruining debt.

ITT was able to escape responsibility for its financial insolvency by declaring bankruptcy in September 2016. Its executives simply walked away from the disaster they created. The students they defrauded, however, were not so lucky, and have been left to this day with the unfair burden of paying back loans they never should have been forced into by false promises of careers and advancement. The evidence in this report shows the widespread, unrelenting pattern of this deception, which profited ITT at the expense of its students.

Unfortunately, the predatory business model that drove ITT continues at numerous for-profit college companies still in operation and receiving federal student aid today. The outrageous abuses at ITT, and the terrible consequences for its students, as revealed in this report, should compel the U.S. Department of Education and other federal and state oversight and law enforcement agencies to vigorously investigate allegations of predatory abuses at current schools and take strong action to protect students and taxpayers.

ENDNOTES

- 1 See Class Action Adversary Proceeding Complaint, Villalba v. ITT Educational Services Inc. (In re ITT Educational Services Inc.), Adv. Case No. 17-50003 (Bankr. S.D. Ind. Jan. 3, 2017), <https://perma.cc/LU3S-CU6F> (hereinafter “Villalba Compl.”); see also the following link for the complaint’s corresponding exhibits and all other relevant case documents: <https://perma.cc/TUH3-Q7F7>.
- 2 In re ITT Educational Services Inc., Case No. 16-07207-JMC-7A (Bankr. S.D. Ind. Sept. 16, 2016), <https://perma.cc/NN6U-BN9U>.
- 3 Pin cites for exhibits cited in this report are based on the PDF pagination, which includes the cover page of the document as page 1.
- 4 See infra pp. 22-23 for more information on ITT’s mystery shopper program.
- 5 Pursuant to a judicially approved Protective Order, the Project on Predatory Student Lending has obtained permission to disclose these documents in full to the U.S. Department of Education and in some other contexts. See Order Granting Student Claimants’ Mot. Modifying Protective Order, In re ITT Educational Services Inc., Case No. 16-07207-JMC-7A Doc 3980 (Bankr. S.D. Ind. June 17, 2020), <https://perma.cc/Q7A4-8JHB>; see also Order Granting Student Claimants’ Mot. Further Modifying Protective Order, In re ITT Educational Services Inc., Case No. 16-07207-JMC-7A Doc 4473 (Bankr. S.D. Ind. September 17, 2021), <https://perma.cc/3T2M-EBNJ>; see also Order Granting Mot. For Entry of Protective Order, In re ITT Educational Services Inc., Case No. 16-07207-JMC-7A Doc 2803 (Bankr. S.D. Ind. August 15, 2018), <https://perma.cc/3ZJY-XYN2>. Additionally, per the stipulations of the Protective Order, exhibits cited in this report and included in the attached appendix may be made available to former ITT students upon request for submission to the Department of Education. Borrowers can request such use at the following link: <https://perma.cc/CDR2-AVBR>.
- 6 These statements from former ITT students were submitted as exhibits in the student class’s adversary proceeding complaint.
- 7 Exhibit 1, Email from Compliance at HQ to Human Resources at HQ, Subject: “RE: [Rep at San Diego] 039” (Aug. 27, 2012).
- 8 Villalba Compl., Merrill Declaration Exhibit 4, Rick Bueche Attestation at 56 ¶¶ 28-29, <https://perma.cc/SRL2-NN6E> (hereinafter “Merrill Decl. Ex. 4 R. Bueche Attest.”).
- 9 Exhibit 2, Email from CEO Kevin Modany to HQ, Subject: “RE: Presentation” (Nov. 18, 2013).
- 10 Exhibit 3, ITT Employee Counseling Form, Tallahassee, FL (Sept. 16, 2015).
- 11 See infra pp. 111-116 for a detailed breakdown of ITT’s finances and spending priorities.
- 12 See infra pp. 77-80 for more information on the “90/10 rule” and its impact on ITT’s operations.
- 13 See Exhibit 4, Email from Dean at Tucson, AZ campus to Employee at Tucson, AZ campus, Subject: “Ethics Violation” (Sept. 27, 2013); see also Villalba Compl., Merrill Declaration Exhibit 2, Rodney Lipscomb Attestation at 33 ¶ 23, <https://perma.cc/SRL2-NN6E> (hereinafter “Merrill Decl. Ex. 2 R. Lipscomb Attest.”).
- 14 Exhibit 5, Mystery Shopper Report for San Dimas, CA (Sept. 2010).

- 15 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 34 ¶ 26.
- 16 Exhibit 6, Email from Student Relations Manager at HQ to Student Complainant at Grand Rapids, MI campus (June 24, 2005). Throughout this report, student complaints and testimony are reproduced as originally written, with alterations only for clarity.
- 17 See *infra* pp. 34-39 for details on how ITT misrepresented the transferability of its credits.
- 18 See *infra* pp. 40-45, on ITT's accreditation misrepresentations.
- 19 See *infra* pp. 122-125, covering ACICS and its problematic relationship with ITT.
- 20 Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010, at 11-12.
- 21 See *infra* pp. 81-84 for more on ITT's financial aid machinery.
- 22 See generally Villalba Compl., Exhibit 13, <https://perma.cc/7H2G-PX3H> (hereinafter "Villalba Ex. 13") (collected student testimony on ITT obfuscating the distinction between various types of loans and grants).
- 23 Villalba Ex. 13 at 49-50 ¶ 265 (student enrolled at the Henderson, NV campus from 2007 to 2012).
- 24 Exhibit 8, NW District CMM Planning Meeting Notes at 2 (2009).
- 25 *Id.* at 3.
- 26 See *infra* pp. 98-104 on ITT's Opportunity Scholarship and other "scholarship" programs.
- 27 Villalba Compl., Merrill Declaration Exhibit 1, Jennifer Cody Attestation at 6 ¶ 14, <https://perma.cc/SRL2-NN6E> (hereinafter "Merrill Decl. Ex. 1 J. Cody Attest.").
- 28 Exhibit 9, Email from Chief Operating Office at HQ to Student Relations Manager at HQ, Subject: "RE: Indy student complaint" (Jan. 4, 2005).
- 29 Exhibit 361, Email from Chief Compliance Officer at HQ to CEO Kevin Modany, Subject: "RE: Green Bay—019—Mystery Sh[o]p—In Person" (July 2, 2013).
- 30 Merrill Decl. Ex. 4 R. Bueche Attest. at 56 ¶ 30.
- 31 Villalba Compl. at 5 ¶ 22.
- 32 See *infra* pp. 65-67 on ITT's marketing of its technology.
- 33 See *infra* pp. 68-71 on ITT's lack of investment in educational resources.
- 34 Exhibit 10, Email from HQ Employee to District Managers, cc: CEO Kevin Modany, Subject: [No Subject] (May 7, 2012).
- 35 See *infra* pp. 65-76 on ITT's non-investment in education.
- 36 See generally Villalba Compl., Exhibit 6, <https://perma.cc/U48A-KSNL> (hereinafter "Villalba Ex. 6") for sworn student statements on how ITT misrepresented the quality of their instructors, training, curriculum, and facilities.
- 37 See *infra* pp. 110-118 regarding ITT's business priorities.
- 38 Exhibit 11, Email from Compliance/Regulatory Officer at HQ to CEO Kevin Modany, Subject: "RE: Online Issues" (Feb. 19, 2016) (discussing communication from instructor at Kansas City, MO campus complaining of students being forced into online coursework); see also Exhibit 12, Student complaint report (Sept. 11, 2012) (complaint code: Quality of Education, at Murray, UT campus).
- 39 Exhibit 13, Email from Chief Academic Officer at HQ to CEO Kevin Modany, Subject: "RE:

- Hybrid/Blended Textbooks for HU1440, PS1350, and GE175" (Feb. 29, 2012).
- 40 Exhibit 14, Email from Director of Human Resources to HQ Employees, Subject: "RE: Online Issues" (Feb. 19, 2016).
- 41 Id.
- 42 ITT never achieved programmatic accreditation for its nursing program. See *infra* pp. 134-139.
- 43 Exhibit 15, Indiana Board of Nursing meeting minutes at 2-3 (Jan. 15, 2015).
- 44 Exhibit 16, Arizona Board of Nursing investigative documents and ITT Response, at 137 (2013).
- 45 Exhibit 17, Email from HQ Employee to Regulatory/Compliance at HQ, Subject: "FW: Branch I Applications" (May 23, 2011).
- 46 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 42 ¶ 72.
- 47 Exhibit 18, Email from Human Resources at HQ to HQ, Subject: "Termination Recommendation - Knoxville – [redacted]" (Mar. 14, 2012).
- 48 See *infra* pp. 54-62 regarding ITT's job placement rate manipulation.
- 49 See *infra* pp. 17-18, 110-128 for information on ITT's corporate structure and business priorities.
- 50 See, e.g., Villalba Compl., Merrill Declaration Exhibit 3, Attestation of Dawn Lueck at 50 ¶ 34, <https://perma.cc/SRL2-NN6E> (hereinafter "Merrill Decl. Ex. 3 D. Lueck Attest.").
- 51 Exhibit 19, Email from Human Resources at HQ to Employee at Campus 118 (Columbus, OH), Subject: "draft" (Apr. 25, 2012).
- 52 Exhibit 20, Email from Student Relations Supervisor at HQ, Subject: "FW: Complaints of passing Students" (Sept. 12, 2012).
- 53 Merrill Decl. Ex. 4. R. Bueche Attest. at 57 ¶¶ 34, 37.
- 54 Department of Education Press Release, "Extended Closed School Discharge Will Provide 115K Borrowers from ITT Technical Institute More than \$1.1B in Loan Forgiveness," Aug. 26, 2011. <https://perma.cc/G383-8RMU>.
- 55 Department of Education Press Release, "Department of Education Announces Approval of New Categories of Borrower Defense Claims Totaling \$500 million in Loan Relief to 18,000 Borrowers," June 16, 2021. <https://perma.cc/2XA5-F54W>.
- 56 See *infra* pp. 78-79, 112 for more on ITT's risk-sharing agreements.
- 57 See *infra* pp. 122-125 on ITT's relationship with ACICS.
- 58 Exhibit 501, Email from HQ to CEO Kevin Modany, Subject: "RE: GE Chart" (May 27, 2015).
- 59 ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2015), <https://perma.cc/US3E-6FN8>.
- 60 Id.; see also, e.g., Reference for Business, Company Index for ITT, <https://perma.cc/BK5M-98ZQ>, (summarizing company history).
- 61 In re ITT Educational Services Inc., Case No. 16-07207-JMC-7A (Bankr. S.D. Ind. Sept. 16, 2016).
- 62 See Rick Ganley & Michael Brindley, "After Nashua's Daniel Webster College Signs Off,

- What's Next for Students and Staff?," New Hampshire Public Radio (May 26, 2017), <https://perma.cc/WVU5-S84J>.
- 63 For example, the Consumer Financial Protection Bureau (CFPB) sued ITT in 2014. See Complaint, Consumer Financial Protection Bureau v. ITT Educational Services, Inc., Civil Action 14-00292-SEB-TAB (S.D. Ind. Feb. 26, 2014) (hereinafter "CFPB Complaint"), <https://perma.cc/3ND9-M7PA>.
- The New Mexico Attorney General also sued ITT that same year, and the Massachusetts Attorney General followed in 2016. See Complaint, *New Mexico ex rel. King v. ITT Educational Services, Inc.*, No. D-202-CV-2014-01604 (N.M. 2d Jud. Dist. Ct., Bernalillo County, Feb. 27, 2014) (hereinafter "NM AG Complaint"), <https://perma.cc/YDP7-GEN2>; Complaint, *Massachusetts v. ITT Educational Services, Inc.*, Civil Action 16-0411 (Mass. Super. Ct. Mar. 31, 2016) (hereinafter "MA AG Complaint"), <https://perma.cc/W4K5-BQ4K>.
- 64 See Gretchen Morgenson, "A Whistle Was Blown on ITT; 17 Years Later, It Collapsed," *New York Times* (Oct. 21, 2016), <https://perma.cc/S2NB-X9M5>. See also <https://perma.cc/BL3B-B93L> (for collection of articles on federal investigations of ITT from the early 2000s.)
- 65 See "Insider Trading Activities at ITT Educational Services Inc. (ESI), Part 2," *Insider Monitor*, <https://perma.cc/7GK8-GQR9>.
- 66 See Press Release, ITT Educational Services Inc., "ITT CEO to Resign in February" (Aug. 18, 2015), available at <https://perma.cc/57FW-GKSM>.
- 67 *Id.*
- 68 Exhibit 21, J. Clayton Affidavit at 2 ¶ 6.
- 69 These regions, or districts, covered at least 35 states and included the following designations: Central, Mid-Atlantic, Midwest, North Central, North East, North West, Ohio Valley, Online, South Atlantic, South Central, South East, Southern, Southern California, and South West.
- 70 See *infra* pp. 48-49, 52-54, 114-116, 157-158 for examples of HQ's marketing centralization.
- 71 Merrill Decl. Ex. 3 D. Lueck Attest. 46 ¶ 8
- 72 Directors of Finance, or DOFs, were the highest ranking employee in each campus's financial aid department.
- 73 Merrill Decl. Ex. 1 J. Cody Attest. at 5 ¶¶ 6-7
- 74 Merrill Decl. Ex. 3 D. Lueck Attest. at 46 ¶ 8-9.
- 75 Exhibit 22, Email from Registrar at Miami, FL campus to HQ, Subject: "FW: Pre-req waiver request: [redacted]" (June 21, 2012).
- 76 Exhibit 23, Memorandum to/from HQ employees (Aug. 5, 2010). As noted in the registrar's meeting notes, "Have found a quarter million dollars worth of refunds to be processed. Kevin Modany making decisions on the refunds." *Id.*
- 77 See *infra* pp. 111-118 for more on ITT's business model and corporate strategies.
- 78 Merrill Decl. Ex. 4 R. Bueche Attest. at 55 ¶¶ 20, 21.
- 79 Exhibit 24, ITT Internal Document: "Boardroom Process" (Dec. 2011).
- 80 Exhibit 25, ITT Internal Document: Rep. Meeting Notes (Oct. 26, 2015).
- 81 Merrill Decl. Ex. 4 R. Bueche Attest. at 53 ¶¶ 4-5.

- 82 Exhibit 26, Declaration of Pearl Gardner at 3 ¶ 8, Consumer Financial Protection Bureau v. ITT Education, Inc., No. 1:14-cv-00292-SEB-TAB (S D. Ind. Sept. 22, 2016). (Hereinafter “P. Gardner CFPB Decl.”).
- 83 Exhibit 27, Email to/from HQ Employees, Subject: “RE: Admissions Rep Open House Ppt. pptx” (Sept. 21, 2010).
- 84 Exhibit 26, P. Gardner CFPB Decl. at 4 ¶ 14.
- 85 Merrill Decl. Ex. 4 R. Bueche Attest. at 54 ¶ 10.
- 86 Id. at 54 ¶ 12.
- 87 Id. at 54-55 ¶¶ 17-18.
- 88 See Exhibit 28, ITT Internal Document: “Representatives Minimum Standards for Conducted Interviews – Definitions and FAQs” (Oct. 2012).
- 89 Exhibit 21, J. Clayton Affidavit at 3 ¶ 10.
- 90 Id. at 2 ¶ 7.
- 91 Exhibit 29, Internal ITT Document: “November 2011 Monthly Manager Report” (Dec. 7, 2011).
- 92 Exhibit 30, ITT Internal Document: “Strategic Marketing Plan – A Focus on Core Programs” at 38 (2015).
- 93 Exhibit 31, ITT Procedure Manual: “Recruitment Internet Appointment Setting Procedure” (Feb. 20, 2013).
- 94 Exhibit 32, Email from outside counsel to Legal & Compliance at HQ, Subject: “summary of 9/8/14 call with [redacted], former ITT representative in Lexington, KY” (Sept. 9, 2014).
- 95 Id.
- 96 Id.
- 97 Exhibit 33, Email from HQ to District Managers and Directors of Field Recruitment, Subject: “Responding both Timely and Effectively to Customer Requests” (June 2, 2015).
- 98 Exhibit 34, Email from CEO Kevin Modany to Human Resources at HQ, Subject: “Re: PeopleAnswers update” (Sept. 12, 2014).
- 99 See Exhibit 35, Mystery Shopper Report for San Bernardino, CA (July 2010) (example of a telephonic mystery shopper report).
- 100 Brief in Support of Motion to Dismiss at 5, Consumer Fin. Prot. Bureau v. ITT Educ. Servs., Inc., No. 1:14-cv-00292-SEB-TAB (S.D. Ind. May 19, 2014), ECF No. 23. <https://perma.cc/QC5R-QFGM>.
- 101 Exhibit 36, Email from CEO Kevin Modany to Legal at HQ and outside counsel, Subject: “RE: Davis Update” (July 28, 2014).
- 102 See Exhibit 27, Internal ITT Document: “Overview of Mystery Shopper Program” (2010).
- 103 See Exhibit 38, Email from Campus 84 (Harrisburg, PA) to Marketing at HQ, Subject: “FW: Mystery Shopper - Important - Read” (Dec. 22, 2010).
- 104 U.S. Government Accountability Office “For-Profit Colleges Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices,” Nov. 30, 2010. For the full Government Accountability Office Report, see <https://perma.cc/VFU5-S3QU>.

- 105 See Exhibit 39, ITT Training Document: "Marketing Training" (Aug. 16, 2010) (marketing training minutes discussing Government Accountability Office investigation and emphasizing the need to "stick to scripts").
- 106 See Exhibit 40, Mystery Shopper Report for Austin, TX (Dec. 2011).
- 107 See Exhibit 41, Internal ITT Document: "Operations Review - Compliance and Internal Audit" at 22-24 (Oct. 6, 2011) (PowerPoint on compliance and internal audit data, showing that the frequency of violations remained high in 2011 and that the same violations persisted from 2010).
- 108 See Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010 at 3-4 (detailing 2010 corrective actions taken, which included only five terminations).
- 109 Exhibit 42, Email from Corporate Counsel at HQ to Human Resources at HQ, Subject: "RE: Mystery Shopper 'Flags' and Corrective Actions- [redacted]" (Sept. 22, 2010).
- 110 Exhibit 32, Email from outside counsel to Legal & Compliance at HQ, Subject: "summary of 9/8/14 call with [redacted], former ITT representative in Lexington, KY" (Sept. 9, 2014).
- 111 Exhibit 43, Email from Legal/Compliance to HQ Employees, Subject: "Fwd: Grand Rapids-160--Mystery Shop--In Person" (Nov. 21, 2012).
- 112 Id.
- 113 Exhibit 44, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "Fwd: Grand Rapids-160--Mystery Shop--In Person" (Nov. 21, 2012).
- 114 Exhibit 45, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: summary re 8/26/14 call with [redacted], former ITT representative" (Aug. 27, 2014).
- 115 Exhibit 46, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "Fwd: Duluth-071--Mystery Shop--In Person" (Nov. 21, 2012).
- 116 Exhibit 47, Email from CEO Kevin Modany to COO at HQ, Subject: "FW: Atlanta--109--Mystery Shop--In Person" (Aug. 3, 2015).
- 117 Exhibit 48, Email from CEO Kevin Modany to COO at HQ, Subject: "FW: Atlanta--109--Mystery Shop--In Person" (Sept. 9, 2013).
- 118 Exhibit 49, Email from COO at HQ to CEO Kevin Modany, Subject: "FW: Culver City--145--Mystery Shop--In Person" (Apr. 23, 2014).
- 119 Exhibit 50, ITT Internal Document: "Rep Plan versus Actual Coaching Document" at 2 (Sept. 2013).
- 120 Exhibit 51, Email from National Director of Career Services at HQ to CEO Kevin Modany, Subject: "RE: site Visits" (Feb. 23, 2016).
- 121 Exhibit 52, Email from National Director of Career Services at HQ to CEO Kevin Modany, Subject: "Re: Site Visits - Orland Park, IL 074" (Feb. 24, 2016).
- 122 Exhibit 30, ITT Internal Document: "Strategic Marketing Plan – A Focus on Core Programs" at 6 (2015).
- 123 The Massachusetts Attorney General's Office, in its 2014 action against ITT, also noted that these rushed enrollment tactics were standard practices for ITT recruiters: "Part of ITT's recruitment strategy was to persuade prospective students to visit a campus as soon as possible, where maximum pressure could be applied to induce them to enroll. Once on campus, prospective students were encouraged to apply, take an admissions exam, and complete a financial aid pre-appointment that same day. . . . As one former student

noted, he was pushed through the admissions process in less than an hour, 'in and out.' Another former student said that the admissions process was 'rushed as if they were doing whatever they could as fast as they could to get my signature.'" MA AG Compl. at 9 ¶¶ 40-41.

- 124 Exhibit 53, Mystery Shopper Report for Albuquerque, NM at 5 (Apr. 2010).
- 125 Exhibit 54, Mystery Shopper Report for Webster, TX at 5 (Aug. 2010) (mystery shopper also noted that the recruiter claimed that seats at that campus were "limited" at 3).
- 126 Villalba Compl., Exhibit 18 at 13 ¶ 59, <https://perma.cc/G5MT-LUN8> (hereinafter "Villalba Ex. 18"). This student attended the Ft. Lauderdale, FL campus for Information Security from 2004 to 2007.
- 127 Villalba Ex. 18 at 21 ¶ 95 (student attended the Oak Brook, IL campus for Information Systems Security from 2009 to 2013).
- 128 Exhibit 55, Email from Communications Director at HQ to College Directors, Subject: "Shopping Warning" (March 8, 2013).
- 129 Id.
- 130 Id.
- 131 Exhibit 56, ITT Internal Document: "Shoppers Warning" at 2 (Jan. 28, 2014).
- 132 Exhibit 57, Email from Legal at HQ to CEO Kevin Modany, Subject: "FW: prospective student [redacted]" (Apr. 20, 2016).
- 133 Exhibit 58, ITT Internal Document: Director of Recruitment coaching notes at 12 (2014).
- 134 Id. at 10.
- 135 Exhibit 59, ITT Internal Document: Director of Recruitment coaching notes at 12 (2014).
- 136 Id. at 2.
- 137 Exhibit 60, ITT Internal Document: Director of Recruitment coaching notes at 9 (2014).
- 138 Exhibit 61, ITT Internal Document: Director of Recruitment coaching notes at 13 (2014).
- 139 Exhibit 62, ITT Internal Document: Director of Recruitment coaching notes at 9 (2014).
- 140 See *infra* pp. 99-103 for more information on ITT's Opportunity Scholarship.
- 141 Exhibit 63, ITT Internal Document: Director of Recruitment coaching notes at 3-4 (2014).
- 142 Senate Health, Educ., Labor & Pensions Comm., 112th Cong., For-Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success at 67 (2012) (hereinafter "Senate HELP Report"), available at <https://perma.cc/S38L-EJ52>.
- 143 Senate HELP Report at 68.
- 144 Id. at 66.
- 145 Id. at 67.
- 146 Exhibit 64, ITT Internal Document: "Best of Best" (2008) (report regarding recruitment metrics).
- 147 Exhibit 1, Email from Compliance at HQ to Human Resources at HQ, Subject: "RE: [Rep at San Diego] 039" (Aug. 27, 2012).
- 148 Exhibit 65, "ITT Technical Institutes' Statement Regarding Senator Harkin's Characterization of Standard Practices" (Feb. 7, 2011).

- 149 Exhibit 66, Email from Legal at HQ to CEO Kevin Modany, Subject: "RE: A Sunday email is rarely a good thing..." (July 30, 2012).
- 150 Exhibit 67, Email from Compliance at HQ to Operations at HQ, Subject: "Re: Unauthorized Training Material" (Nov. 1, 2012).
- 151 Exhibit 1, Email from Compliance at HQ to Human Resources at HQ, Subject: "RE: [Rep at San Diego] 039" (Aug. 27, 2012).
- 152 For additional examples of pain-based recruiting referenced in training documents, see (1) Exhibit 68, ITT Training Presentation: "Mind the Gap – Keeping Your Prospect Involved"; (2) Exhibit 69, ITT Training Presentation: "Objection Resolution Handouts."
- 153 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 33 ¶ 21. Rodney Lipscomb was Dean of Academic Affairs at ITT's Tallahassee, FL campus from April 2011 to January 2015.
- 154 Exhibit 70, Email from CEO Kevin Modany to Legal/Regulatory at HQ, Subject: "RE: Albuquerque MOR Corrective Action Review" (Aug. 4, 2015).
- 155 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 33 ¶ 22.
- 156 Exhibit 6, Email from Student Relations Manager at HQ to Student Complainant at Grand Rapids, MI campus (June 24, 2005).
- 157 Exhibit 30, ITT Internal Document: "Strategic Marketing Plan – A Focus on Core Programs" at 29 (2015).
- 158 CFPB Complaint at 5 ¶ 4. The CFPB noted that these salary and credit score enrollment figures were based on figures verified by ITT's own Chief Financial Officer. Complaint available at <https://perma.cc/XF9A-LBJM>.
- 159 See Exhibit 71, Email to HR Partner at HQ and District Manager, Subject: "Summary of Findings – Ethics Violation Allegation" (Oct. 5, 2013) (describing student in Tucson who "requested to be dropped from his classes because he was not proficient in the English language. He could not read his textbook"; the request was denied because the student "passed the Wonderlic test (on his third attempt)"); see also Exhibit 72, ITT Internal Document: Director of Recruitment coaching notes at 3 (2014) (involving a representative in Seattle, Washington who was coached to "SLOW DOWN on the phone" because "many of our prospective students do not speak English").
- 160 Exhibit 73, Email from Employees at Cary, NC campus to HQ Employees, Subject: "Response to Student Complaint - 114 [redacted]" (June 21, 2012) (Career Services employee noting that student "has a background that is preventing him from qualifying for positions"); see also Exhibit 74, Email from VP of Nursing Program at HQ to HQ Employees, Subject: "RE: Strongsville Nursing: Student Clinical Agreement" (Mar. 6, 2014) (noting that a nursing student had been warned that she might not be able to obtain clinical placements because of her "blemished background check").
- 161 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 35 ¶ 33.
- 162 Id. at 34 ¶ 24.
- 163 Id. at 34 ¶ 27.
- 164 Id. at 35 ¶ 33.
- 165 Exhibit 21, J. Clayton Affidavit at 2-3 ¶¶ 8-9.
- 166 Merrill Decl. Ex. 4 R. Bueche Attest. at 34-35 ¶¶ 28-29.
- 167 Exhibit 4, Email from Dean at Tucson, AZ campus to Employee at Tucson, AZ campus,

- Subject: "Ethics Violation" (Sept. 27, 2013).
- 168 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 33 ¶ 23.
- 169 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 34 ¶ 26.
- 170 In one particularly revealing email circulated amongst the staff at the Harrisburg, Pennsylvania campus (dated December 22, 2010), an employee, remarking on recent mystery shopper findings, stated that "the most [frequently cited issues] are skipping slides, indicating classes are limited in order to create urgency in gaining an application, misrepresenting the price of tuition and guaranteeing financial aid eligibility." Exhibit 38, Email from Campus 84 (Harrisburg, PA) to Marketing at HQ, Subject "FW: Mystery Shopper - Important - Read" (Dec. 22, 2010).
- 171 Exhibit 75, Mystery Shopper Report for Norwood, MA at 3 (Mar. 2010).
- 172 Exhibit 5, Mystery Shopper Report for San Dimas, CA at 3 (Sept. 2010).
- 173 Exhibit 76, Email to/from HQ Employees, Subject: "RE: Merrillville--Mystery Shopper --In Person--Red and Yellow Flags" (Dec. 9, 2010).
- 174 Exhibit 77, Mystery Shopper Report for Maumee, OH at 3 (June 2010).
- 175 The Wonderlic Contemporary Cognitive Ability Test (formerly known as the Wonderlic Personality Test) is a basic aptitude and problem-solving assessment consisting of 50 multiple choice questions to be answered in 12 minutes. See <https://perma.cc/W8WT-E9QW>.
- 176 Exhibit 78, Internal ITT Document: ACICS Grant Evaluation Report for Youngstown, OH at 13 (Feb. 17, 2006).
- 177 Id.
- 178 Merrill Decl. Ex. 4 R. Bueche Attest. at 56-57 ¶ 31.
- 179 Id. at 55-56 ¶¶ 22, 25.
- 180 Id. at 6 ¶ 39.
- 181 Exhibit 79, Email from Human Resources at HQ to HQ, Subject: "FW: Possible Policy Violations 128-Tallahassee" (May 15, 2014).
- 182 Borrower Defense Unit, U.S. Department of Education, "Recommendation for Everest/WyoTech Borrowers Alleging Transfer of Credit Claims" at 19 (Oct. 24, 2016) (hereinafter "Everest/WyoTech Credit Transferability Memo"), <https://perma.cc/TF3E-4U8Q>.
- 183 Borrower Defense Unit, U.S. Department of Education, "Recommendation for Borrower Defense Relief for Heald College Borrowers Alleging Transfer of Credit Claims" at 792 (Oct. 20, 2016) (hereinafter "Heald Transfer of Credits Memo"), <https://perma.cc/TF3E-4U8Q>.
- 184 The Department's legal analysis of this issue was informed, in part, by the Federal Trade Commission Act and its related case law. See Everest/WyoTech Credit Transferability Memo at 13-15; see also FTC Act § 5(a)(l), 15 U.S.C. § 45(a)(l); FTC Act § 12(a), 15 U.S.C. § 52(a).
- 185 Everest/WyoTech Credit Transferability Memo at 14.
- 186 Id.
- 187 Exhibit 80, ITT Procedure Manual: "Contact Center Monitoring Procedure CCREC 1.2" at 10 (Aug. 5, 2013).

- 188 Exhibit 81, Sample ITT Enrollment Catalog, Phoenix, AZ at 58 (2014-2015).
- 189 Exhibit 82, Student Complaint Report, Bessemer, AL, Complaint Code: Recruitment Process at 2 (Nov. 1, 2010).
- 190 Exhibit 83, Student Complaint Report, Troy, MI, Complaint Code: Finance/financial aid at 3 (Feb. 22, 2008).
- 191 Id. at 6-7.
- 192 Id. at 6.
- 193 Exhibit 84, Email from HQ to Campus 110 (Chattanooga, TN), Subject: "Chattanooga-110-Mystery Shop-In Person" (Nov. 15, 2011).
- 194 Exhibit 85, Email from HQ to Campus 086 (Getzville, NY), Subject: "Getzville--Mystery Shopper--In Person" (July 28, 2011).
- 195 Exhibit 86, Email from Global Compliance to HQ, Subject: "RE: Job 4747271 Detail Report - Site 95 - 201105" (July 26, 2011).
- 196 Exhibit 87, Email from HQ to Campus 011 (Indianapolis, IN), Subject: "Indianapolis-011-Mystery Shop--In Person" (Oct. 25, 2011).
- 197 Exhibit 88, Email to/from HQ, Subject: "FW: King of Prussia--Mystery Shop--In Person--Orange Flags" (Apr. 22, 2010). The mystery shopper stated, "I was given a catalog and looking at my unofficial transcript it was determined that there is one gen-ed. [course] I will have to take and one I can test out of," but according to the ITT auditor, "upon further inquiry, the shopper confirmed the Representative did not highlight the information on transferability of course credits in the catalog."
- 198 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 37 ¶¶ 42-43.
- 199 Exhibit 89. See for list of 2010/2011 mystery shopper report exhibits with documented instances of ITT recruiters misrepresenting ITT's credit transferability by falsely suggesting it was possible at the discretion of the receiving institution.
- 200 Exhibit 90. Contains a list of exhibits with 2010/2011 mystery shopper reports that documented ITT recruiters directly lying to prospective students by claiming that ITT credits would transfer to other schools.
- 201 Exhibit 76, Email to/from HQ Employees, Subject: "RE: Merrillville--Mystery Shopper --In Person--Red and Yellow Flags" (Dec. 9, 2010).
- 202 Exhibit 188, Mystery Shopper Report for Portland, OR (March 2010) (highlighting added for emphasis).
- 203 Id. This flagged mystery shopper interaction is doubly notable because it is also an example of recruiters misrepresenting ITT's own flexibility regarding internal (between different ITT campuses and programs) credit transfers.
- 204 Exhibit 189, Mystery Shopper Report for Bessemer, AL. Dated May 2010.
- 205 Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010 at 10.
- 206 Id. at 11.
- 207 Exhibit 190, ITT Employee Corrective Action Form, Nashville, TN (May 6, 2010).
- 208 Exhibit 191, Mystery Shopper Report for Lathrop, CA (Nov. 2010).
- 209 Exhibit 192, Email from Campus 120 (Madison, WI) to HQ, Subject: "RE: Madison WI--Mystery Shop--In Person--Yellow Flag" (Dec. 14, 2010).

- 210 Exhibit 193, Email from HQ to Campus 116 (Madison, AL), Subject: "RE: Madison AL--Mystery Shop--In Person--Red flags" (June 14, 2010).
- 211 Exhibit 194, Student Complaint Report, King of Prussia, PA, Complaint Code: Finance/financial aid at 2 (Nov. 7, 2008).
- 212 Exhibit 195, Florida Department of Education Complaint File re ITT Miami at 4 (July 21, 2006).
- 213 Villalba Compl., Exhibit 10 at 32 ¶ 178, <https://perma.cc/HS7S-84NT> (hereinafter "Villalba Ex. 10"). This student was enrolled in the Multimedia program from 2003 to 2005.
- 214 Villalba Ex. 10 at 4 ¶ 19 (student attended the Tempe, AZ campus from 2004 to 2007).
- 215 Id. at 59 ¶ 352 (student was enrolled in the Construction Management program between 2007 and 2011).
- 216 Id. at 14 ¶ 75 (student was enrolled in the Computer and Electronics Engineering Technology program between 2009 and 2011).
- 217 Id. at 46-47 ¶ 273 (student was enrolled in the Network Security/Administration program from 2010 to 2012).
- 218 Id. at 90-91 ¶ 536 (student attended the Murray, UT campus between 2004 and 2008).
- 219 Id. at 80-81 ¶ 474 (student was enrolled in the Computer and Electronics Engineering Technology program from 2005 to 2007).
- 220 Exhibit 196, Student Complaint Report, Earth City, MO, Complaint Code: Quality of Education at 4 (Feb. 14, 2008).
- 221 Judith S. Eaton "An Overview of U.S. Accreditation," Council for Higher Education Accreditation, (revised Nov. 2015) <https://perma.cc/F6AL-4KNH>.
- 222 "The Fundamentals of Accreditation: What Do You Need to Know?," Council for Higher Education Accreditation (Sept. 2002), <https://perma.cc/7BTH-EEW2>.
- 223 "Accreditation and the Secretary of Education's Commission on the Future of Higher Education" <https://perma.cc/B4TC-4H6A>.
- 224 Higher Education Act § 101(a)(5), 20 U.S.C. § 1001(a)(5).
- 225 Senate HELP Report at 128.
- 226 U.S. Government Accountability Office, Report to the Ranking Member, Committee on Education and the Workforce, House of Representatives: Education Should Strengthen Oversight of Schools and Accreditors at 4-5 (Dec. 2014), <https://perma.cc/P9XJ-LNDK>.
- 227 Id. at 11.
- 228 "Overview of Accreditation in the United States," U.S. Department of Education (last modified Dec. 6, 2021), <https://perma.cc/3GVX-QKLY>.
- 229 Senate HELP Report at 62.
- 230 Id.
- 231 Id. at 129.
- 232 Id.
- 233 Id. at 131.
- 234 Id. at 130.

- 235 Id. at 128.
- 236 Id.
- 237 Id.
- 238 Id.
- 239 Everest/WyoTech Credit Transferability Memo at 2.
- 240 Villalba Ex. 10 at 14-15 ¶ 78 (student studied Computer Aided Drafting and Design [CDD] at ITT's San Bernardino, CA location from 2007 to 2009).
- 241 Exhibit 197, Student Complaint Report, Kansas City, MO, Complaint Code: Quality of Education at 4 (Oct. 22, 2008).
- 242 See Exhibit 83, Student Complaint Report, Troy, MI, Complaint Code: Finance/financial aid at 3 (Feb. 22, 2008). ITT's response to this complaint read, in part: "[O]ur campus is accredited by the Accrediting Council for Independent Colleges and Schools. During our recent reaccreditation visit, ITT Technical Institute, Troy Campus, was awarded with the highest distinction of 0 citations!" Id. at 6.
- 243 Villalba Ex. 10 at 100 ¶ 591 (student attended from 1995 to 1996, earning an associate degree in CAD Drafting and Design).
- 244 Id. at 76 ¶ 446 (student attended for Construction Management between 2008 and 2012).
- 245 Id. at 1 ¶ 4 (student attended the Bessemer, AL campus from 2008 to 2010).
- 246 Id. at 43 ¶ 248 (student was enrolled in the IT-Networking program between 2009 and 2010).
- 247 Id. at 67 ¶ 399 (student was enrolled in the Computer Networking Systems program from 2009 to 2011).
- 248 Id. at 66 ¶ 392 (student was enrolled in Computer and Electronics Engineering Technology program from 2009 to 2011).
- 249 Id. at 62 ¶ 366 (student was enrolled at the Albuquerque, NM campus from 2008 to 2012).
- 250 Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010 at 12.
- 251 Exhibit 198, ITT Internal Document: Training Presentation "Enrollment Essentials" at 8.
- 252 Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010 at 1-18.
- 253 Exhibit 199, Mystery Shopper Report for Wyoming (Grand Rapids), MI (Nov. 2010).
- 254 Exhibit 200, Mystery Shopper Report for Mobile, AL (Dec. 2010).
- 255 Exhibit 7, Internal ITT Document: Summary of Mystery Shops -- Beginning Feb. 2010 at 12.
- 256 Exhibit 201, Mystery Shopper Report for Clovis, CA (Aug. 2011).
- 257 Exhibit 202, Email to/from HQ. Subject: "Dunmore-101-Mystery Shop[p]er--In Person" Dated Dec. 13, 2011.
- 258 Exhibit 203, Email from HQ to Campus 027 (Eden Prairie, MN). Subject: "Eden Prairie 027--Mystery Shop--In Person" Dated Sept. 1, 2011.
- 259 Exhibit 204, Email from HQ to Campus 014 (Fort Wayne, IN). Subject: "Fort Wayne-014-Mystery Shop--In Person" Dated Jan. 6, 2011.
- 260 Exhibit 85, Email from HQ to Campus 086 (Getzville, NY). Subject: "Getzville--Mystery

- Shopper--In Person" 07/28/2011.
- 261 Exhibit 205, Email from HQ to Campus 023 (Lake Mary, FL). Subject: "Lake Mary--023-Mystery Shop--In Person" Dated Nov. 7, 2011.
- 262 Exhibit 206, Email from Student Relations Supervisor at HQ to Director of Troy, MI campus, Subject: "RE: Student Complaint - 20 [redacted]" (June 6, 2014).
- 263 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 36 ¶¶ 35-37.
- 264 Id. at 36-37 ¶ 39.
- 265 Exhibit 207, Email from HQ to director of Rancho Cordova, CA campus, Subject: "RE: follow-up" (May 26, 2005).
- 266 Exhibit 208, Email from CFO at HQ to CEO Kevin Modany, Subject: "FW: Job Search ITT Tallahassee" (Dec. 30, 2014).
- 267 Exhibit 209, Email from HQ to Campus 091 (Arnold, MO), Subject: "Arnold-091-Mystery Shop--In Person" (Nov. 1, 2011); see also Exhibit 210, ITT Employee Corrective Action Form, Madison, AL (June 15, 2010) (corrective action form related to this Mystery Shopper Report).
- 268 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 36 ¶¶ 36-37.
- 269 Exhibit 211, Mystery Shopper Report for Lathrop, CA (Oct. 2010).
- 270 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 37-38 ¶ 44.
- 271 Id. at 8 ¶ 44.
- 272 Id.
- 273 Villalba Compl., Exhibit 9 at 2 ¶ 8, <https://perma.cc/24XU-AYUU> (hereinafter "Villalba Ex. 9").
- 274 Exhibit 212, Email from student complainant to Student Surveys, Subject: "RE: ITT Technical Institute Student Course Survey – Your Response (Campus Code 031)" (Aug. 13, 2013).
- 275 Villalba Ex. 9 at 4 ¶ 16 (student attended the Wyoming, MI campus from 2007 to 2014).
- 276 Id.
- 277 Exhibit 213, Email from HQ Employee to [student complainant], Subject: "RE: Complaint" (January 19, 2016).
- 278 Merrill Decl. Ex. 4 R. Bueche Attest. at 56 ¶ 26.
- 279 Villalba Compl., Exhibit 2 at 7 ¶ 34, 20 ¶ 101, <https://perma.cc/G7AY-23HJ> (hereinafter "Villalba Ex. 2"); see also MA AG Complaint at 15 ¶ 65 ("Most students who graduated from a Computer Network Systems program did not obtain the types of jobs listed on the 'career wheel' or on the Graduate Employment Information disclosures.").
- 280 MA AG Compl. at 15 ¶¶ 63, 65. <https://perma.cc/W4K5-BQ4K>.
- 281 Exhibit 214, ITT Internal Document: Career Wheel Examples.
- 282 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 37 ¶ 40.
- 283 Id.
- 284 Id. at ¶ 41.
- 285 Exhibit 215, ITT Marketing Presentation: "Associate Degree in Software Development" at

- 10 (July 2013).
- 286 *Id.* at 8. See also *infra* pp. 50-54 for more on unrealistic salary ranges quoted to ITT students.
- 287 Exhibit 171, Mystery Shopper Report for Oakland, CA (Nov. 2010).
- 288 Exhibit 205, Email from HQ to Campus 023 (Lake Mary, FL), Subject: "Lake Mary--023-Mystery Shop--In Person" (Nov. 7, 2011).
- 289 Exhibit 216, Mystery Shopper Report for Aurora, CO (July 2011).
- 290 Villalba Ex. 2 ¶¶ 15, 21, 26, 71, 78, 121, 130, 157, 17, 179, 290, 293, 350.
- 291 Exhibit 217, Email from HQ to Director of Duluth, GA (campus 071), Subject: "Duluth—071—Mystery Shop—In Person" (Feb. 18, 2015).
- 292 Exhibit 218, ITT Training Presentation on the Mystery Shopper Program at 4 (slides explain what not to say and what has been caught as a "red flag").
- 293 Villalba Ex. 2 at 11 ¶ 52.
- 294 *Id.* at 14 ¶ 67.
- 295 Exhibit 219, Mystery Shopper Report for Chantilly, VA (July 2011).
- 296 Exhibit 220, Email from HQ to Douglasville, GA (campus 166), Subject: "Douglasville—166—Mystery Shop—In Person" (Mar. 13, 2015).
- 297 Exhibit 221, Email from HQ to Douglasville, GA (campus 166), Subject: "Douglasville—166—Mystery Shop—In Person" (Apr. 27, 2015).
- 298 When ITT did not outright lie to students about their expected salaries, they told students to look at generic websites like salary.com (see Exhibit 222, Mystery Shopper Report for Akron, OH (Oct. 2010)), to Google salaries (see Exhibit 223, Mystery Shopper Report for Troy, MI (Feb. 2010)), or to go to the Bureau of Labor Statics website (see Exhibit 224, Mystery Shopper Report for Concord, CA (July 2010)). Much like the use of the Value Proposition document discussed below, the results in these types of searches do not take any specific information into account like the school itself or the appropriate expected regional salary rates.
- 299 Exhibit 21, J. Clayton Affidavit at 3 ¶ 11.
- 300 *Id.* ¶ 12.
- 301 See generally for ITT Educational Services, Inc., Annual 10-K Reports <https://perma.cc/FJ3P-KZHT>
- 302 See MA AG Complaint at 20 ¶ 84.
- 303 CFPB Complaint at 9 ¶ 47.
- 304 This document was shown to students from at least 2007 to 2010.
- 305 See Exhibit 26, P. Gardner CFPB Decl. at 5 ¶ 19.
- 306 *Id.*
- 307 Merrill Decl. Ex. 3 D. Lueck Attest. at 48 ¶ 26.
- 308 This report is cited extensively in a group borrower defense application submitted by a multistate coalition of attorneys general. See Letter and Memorandum from Attorneys General of 24 States and the District of Columbia to Miguel Cardona, Secretary of the U.S. Department of Education (Apr. 1, 2021), <https://perma.cc/4YNU-W8XT>.

- 309 Dr. Matsudaira was appointed Deputy Under Secretary for the U.S. Department of Education in February 2021. He completed his evaluation and final report in July 2020.
- 310 Exhibit 225, Jordan Matsudaira, An Assessment of ITT Technical Institute’s “Value Proposition for Employed Graduates” at 5.
- 311 Id. at 11.
- 312 Id.
- 313 Exhibit 226, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: “RE: Clovis 061—Mystery Shop—In Person” (Sept. 1, 2011).
- 314 Exhibit 227, Email from Human Resources to HQ, Subject: “FW: Greenville on-site visit” (Feb. 19, 2015).
- 315 Exhibit 228, Internal Audit Report: Greenville, South Carolina (2015).
- 316 Exhibit 229. Email from HR at HQ to HQ Employee. Subject: “FW: Hilliard--022--Mystery Shop--In Person” (March 18, 2015). According to the email thread, the recruiter was terminated from his role on February 9, 2015.
- 317 Exhibit 227, Email from Human Resources to HQ, Subject: “FW: Greenville on-site visit” (Feb. 19, 2015).
- 318 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 42 ¶ 71.
- 319 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 42 ¶ 72.
- 320 Exhibit 230, Email from CEO Kevin Modany to National Director of Career Services, Subject: “RE: Update on Tier 1 Programmatic ETG” (Oct. 22, 2012).
- 321 Exhibit 231, ITT Training Presentation: “Career Services Quarterly Interaction with Students; Step-by-Step Guide for Preparing Your Students for Career Success” at 12 (Dec. 2013).
- 322 Id. at 19.
- 323 CFPB Compl. at 7 ¶¶ 32-33.
- 324 Exhibit 239, ITT Employee Counseling Form: Campus 067, Re: Career Services Coordinator (Mar. 28, 2012).
- 325 Exhibit 240, ITT HR Complaint Report: Tampa, FL, Re: Career Services at 5 (June 15, 2012).
- 326 Exhibit 241, Internal Audit Report: Tampa, FL at 31 (2012).
- 327 Exhibit 242, Email from HR Partner to Employees at HQ, Subject: “RE: Inappropriate Employment: Huntington” (Dec. 3, 2012).
- 328 Exhibit 243, Email from VP of Career Services at HQ to Legal/Compliance at HQ, Subject: “Career Services Risk Area Update” (Jan. 31, 2012).
- 329 Exhibit 244, Email from VP of Career Services at HQ to Legal/Compliance at HQ, Subject: “FW: Inappropriate Employment Characterization – Portland” (June 11, 2012).
- 330 Id.
- 331 Id.
- 332 Exhibit 245, Internal Audit Report: Portland, OR at 17-19 (2012).
- 333 Exhibit 246, Email from Human Resources at HQ to Employees at HQ, Subject: “RE: Termination Recommendation – [redacted] - Tampa, FL” (Mar. 30, 2012).

- 334 Exhibit 247, Email from National Director of Career Services at HQ to Legal/Compliance at HQ, Subject: "FW: Removed Placements" (May 11, 2012).
- 335 Exhibit 248, Email from HQ to Human Resources at HQ, Subject: "RE: Termination Recommendation - Norwood – [redacted]" (Mar. 21, 2012).
- 336 Exhibit 249, ITT Internal Document: Employment Details (Apr. 16, 2012).
- 337 Exhibit 18, Email from Human Resources at HQ to HQ, Subject: "Termination Recommendation - Knoxville – [redacted]" (Mar. 14, 2012).
- 338 Exhibit 250, Email from District Manager to Human Resources at HQ, Subject: "FW: : North Charleston Employment Issue" (June 30, 2014) (includes recommendation that employee who falsified the file be terminated).
- 339 Exhibit 251, Email from National Director of Career Services at HQ to Human Resources at HQ, Subject: "FW: Additional Inappropriate Employment Characterization in Knoxville" (Apr. 5, 2012).
- 340 Exhibit 243, Email from National Director of Career Services at HQ to Legal/Compliance at HQ, Subject: "Career Services Risk Area Update" (Jan. 31, 2012).
- 341 Exhibit 252, Internal Audit Report: Albany, NY (2012).
- 342 Exhibit 232, ACICS Evaluation Report at 233.
- 343 Exhibit 233, Internal Audit Report: Austin, TX (2013).
- 344 Exhibit 234, ACICS Placement Discrepancy Form, Troy, MI.
- 345 Exhibit 235, Internal Audit Report: Troy, MI at 5 (2013).
- 346 Exhibit 236, ACICS Placement Discrepancy Form: Troy, MI; Exhibit 237, ACICS Placement Discrepancy Form: Troy, MI; Exhibit 238, ACICS Placement Discrepancy Form, Troy, MI; see also Exhibit 235, Internal Audit Report: Troy, MI (2013).
- 347 Exhibit 253, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "RE: - HQ Career Services – Former Getzville DOCS" (May 13, 2013).
- 348 Id.
- 349 Exhibit 254, Internal Audit Report: Getzville, NY (2013); Exhibit 255, Internal Audit Report: Getzville, NY (2014).
- 350 Exhibit 256, Email from National Director of Career Services at HQ to Legal/Compliance at HQ, Subject: "FW: GEI's for [student names redacted]" (Jan. 13, 2013).
- 351 Exhibit 257, Email from HQ to VP of Career Services, Subject: "Re: Inappropriate Albany Employments" (Oct. 1, 2013).
- 352 Exhibit 258, Email from VP of Career Services to HQ, Subject: "REQUEST FOR SUPPORT" (Aug. 27, 2014).
- 353 Id.
- 354 Exhibit 259, Internal Audit Report: Mobile, AL (2015).
- 355 Exhibit 260, Email from National Director of Career Services at HQ to Employees at HQ, Subject: "Additional Information on Houston North Employment" (Apr. 9, 2015).
- 356 Exhibit 261, Student Complaint Report: Knoxville, TN, Complaint Code: Finance/financial aid at 2-3 (Oct. 7, 2015).
- 357 Exhibit 249, ITT Internal Document: Employment Details (Apr. 16, 2012).

- 358 Exhibit 262, Email from National Director of Career Services at HQ to Compliance at HQ, Subject: "FW: Supporting Documentation for the Pensacola Employment Review" (Apr. 5, 2016).
- 359 Exhibit 263, Email from Human Resources at HQ to HQ, Subject: "Termination Request - [redacted] - Houston West" (Apr. 8, 2016).
- 360 Exhibit 264, Email from Senior VP of Operations to CEO Kevin Modany, Subject: "Fwd: Termination Request – Director/DOCS [redacted] Pensacola Campus" (Apr. 12, 2016).
- 361 Exhibit 265, Email from National Director of Career Services at HQ to HQ Employees, Subject: "RE: REMOVAL and Follow-up on Plymouth Meeting Pre-Grad GEI File Request – [redacted]" (June 2, 2016).
- 362 See Exhibit 246, Email from Human Resources at HQ to Employees at HQ, Subject: "RE: Termination Recommendation – [redacted] - Tampa, FL" (Mar. 30, 2012).
- 363 Exhibit 266, Email from National Director of Career Services at HQ to HQ Employees, Subject: "Waiver Removal Required" (July 13, 2016).
- 364 Exhibit 267, Email from National Director of Career Services at HQ to HQ Employees, Subject: "Additional Waiver Removal Required" (July 13, 2016).
- 365 Exhibit 268, Email from National Director of Career Services at HQ to HQ Employees, Subject: "Third Waiver Removal Required" (July 13, 2016). For other similar examples related to the Philadelphia, PA campus, see Exhibit 269, Email from National Director of Career Services at HQ to Employees at HQ, Subject: "Fourth Waiver Removal Required" (July 13, 2016); Exhibit 270, Email from National Director of Career Services at HQ to Employees at HQ, Subject: "FW: Thanks for the Help" (July 13, 2016); Exhibit 271, Email from Employee at HQ to National Director of Career Services at HQ, Subject: "RE: Guidance from Compliance on Waiver Removals" (July 17, 2016).
- 366 Exhibit 272, Email from Compliance at HQ to CEO Kevin Modany, Subject: "RE: 2Q 2016 DOCS Removals and Terminations.xls" (July 18, 2016).
- 367 Id.
- 368 MA AG Complaint at 13-14 ¶ 58. <https://perma.cc/W4K5-BQ4K>.
- 369 Id. at 14 ¶ 59.
- 370 Id. at 14 ¶ 60.
- 371 Exhibit 273, Email from Human Resources at HQ to HQ Employee. Subject: "FW: Houston North Instructor Quals and Validity of Employment" 08/26/2015.
- 372 Senate HELP Report at 22 (536). <https://perma.cc/DPG3-ZLGG>.
- 373 Exhibit 274, Email from HQ to District Manager of South Atlantic District, Subject: "RE: South Atlantic District: High risk instructors-Johnson City, TN" (Mar. 10, 2014).
- 374 Id.
- 375 Exhibit 275, Email from Director of Human Resources at HQ to HR Partner at HQ. Subject: "RE: Termination Request – Knoxville – [redacted]" 06/09/2011.
- 376 Exhibit 21, J. Clayton Affidavit at 3 ¶ 17.
- 377 Exhibit 276, Email from HQ to Legal/Compliance at HQ, Subject: "RE: Complaints of passing Students" (Sept. 11, 2012).
- 378 Villalba Compl., Exhibit 7 at 8 ¶ 35, <https://perma.cc/84MR-TAFM> (hereinafter "Villalba Ex.

- 7") (student attended the Oak Brook, IL campus from 2010 to 2013 and was enrolled in the Information Systems Security program).
- 379 Exhibit 21, J. Clayton Affidavit at 3 ¶ 14.
- 380 For ACICS "success" standards, see <https://perma.cc/YV7M-X9ZL>.
- 381 Villalba Ex. 7 at 20 ¶ 97 (student attended the Nashville, TN campus for Digital Entertainment and Game Design from 2005 to 2011).
- 382 MA AG Complaint at 22 ¶ 92.
- 383 Id. ¶ 91.
- 384 For more information on ITT's high tuition costs, see *infra* pp. 110.
- 385 Villalba Ex. 6 at 11 ¶ 37 (student attended the Rancho Cordova, CA campus from 2004 to 2010 for Information Systems Security).
- 386 Id. at 18 ¶ 66 (student attended the Tampa, FL campus from 2007 to 2010).
- 387 Exhibit 277, Email from Indianapolis, IN Employee to Student Relations at HQ, Subject: "RE: [student complainant] complaint" (Oct. 26, 2004).
- 388 Exhibit 278, Email from Student Complainant at Tucson, AZ campus to Student Survey, Subject: "RE: ITT Technical Institute Student Course Survey – Your Response (Campus Code 054)" (June 30, 2012).
- 389 Exhibit 279, Email from Student Survey to Compliance at HQ, Subject: "FW: RE: ITT Technical Institute Student Course Survey – Your Response (Campus Code 13)" (Jan. 13, 2012).
- 390 Exhibit 232, ACICS Evaluation Report Re: Little Rock, AR campus at 183-184 (Sept. 1, 2012).
- 391 Id.
- 392 Exhibit 280, ACICS Evaluation Report at 42-43 (Sept. 1, 2012).
- 393 Exhibit 232, ACICS Evaluation Report at 238 (Sept. 1, 2012); see also Exhibit 233, Internal Audit Report: Austin, TX (2013).
- 394 Exhibit 232, ACICS Evaluation Report at 238 (Sept. 1, 2012).
- 395 Villalba Ex. 6. at 1 ¶ 3 (student attended the Bessemer, AL campus for Game Design from 2007 to 2010).
- 396 Exhibit 10, Email from HQ Employee to District Managers with cc to CEO Kevin Modany, Subject: [No Subject] (May 7, 2012).
- 397 Exhibit 281, Email from CEO Kevin Modany to COO and Operations at HQ, Subject: "Fwd: Chair, ADGS, and Faculty teaching loads" (Oct. 19, 2012).
- 398 Exhibit 282, Email from VP of Career Services at HQ to HQ, Subject: "RE: Houston North Instructor Quals and Validity of Employment" (Aug. 31, 2015).
- 399 Id.
- 400 Exhibit 283, Email to/from HQ Employees, Subject: "FW: Unethical Business Practices" (Oct. 22, 2015).
- 401 Exhibit 284, Email from Director of Campus 040 (Tampa, FL) to Human Resources at HQ, Subject: "FW: HS347 (HIT Chair - possible RIF?)" (Mar. 18, 2013).
- 402 Exhibit 285, Email from HQ to Campus 156, Subject: "RE: School # 156 CDD Program has

- failed" (Jan. 28, 2016).
- 403 Exhibit 10, Email from HQ Employee to District Managers, cc: CEO Kevin Modany, Subject: [No Subject] (May 7, 2012).
- 404 Exhibit 286, Email from Norwood, OH (campus 086) to CEO Rene Champagne, Subject: "Review of Letter Written by [redacted]" (Aug. 12, 2004).
- 405 Exhibit 287, Email from SVP of Business Development to CEO Kevin Modany, Subject: "RE: Breckinridge College" (Mar. 4, 2012).
- 406 Id.
- 407 Exhibit 288, Email from CEO Kevin Modany to VP of Nursing Program, Subject: "RE: One thing to consider" (Mar. 5, 2013).
- 408 Exhibit 289, Email from CEO Kevin Modany to VP of Nursing Program and Online Program, Subject: "RE: ITT and Elsevier Pricing Model Suggestion" (Aug. 5, 2013).
- 409 Exhibit 290, Email from Spokane Valley Employee (Campus 051) to HQ, Subject: "RE: ITT Technical Institute Student Course Survey - Your Response (Campus Code 51)" (Apr. 16, 2012).
- 410 Exhibit 291, Email from Hanover, MD Campus Employee to HQ, Subject: "RE: Student Complaint - 148 [redacted]" (Aug. 9, 2013).
- 411 Exhibit 292, ITT Student Complaint Report, Kennesaw, GA, Complaint Code: Course Materials at 4 (Apr. 11, 2014).
- 412 Exhibit 293, Email from CEO Kevin Modany to CFO at HQ, Subject: "RE: Pearson Additions to Contract" (July 13, 2012).
- 413 Exhibit 294, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: GS1140 intelliCourse" (Nov. 1, 2012).
- 414 Id.
- 415 Exhibit 295, Email from CEO Kevin Modany to HQ Employees, Subject: "Re: Class last night" (Sept. 23, 2012).
- 416 Exhibit 296, Email from HQ Employee to CEO Kevin Modany, Subject: "RE: feedback from last night" (Oct. 19, 2012).
- 417 Exhibit 297, Email from HQ Employee to CEO Kevin Modany, Subject: "Fwd: Bad news but ultimately very good news" (Dec. 15, 2012).
- 418 Exhibit 298, Email from HQ Employee to CEO Kevin Modany, Subject: "RE: student login issues with intelliCourse" (Dec. 20, 2012).
- 419 Exhibit 299, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "FW: Khan Academy goes offline" (Dec. 19, 2012).
- 420 Id.
- 421 Id.
- 422 Exhibit 300, Email from CEO Kevin Modany to CFO at HQ, Subject: "FW: intelliCourse R1.3 Charter Budget Reconciliation" (Jan. 23, 2013).
- 423 Exhibit 301, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: Learning Technologies/Intellcourse" (Jan. 30, 2013).
- 424 Exhibit 302, Email from CEO Kevin Modany to HQ Employee, Subject: "Re: Southfield

- band width" (Nov. 13, 2013).
- 425 Id.
- 426 Exhibit 303, Student Complaint Report, Charlotte North, NC, Complaint Code: Recruitment, Academic Affairs at 3 (Mar. 6, 2015).
- 427 Exhibit 304, Email from student complainant to HQ Employees, Subject: "Urgent Scheduling Situation" (Feb. 26, 2012).
- 428 Exhibit 305, Message to "ITT Leadership" from Employee of Louisville, KY campus.
- 429 Exhibit 306, Email from Chief Academic Officer at HQ to CEO Kevin Modany and COO, Subject: "Blended Section size data" (Mar. 19, 2012).
- 430 Exhibit 307, Email from HQ to Deans, Associate Deans of General Studies, Registrars, District Managers, College Directors and HQ officials, Subject: "Sept 17 2012 Blended Sections" (Sept. 10, 2012).
- 431 Exhibit 13, Email from Chief Academic Officer at HQ to CEO Kevin Modany, Subject: "RE: Hybrid/Blended Textbooks forHU1440, PS1350, and GE175" (Feb. 29, 2012).
- 432 Exhibit 308, Student Complaint Report, Rancho Cordova, CA, Complaint Code: Dislike distance education (Jan. 3, 2013).
- 433 Exhibit 11, Email from Compliance/Regulatory Officer at HQ to CEO Kevin Modany, Subject: "RE: Online Issues" (Feb. 19, 2016).
- 434 Exhibit 14, Email from Director of Human Resources to HQ Employees, Subject: "RE: Online Issues" (Feb. 19, 2016).
- 435 Id.
- 436 Exhibit 309, ITT Internal Document: Student Complaint/Grievance Procedure at 5 (March 2013).
- 437 Exhibit 310, Email from Employee at Campus 024 (Youngstown, OH) to HQ, Subject: "FW: The online Physics class" (Sept. 13, 2012).
- 438 Exhibit 311, Student Complaint Report, Kansas City, MO, Complaint Code: Dislike distance education (Nov. 15, 2012).
- 439 Exhibit 312, Student Complaint Report, Green Bay, WI, Complaint Code: Dislike distance education, etc. (Aug. 30, 2012).
- 440 Exhibit 313, Student Complaint Report, Louisville, KY, Complaint Code: Finance, etc. at 6 (July 24, 2012).
- 441 Exhibit 314, Email to/from HQ employees, Subject: "FW: Forthcoming complaint – [redacted] - ISS BAS student - IRIS entry attached" (Mar. 7, 2013).
- 442 Exhibit 315, Email from South Bend, IN Campus to HQ Student Relations Supervisor, Subject: "RE: stu[d]ent issue" (Aug. 29, 2012).
- 443 Exhibit 316, ITT Internal Document: Enterprise Risk Management Annual Quarterly SME Meeting – Agenda at 7 (Jan. 2014).
- 444 Exhibit 315, Email from South Bend, IN Campus to HQ Student Relations Supervisor, Subject: "RE: stu[d]ent issue" (Aug. 29, 2012).
- 445 Exhibit 317, Email to/from HQ Employees, Subject: "Standard_Response_Language[1]" (Aug. 28, 2012).

- 446 Exhibit 314, Email to/from HQ Employees, Subject: "FW: Forthcoming complaint – [redacted] - ISS BAS student - IRIS entry attached" (Mar. 7, 2013).
- 447 Exhibit 318, Email from CEO Kevin Modany to COO at HQ, Subject: "Re: Hybrid-Blended Reporting" (June 6, 2013).
- 448 Exhibit 319, Email from CEO Kevin Modany to Compliance at HQ, Subject: "Re: State Board Student Survey"(July 19, 2013).
- 449 Exhibit 320, Email from Chief Academic Officer at HQ to CEO Kevin Modany, cc: COO at HQ, Subject: "RE: Hybrid Student Preparation ('HSP') / instructor login -- March 2012 qtr" (Feb. 27, 2012).
- 450 Exhibit 321, Email from CEO Kevin Modany to Chief Academic Officer at HQ, cc: COO at HQ, Subject: "Re: Dec 10 2012 Qtr: Questa / HSP / Student Observer logon information" (Nov. 30, 2012).
- 451 Exhibit 322, Email from CEO Kevin Modany to Academic Officer at HQ, cc: COO at HQ, Subject: "Re: Hybrid-Blended Reporting"(June 6, 2013).
- 452 Exhibit 323, Email from CEO Kevin Modany to COO at HQ. Subject: "RE: Blended SSR - LB.xlsx" 04/26/2013.
- 453 Exhibit 318, Email from CEO Kevin Modany to COO at HQ. Subject: "Re: Hybrid-Blended Reporting" 06/06/2013.
- 454 Exhibit 324, Email from CEO Kevin Modany to Online Programs, Subject: Re: "Allocating S3 Instructors" (June 20, 2013).
- 455 Exhibit 325, Email from CEO Kevin Modany to COO at HQ, cc Academic Officer at HQ, Subject: "Re: Hybrid to Res.xlsx" (Aug. 19, 2013).
- 456 Exhibit 326, Email from CEO Kevin Modany to Employee at HQ, Subject: "Re: State Board Survey" (July 24, 2013).
- 457 See infra pp. 98-104 for more information on ITT's scholarship programs.
- 458 In an email, Kevin Modany derisively commented that if policymakers really wanted to cut college costs, the obvious solution would be to get rid of the 90/10 rule. See Exhibit 327, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "Fwd: MS For-Profit Daily Cram, 8/27/13" (Aug. 27, 2013).
- 459 Senate HELP Report at 146-147.
- 460 As of March 10, 2021, Congress has closed the "90/10 loophole." See Stacy Cowley, "Congress Closes Loophole That Made Veterans a Target of For-Profit Schools," New York Times (Mar. 11, 2021), <https://perma.cc/8BX3-83JD>; Press Release, Veterans Education Success, "Congress' Reconciliation Package Includes Provision to Close Loophole Long-Sought by Veterans Organizations" (Mar. 10, 2021), <https://perma.cc/736G-EGX3>.
- 461 See infra pp. 104-106 for more information on how ITT misled and exploited veterans with respect to financial aid.
- 462 Deanne Loonin, "Piling It On: The Growth of Proprietary School Loans and the Consequences for Students," at 3, National Consumer Law Center (Jan. 2011), <https://perma.cc/QHS7-DLZ8>.
- 463 Complaint at 2-3, ¶¶ 6-13, Sallie Mae, Inc. v. ITT Educational Services Inc., Case No. 2012-1937 (Va. Cir. Ct. Dec. 26, 2012), available at <https://perma.cc/DJ6Q-MD8R>.
- 464 Id. at 2 ¶ 6.

- 465 “ITT Educational to Pay Sallie Mae \$46 Mln to Settle Loan Dispute,” Reuters (Jan. 4, 2013), <https://perma.cc/VZ74-TCHB>.
- 466 CFPB Complaint. at 2 ¶ 6.
- 467 Id. at 19 ¶ 107.
- 468 Id.
- 469 Students often looked for options to transfer out of ITT once they realized they had been subjected to this type of coercive financial deceit. However, ITT credits rarely transferred to other schools—or even between ITT’s own programs and campuses—a fact that it routinely failed to disclose to incoming recruits. Students were then forced to decide whether to either drop out and forfeit the credits they had already paid for or simply agree to this new loan in order to finish the only higher education they could afford after expending all their federal aid eligibility at ITT. See CFPB Complaint at 2 ¶ 8. For more on ITT misrepresenting the transferability of its credits, see also *supra* pp. 34-39, and Villalba Ex. 10.
- 470 CFPB Complaint at 20-21.
- 471 See *infra* pp. 79-80, 89-93 for additional information on ITT’s student default contingency plans and repackaging efforts.
- 472 CFPB Complaint at 21
- 473 See CFPB Complaint at 20-21.
- 474 See Exhibit 328, Sample PEAKS Note; see also MA AG Complaint at 26 ¶ 105.
- 475 See Exhibit 329, Sample CUSO Note; see also MA AG Complaint at 26 ¶ 103.
- 476 Loonin, *supra* n. 80, at 24.
- 477 Loonin, *supra* n. 64, at 19.
- 478 Exhibit 330, Email to/from HQ Employees, Subject: “RE: Form 10-K” (Aug. 18, 2013).
- 479 This figure was calculated by looking at data for loans 6 months after they entered repayment and comparing the amount disbursed on those loans to the total amount in default. Thus, it refers to the percentage of loan dollars in default, and not the percentage of borrowers. See Exhibit 331, ITT Private Student Loan Portfolios Default and Loss Projection Methodology at 4-6, 12, 20-21.
- 480 See *id.* at 5-6 (describing adjustments made to actual performance data in order to project default rate and underlying assumptions supporting the adjustments).
- 481 See Complaint, Securities and Exchange Commission v. ITT Educational Services, Inc., No. 1:15-cv-00758-JMS-MJD (S.D. Ind. May 12, 2015) (hereinafter “SEC Complaint”), available at <https://perma.cc/6NRT-H8NK>; see also Press Release, Securities and Exchange Commission, “SEC Announces Fraud Charges Against ITT Educational Services” (May 12, 2015), <https://perma.cc/Q4JR-5JWC>.
- 482 Exhibit 332, Email from AEA Investors to CEO Kevin Modany, Subject: “RE: Financial Metrics - Jan 2013 Earnings Release.xls CONFIDENTIAL” (Jan. 14, 2013).
- 483 Exhibit 333, Email to/from CEO Kevin Modany, Subject: “Agenda for Sunday Morning” (July 8, 2015).
- 484 Exhibit 26, P. Gardner CFPB Decl. at 4 ¶ 11.
- 485 Financial aid coordinators were instructed that “if you are not able to obtain the student’s signature on the TC [temporary credit] Payment Plan Letter before graduation, I [the

- company's HQ finance director] would advise you to either attend the graduation practice or ceremony, or catch the student before it starts to obtain the student signature on the letter." Exhibit 334, Email from HQ Employee to CFO, Subject: "March Graduates with Temp Credit" (Feb. 1, 2010).
- 486 Exhibit 26, P. Gardner CFPB Decl. at 4 ¶ 13.
- 487 Exhibit 335, ITT Training Presentation: "Back to Basics Quarter 2 North Central District Meeting" at 7 (May 18-19, 2010).
- 488 Exhibit 336, Email from Finance at HQ to DOF at Campus 036 (Wyoming, MI), Subject: "RE: New Enhancements to Smart Forms" (July 7, 2010). Emphasis added.
- 489 CFPB Complaint at 12-14; see also Exhibit 26, P. Gardner CFPB Decl. at 3 ¶¶ 5-6.
- 490 Exhibit 26, P. Gardner CFPB Decl. at 3 ¶ 6.
- 491 *Id.* at 6 ¶ 26.
- 492 Merrill Decl. Ex. 3 D. Lueck Attest. at 48 ¶ 25.
- 493 *Id.*
- 494 Villalba Compl. at 29 ¶ 233 (statement from national finance director at HQ).
- 495 Merrill Decl. Ex. 3 D. Lueck Attest. at 49 ¶ 30.
- 496 Exhibit 26, P. Gardner CFPB Decl. at 6-7 ¶ 28.
- 497 Merrill Decl. Ex. 3 D. Lueck Attest. at 50 ¶ 36.
- 498 Exhibit 337, ITT Training Presentation: "Financial Aid Process Steps" at 6.
- 499 Exhibit 338, Email from Employee at Kennesaw, GA (Campus 034) to Student Relations Manager at HQ, Subject: "RE: Student complaint" (June 3, 2005).
- 500 Exhibit 339, ITT Internal Document: Re Finance, Grade Eligibility, and CSPA Protocols at 39.
- 501 *Id.*
- 502 *Id.* at 56, 59, 62, 63.
- 503 Villalba Compl. at 54 ¶ 261.
- 504 Merrill Decl. Ex. 2. R. Lipscomb Attest. at 40 ¶ 62.
- 505 CFPB Complaint at 15 ¶ 80.
- 506 Villalba Ex. 13 at 76 ¶ 398 (student enrolled in Software Application Development program between 2008 and 2012). <https://perma.cc/7H2G-PX3H>
- 507 Villalba Ex. 13 at 57 ¶ 303 (student attended Durham, NC campus from 2013 to 2015).
- 508 Villalba Ex. 13 at 77 ¶ 404 (student enrolled in Information Technology-Information Systems and Cyber Security programs from 2009 to 2014).
- 509 See generally Exhibit 340, ITT Procedure Manual: "Finance Cost Summary and Payment Addendum" (Dec. 2, 2011).
- 510 Villalba Compl., Exhibit 11 at 48 ¶ 262, <https://perma.cc/4BMW-SUZ9> (hereinafter "Villalba Ex. 11") (student enrolled in Information Systems Security program between 2004 and 2009).
- 511 Villalba Ex. 11 at 2 ¶ 8 (student attended between 2006 and 2008).
- 512 Villalba Ex. 11 at 16 ¶ 78 (student enrolled in Criminal Justice program from 2012 to 2015).

- 513 Exhibit 341, Email from Online Programs (211) to Finance at HQ, Subject: "RE: Enrollment Agreement Verbiage rev2" (Jan. 26, 2011).
- 514 Merrill Decl. Ex. 3 D. Lueck Attest. at 49 ¶ 29.
- 515 Exhibit 277, Email from Indianapolis, IN campus to Student Relations Manager at HQ, Subject: "RE: [redacted] complaint" (Oct. 26, 2004).
- 516 Merrill Decl. Ex. 3 D. Lueck Attest. at 49 ¶¶ 27-28.
- 517 CFPB Complaint at 19 ¶ 107.
- 518 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 41 ¶ 64.
- 519 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 41, 42 ¶¶ 66, 73.
- 520 Exhibit 342, ITT Training Presentation: "Finance September Kickoff Meeting" at 4-5 (June 24, 2009).
- 521 Exhibit 343, Email to/from HQ, Subject: "RE: OVD - Reentries and Finance" (Nov. 10, 2010).
- 522 CFPB Complaint at 19 ¶ 108.
- 523 Exhibit 344, Email from Finance HQ (National Director, Field Financial Services) to CEO Kevin Modany, Subject: "RE: Temp Credit" (Jan. 7, 2010).
- 524 Exhibit 345, Email from Finance HQ (National Director, Field Financial Services) to DOF at Campus 035 (Springfield, MO), Subject: "RE: Temp Credit" (Jan. 7, 2010); see also Exhibit 346, Email from Finance HQ (National Director, Field Financial Services) to Campus 012 (Newburgh, IN), Subject: "RE: Temp Credit" (Jan. 7, 2010).
- 525 Merrill Decl. Ex. 3 D. Lueck Attest. at 50 ¶ 35.
- 526 Exhibit 347, Email from DOF at Phoenix, AZ Campus to HQ Finance. [No Subject]. (Undated).
- 527 Exhibit 348, Email from DOF at Campus 064 (Nashville, TN) to HQ, Subject: "RE: Question on Grad into Bachelor's Degree - Student is HERE" (July 15, 2010).
- 528 Some students with Temporary Credit did not get repackaged into a private loan and instead graduated with outstanding Temporary Credit balances that they had to pay back to ITT directly, which was referred to as the Temporary Credit Graduate Repayment Program. See CFPB Complaint at 25-26.
- 529 Exhibit 349, Email from Finance at HQ to CFO, Subject: "FW: June Graduates with Temp Credit" (June 1, 2010).
- 530 Exhibit 350, Email from HQ Finance VP to DOF at Campus 014 (Fort Wayne, IN), Subject: "RE: June Graduates with Temp Credit" (June 2, 2010).
- 531 Exhibit 351, Email from HQ Finance VP to FAC at Campus 030 (Austin, TX), Subject: "PLUS Loan" (June 22, 2010).
- 532 Exhibit 352, ITT Training Presentation: Northeast/Mid Atlantic/Southeast District Meeting for Directors and Directors of Recruitment at 9 (June 24-26, 2009).
- 533 Exhibit 353, Email from Student Survey to HQ, Subject: "FW: ITT Technical Institute Student Course Survey - Your Response (Campus Code 93)" (Mar. 21, 2012).
- 534 Id.
- 535 Exhibit 63, ITT Internal Document: Director of Recruitment Coaching Notes at 6 (2014).

- 536 Exhibit 340, ITT Procedure Manual: "Finance Cost Summary and Payment Addendum" at 5 (Dec. 2, 2011).
- 537 CFPB Complaint at 25 ¶ 140.
- 538 An email from an employee at the Springfield, VA campus to ITT's HQ Finance Director demonstrates this mentality. The employee asks, "Why do you think [the] Boston South [campus] has such high AR?" This referred to the campus's accounts receivable, and specifically to its apparently high level of outstanding Temporary Credit that the company wanted repackaged into private loans as soon as possible. In her response, the HQ Finance Director identifies "new FACs" as the problem, suggesting that new financial aid coordinators were not as experienced at pushing students into PEAKS loans through coercive repack sessions. Exhibit 354, Email from National Finance Director at HQ to Director of Springfield, VA (Campus 035), Subject: "RE: PEAK distributions" (Mar. 11, 2010).
- 539 Exhibit 26, P. Gardner CFPB Decl. at 4 ¶ 11.
- 540 Exhibit 355, ITT Training Document: General Questions for FACs at 3.
- 541 Exhibit 356, Email from HQ Finance Director to Campus 113 DOF (Corona, CA), Subject: "RE: AR Follow up Report Tips" (Aug. 4, 2010).
- 542 Exhibit 39, ITT Training Document: "Marketing Training" (Aug. 16, 2010).
- 543 Villalba Ex. 18 at 71 ¶ 380.
- 544 Exhibit 357, ITT Internal Document: "MAD [Middle Atlantic District], NE [Northeast], SE [Southeast] District Meeting" at 6 (April 13-14, 2010) (including a template of the "Orange Sheets" that contained these strict instructions for financial aid staff to follow).
- 545 Id. at 22.
- 546 Exhibit 358, ITT Procedure Manual: "Finance Collection Procedure" at 2 (Sept. 16, 2011).
- 547 Exhibit 8, NW District CMM Planning Meeting Notes at 2 (2009).
- 548 Id.
- 549 Exhibit 359, Email from Finance HQ (National Director, Field Financial Services) to DOF at Campus 093 (Lathrop, CA), Subject: "RE: Temp Credit" (Jan. 7, 2010).
- 550 Id.
- 551 Id.
- 552 Exhibit 360, Student Complaint Report, Cordova, TN, Complaint code: Accreditation, Finance, etc. (May 24, 2016).
- 553 Merrill Decl. Ex. 3 D. Lueck Attest. at 49 ¶ 31.
- 554 Villalba Ex. 18 at 8 ¶ 35 (student attended from 2003 to 2007 for an associate's degree in Multimedia and bachelor's in Digital Entertainment and Game Design).
- 555 Villalba Ex. 18 at 13 ¶ 59 (student attended between 2004 and 2007 for Information Security).
- 556 Villalba Ex. 13 at 47 ¶ 256 (student attended from 2005 to 2008 for Information Security).
- 557 Villalba Compl., Exhibit 17 at 7 ¶ 37, <https://perma.cc/TEE3-64P8> (hereinafter "Villalba Ex. 17") (student enrolled at the Norwood, OH campus between 2006 and 2009).
- 558 Villalba Ex. 13 at 49-50 ¶ 265 (student enrolled at the Henderson, NV campus from 2007

- to 2012).
- 559 Villalba Compl., Exhibit 12 at 21 ¶ 71, <https://perma.cc/F3PC-329D> (hereinafter “Villalba Ex. 12”) (student enrolled in Business Administration program from 2005 to 2012).
- 560 Villalba Ex. 13 at 24 ¶ 141 (student enrolled in Paralegal Studies program between 2010 and 2012).
- 561 Merrill Decl. Ex. 1 J. Cody Attest. at 6 ¶ 13.
- 562 Exhibit 361, Email from Chief Compliance Officer at HQ to CEO Kevin Modany, Subject: “RE: Green Bay—019—Mystery Ship—In Person” (July 2, 2013).
- 563 Merrill Decl. Ex. 1 J. Cody Attest. at 6 ¶ 14.
- 564 *Id.* at 7 ¶¶ 17-18.
- 565 Exhibit 142, Mystery Shopper Report for Greenville, SC (Aug. 2010).
- 566 Exhibit 361, Email from Chief Compliance Officer at HQ to CEO Kevin Modany, Subject: “RE: Green Bay—019—Mystery Ship—In Person” (July 2, 2013).
- 567 Exhibit 362, Email from Internal Audit at HQ to Mobile, AL (Campus 112), Subject: “Mobile 112—Mystery Shop—In Person” (Sept. 2, 2011).
- 568 Exhibit 363, Internal Audit Report No. 77-11, Salem, VA at 19 (Sept. 22, 2011).
- 569 Exhibit 364, Internal Audit Report No. 72-10, Atlanta, GA at 29 (Aug. 6, 2010).
- 570 See generally Exhibit 365, ITT Internal Document: Smart Forms Portal Walkthrough.
- 571 See Exhibit 366, Email from Finance HQ (National Director, Field Financial Services) to HQ, Subject: “FW: Peaks & Missing prom notes” (Feb. 26, 2010) (email discussion from 2010 stating that it “might be time to push PEAKS integration” into SmartForms).
- 572 Exhibit 26, P. Gardner CFPB Decl. at 7-8 ¶¶ 30, 38, 39.
- 573 Exhibit 367, Email to/from Internal Audit at HQ, Subject: “RE: Termination Recommendation – [redacted] – FAC – Columbia 106” (Sept. 21, 2010).
- 574 *Id.*
- 575 Exhibit 368, Email from Employee at campus 018 to HQ, Subject: “FW: [Redacted]” (May 23, 2016).
- 576 *Id.*
- 577 Merrill Decl. Ex. 3 D. Lueck Attest. at 49 ¶ 29.
- 578 Exhibit 369, ITT Internal Memo to Legal/Compliance, RE: Online Program Student Start Investigation (Jan. 17, 2008).
- 579 Exhibit 370, Email from Human Resource Director at HQ to HQ Employee, Subject: “RE: Termination Request – Tallahassee – [redacted]” (May 13, 2011). (email chain ends with corporate directive to terminate offending employee; no mention is made of how, if at all, the student’s situation was remedied).
- 580 See Exhibit 371, E. Schmidt Declaration Re Smart Forms Analysis.
- 581 Exhibit 372, Internal Audit Report at 8 (May 14, 2008).
- 582 Exhibit 373, Internal Audit Report No. 45-10, Omaha, NE at 6 (June 7, 2010).
- 583 Exhibit 26, P. Gardner CFPB Decl. at 7 ¶ 31
- 584 Merrill Decl. Ex. 3 D. Lueck Attest. 49 ¶ 33.

- 585 Id. at 50 ¶ 34.
- 586 Villalba Compl., Exhibit 19 at 5 ¶ 22, <https://perma.cc/8NQM-NPZ9> (hereinafter “Villalba Ex. 19”) (student enrolled in Information Systems Security program from 2008 to 2012).
- 587 Id. at 9 ¶ 49 (student enrolled in Drafting and Design program from 2006 to 2009).
- 588 Id. at 11 ¶ 61 (student attended between 2004 and 2006).
- 589 For more on the interplay between the 90/10 rule and ITT’s business model, see supra at 77-79, 98-99, 104.
- 590 Exhibit 374, Email from CEO Kevin Modany to CFO at HQ, Subject: “FW: DWC Online Tuition Rate Reduction” (Sept. 24, 2012).
- 591 Exhibit 375, Email from CEO Kevin Modany to Business Development at HQ, Subject: “RE: Flash: APOL--University of Phoenix Implements Tuition Freeze” (Oct. 11, 2012).
- 592 Exhibit 376, Email from CEO Kevin Modany to COO at HQ, cc: CFO at HQ & Compliance at HQ, Subject: “Re: Tuition Subsidy (Cash Discount)” (July 2, 2013).
- 593 Id.
- 594 APSCU was then the name of a trade association based in Washington, D.C. that represents the interests of for-profit schools. It is today known as Career Education Colleges and Universities, or “CECU.”
- 595 Exhibit 377, Email from Legal/Compliance at HQ to CEO Kevin Modany, Subject: “RE: MS For-Profit Daily Cram 8/27/13” (Aug. 27, 2013).
- 596 See Exhibit 378, ITT Quarterly Board Report at 13-14, 27 (July 2013). ITT presented the Opportunity Scholarship to its Board as an intervention against increasing amounts of internal financing, which were negatively affecting ITT’s financial statements, increasing bad debt expenses, and pressuring its profitability and cash flow.
- 597 Exhibit 379, ITT Company Presentation Draft for Meeting with Blackstone at 45 (July 24, 2013).
- 598 Bradley Safalow, “ESI: Closing Out ESI Short Idea with a 100% Gain; Let the Record Show that the Blame for ESI’s Demise Lies with Management, Not ED” at 12, PAA Research LLP (Sept. 23, 2016), available at <https://perma.cc/SP5K-R2GV>.
- 599 Exhibit 380, Email from Compliance at HQ to HQ Employee, Subject: “FW: PA Opportunity Scholarship Feedback” (Dec. 11, 2012).
- 600 Exhibit 381, Email from CEO Kevin Modany to COO at HQ, CFO at HQ, & Marketing at HQ, Subject: “FW: Retroactive Application of OS Memorandum 7-1” (July 7, 2013).
- 601 Exhibit 382, Email from CEO Kevin Modany to Director of Project Development at HQ, Subject: “RE: Opportunity Scholarship Rollout - Potential Implementation Issue” (Jan. 15, 2013).
- 602 Exhibit 383, Email from CEO Kevin Modany to Director of Student Financial Services at HQ, Subject: “RE: Confirmation on OS/PLUS for Dependent Students” (Dec. 13, 2012).
- 603 Exhibit 384, ITT Corrective Action Form, Owings Mills, MD (Feb. 27, 2013).
- 604 Exhibit 385, Email from CEO Kevin Modany to Legal/Compliance at HQ, cc: Marketing at HQ & CFO at HQ, Subject: “Owings Mills” (Dec. 13, 2013).
- 605 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 40 ¶ 60.
- 606 Exhibit 386, Email from Marketing at HQ to HQ, Subject: “RE: Opportunity Scholarship

- Spots" (Nov. 12, 2012).
- 607 Exhibit 387, Email from CEO Kevin Modany to Board and others, Subject: "Operational and Financing Update" (Oct. 5, 2014).
- 608 Exhibit 388, Investor Conference Call at 6 (Apr. 25, 2013).
- 609 Exhibit 389, Email from CEO Kevin Modany to Board and others, Subject: "Emailing: FSDocLink" (Sept. 12, 2013).
- 610 See Exhibit 390, Email from SVP Treasurer and Comptroller to HQ Finance and others, Subject: "Re: OS and Title IV Option 4" (Aug. 29, 2015). This message reads, in part: "Once we get through some of these urgent items, I'd like to have a discussion with you about Opportunity Scholarship. There are some areas/exceptions/situations/loopholes for which we need some guidance and clarification, so we can develop consistent processes around these situations and communicate them to the field. This particular one has a large dollar figure attached to it based on student's selections on the Title IV Credit Balance Authorization forms and our resulting activities."
- 611 Exhibit 391, Student Complaint Report, Norwood, OH, Complaint Code: Finance/financial aid (Dec. 5, 2014). The complaint narrative alleges that the financial aid department misled the student about how much money would be needed to cover tuition. The complaint's resolution notes that the student had already "received the maximum amount of aid." The student was reasonably upset about the amount of student loan debt ITT required and was not interested in taking out any more. The director of finance responded that the student "could apply for scholarships outside of the school but anything she received would reduce her opportunity scholarship" amount.
- 612 Exhibit 392, Student Complaint Report, Louisville, KY, Complaint Code: Finance/financial aid at 2 (May 29, 2014).
- 613 Id.
- 614 Villalba Ex. 11 at 5 ¶ 24 (student attended the Culver, CA campus from 2014 to 2015).
- 615 Villalba Ex. 11 at 18 ¶ 92 (student was enrolled in the Information Technology - Computer Network Systems program at the Springfield, IL campus from 2013 to 2016).
- 616 Villalba Ex. 11 at 20 ¶ 100 (student was enrolled in the Business Management program at the Carmel, IN campus from 2013 to 2015).
- 617 See Complaint at 29 ¶ 104, *Caruso v. PEAKS Trust 2009-1* (In Re ITT Educational Services Inc.), Case No. 16-07207-JMC-7A (Bankr. S.D. Ind. Sept. 7, 2018), ECF No. 2863, available at <https://perma.cc/B8RZ-WTES>.
- 618 Exhibit 393, Message from ITT HQ Student Relations Manager to Parents of ITT Student Complainant, Murray, UT campus (Sept. 23, 2004).
- 619 In an email, Kevin Modany derisively commented that if policymakers really wanted to cut college costs, the obvious solution would be to get rid of the 90/10 rule. See Exhibit 327, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "Fwd: MS For-Profit Daily Cram, 8/27/13" (Aug. 27, 2013).
- 620 Senate HELP Report at 147.
- 621 Id.
- 622 Veterans Education Success, "The ITT Collapse: Lessons Learned and Dealing with Future Challenges" (Oct. 2016), <https://perma.cc/5FM5-AVH9>.

- 623 Veterans Education Success, "Trends in Veteran and Servicemember Student Complaints about ITT Technical Institute," (Oct. 13, 2019) <https://perma.cc/5DF5-C6P5>.
- 624 Thankfully, as of March 10, 2021, Congress has closed this "90/10 loophole." See Press Release, Veterans Education Success, "90/10 Loophole Closure Is on Its Way to the President's Desk!" (Mar. 10, 2021), <https://perma.cc/J579-RDZX>.
- 625 See Letter from Jack Conway, Attorney General of Kentucky, and Other State Attorneys General to U.S. Senator Patty Murray and Other Members of the Senate Committee on Veterans' Affairs and Senate HELP Committee (May 29, 2012), available at <https://perma.cc/33YX-TKGR>.
- 626 See generally Senate HELP Report at 153-154.
- 627 Veterans Education Success, "90/10 Loophole," <https://perma.cc/J579-RDZX>.
- 628 Senate HELP Report at 208.
- 629 *Id.* at 207.
- 630 James Briggs, "Veterans Have the Most to Lose if ITT Tech Closes," Military Times (Sept. 6, 2016), <https://perma.cc/K66B-HZ7X>.
- 631 Exhibit 26, P. Gardner CFPB Decl. at 4 ¶ 12.
- 632 Exhibit 226, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "RE: Clovis 061—Mystery Shop—In Person" (Sept. 1, 2011).
- 633 See generally Villalba Compl., Exhibit 20, <https://perma.cc/RW43-BNQY> (hereinafter "Villalba Ex. 20") (collecting student testimony regarding how ITT lost or misused aid meant for veterans).
- 634 Villalba Compl., Exhibit 16 at 2 ¶ 13, <https://perma.cc/2NJA-NTCW> (hereinafter "Villalba Ex. 16").
- 635 Villalba Ex. 20 at 7 ¶ 29 (student enrolled in Computer Networking Systems program from 2005 to 2007).
- 636 Exhibit 394, ITT Training Presentation: "Internal Audit Training" at 4, 8-9 (June 2010).
- 637 Exhibit 395, Email from CFO to CPA at HQ, Subject: "FW: Bad Debt Expense - Components?" (May 21, 2009).
- 638 See Veterans Education Success, "Veteran and Servicemember Complaints About Misconduct and Illegal Practices at ITT Technical Institute" (Apr. 2020), <https://perma.cc/3RBZ-W9NE>.
- 639 *Id.*
- 640 Villalba Ex. 20 ¶¶ 10, 17, 29, 35.
- 641 Exhibit 21, J. Clayton Affidavit at 4 ¶ 19.
- 642 Villalba Compl., Exhibit 1 at 75 ¶ 353, <https://perma.cc/NMG5-7M47> (hereinafter "Villalba Ex. 1") (graduate attended Plymouth Meeting, PA campus from 2011 to 2013).
- 643 Villalba Ex. 1 at 72 ¶ 338. (graduation attended the Portland, OR campus from 2000 to 2002 in the Computer Networking Services Technology program).
- 644 Exhibit 396, Email to/from HQ Career Services Employees, Subject: "FW: ARNOLD CAMPUS GRADUATE" (Jan. 25, 2005).
- 645 Exhibit 397, ITT Training Document: "Detailed Design Document Employer Relations GE

- 9.0 Approved” at 18 (Jan. 5, 2012).
- 646 Exhibit 398, Email from Earth City, MO Campus (016) Employee to Career Services at HQ, Subject: “RE: Student Complaint: [redacted]” (Jan. 25, 2005).
- 647 Exhibit 231, ITT Training Presentation: “Career Services Quarterly Interaction with Students; Step-by-Step Guide for Preparing Your Students for Career Success” at 11 (Dec. 2013).
- 648 Exhibit 399, Email from National Director of Career Services at HQ to HQ Employee, Subject: “RE: Student Complaint – 211 [redacted]” (Apr. 17, 2012).
- 649 Exhibit 400, ITT Student Complaint Report, Complaint Code: Career Services at 2 (Jan. 9, 01/09/2015) (former student of the Tallahassee, TN campus).
- 650 Exhibit 401, Email from CEO Kevin Modany to National Director of Career Services at HQ, Subject: “RE: Connect” (Oct. 31, 2012).
- 651 Bill Alpert, “Clever is as Clever Does,” Barron’s (Apr. 14, 2012), <https://perma.cc/J4CH-H5G2>.
- 652 Villalba Compl., Exhibit 24 at 32 ¶ 175, <https://perma.cc/STL6-B2TP> (hereinafter “Villalba Ex. 24”) (student attended Murray, UT campus from 2004 to 2009 and studied Information Systems Security).
- 653 Villalba Compl., Exhibit 26 at 21 ¶ 95, <https://perma.cc/8YYD-35VU> (hereinafter “Villalba Ex. 26”) (student attended Swartz Creek, MI campus from 2009 to 2011).
- 654 Villalba Ex. 26 at 5 ¶ 26 (student attended the Rancho Cordova, CA campus from 2004 to 2010).
- 655 Senate HELP Report at 91.
- 656 Id. at 90.
- 657 After Kevin Modany, the next-highest reported corporate executive annualized base salaries were: CFO at \$412,000; President and COO at \$319,411; and Executive VP and President of Breckinridge School of Nursing at \$334,750. All four of these top corporate base salary allotments were increased 3% across the board from the previous year. See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2014), available at <https://perma.cc/9M8E-MTWF>.
- 658 See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2009), available at <https://perma.cc/WK57-ZRYF>.
- 659 See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2004), available at <https://perma.cc/5XM8-BGN2>.
- 660 See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2006), available at <https://perma.cc/7GHC-QGVZ>.
- 661 See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2011), available at <https://perma.cc/4J2Y-J8LL>.
- 662 See Danielle Douglas-Gabriel, “ITT Technical Institutes Shut Down After 50 Years in Operation,” Washington Post (Sept. 6, 2016), <https://perma.cc/9FLN-BKAN>.
- 663 See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2015), available at <https://perma.cc/US3E-6FN8>. In fact, one corporate executive had singled out the statements about ITT’s “growth strategy” as deceptive and misleading in preparing the 10Q filing for Q3 2015, recommending that the discussion of growth be deleted and

- replaced with a discussion of strategies for responding to declining enrollment. See Exhibit 402, Email from outside consultant to Legal at HQ, Subject: "RE: 2015 Q3: MD&A - Background: ITT's 'Growth Strategy' vs. Responding to Declining Enrollment" (Oct. 14, 2015). This employee was terminated shortly after making these suggestions. See Exhibit 403, Email from Legal at HQ to Compliance at HQ, Subject: "RE: Request for Copy of Report SOX RETALIATION: 12/7 Corrective Action Form & 10/23/15 Misrepresentations in PP&E's" (Jan. 13, 2016).
- 664 See *infra* pp. 77-80, 84, 93, 98-102 on ITT's financing strategies.
- 665 Exhibit 404, Email from CEO Kevin Modany to Legal/Compliance and others at HQ, Subject: "Re: Thunder pricing.pptx" (Aug. 22, 2012).
- 666 See *supra* pp. 98-104 on ITT's scholarship programs.
- 667 Exhibit 404, Email from CEO Kevin Modany to Legal/Compliance and others at HQ, Subject: "Re: Thunder pricing.pptx" (Aug. 22, 2012). Modany affirmed his view that ITT should never cut tuition in 2015, when he stated to a potential buyer that "we don't believe that even in this draconian scenario that" reducing tuition "is appropriate." Exhibit 405, Email from CEO Kevin Modany to HQ Employees, Subject: "RE: school P&Ls" (June 5, 2015).
- 668 Exhibit 406, Email from CEO Kevin Modany to Marketing at HQ, Subject: "FW: Advertising of the scholarships" (Aug. 31, 2012).
- 669 Exhibit 407, Email From newsalerts@www.ittesi.com to Compliance at HQ, Subject: "ITT Technical Institutes Reports an Increase in the Affordability of Its Degree Programs" (May 13, 2014).
- 670 Exhibit 408, ITT Educational Services, Inc. Quarterly Board Report (Oct. 2009).
- 671 *Id.* at 5.
- 672 *Id.* at 15.
- 673 Exhibit 409, Email from CEO Kevin Modany to Chief Information Officer at HQ, Subject: "RE: 2013 IT Expense Budget Opportunities" (Jan. 7, 2013).
- 674 Exhibit 410, Email from CEO Kevin Modany to Compliance at HQ, Subject: "2013 cost reduction plan.xlsx" (Jan. 7, 2013).
- 675 Exhibit 411, Email from [redacted] to CEO Kevin Modany, Subject: "Re: Missed Call" (Mar. 23, 2013).
- 676 *Id.*
- 677 Exhibit 10, Email from HQ Employee to District Managers, cc: CEO Kevin Modany, Subject: [No Subject] (May 7, 2012).
- 678 Exhibit 299, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "FW: Khan Academy goes offline" (Dec. 19, 2012).
- 679 *Id.*
- 680 Exhibit 412, Email from CEO Kevin Modany to HQ Officials, Subject: "RE: Proposed orders - additional September laptops" (Sept. 16, 2014).
- 681 Exhibit 413, Email to/from HQ Employees, Subject: "FW: [redacted] Complaint" (Sept. 12, 2013).
- 682 Exhibit 414, Email from CEO Kevin Modany to Director of Communications at HQ,

- Subject: "RE: [redacted] inquiry" (June 28, 2013).
- 683 Exhibit 415, Email from CEO Kevin Modany to outside counsel and BPV Capital Management, Subject: "Re: Operational and Financing Update" (Oct. 5, 2014).
- 684 ITT Educational Services, Inc., Annual Report (Form 10-K) at 47 (Dec. 31, 2014), available at <https://perma.cc/9M8E-MTWF>.
- 685 Id. at 61.
- 686 Exhibit 416, ITT Educational Services, Inc. HQ Department Summary 2014 Budget – CAGR Comparison (2009-2014).
- 687 Exhibit 417, Email from CEO Kevin Modany to COO at HQ, Subject: "RE: Registration Specialist Justification (2015)" (Oct. 14, 2014).
- 688 Exhibit 418, Email from CEO Kevin Modany to Cerberus Capital, cc: Compliance at HQ, Subject: "Requested per Campus Data-Confidential Information Subject to NDA" (Sept. 22, 2014).
- 689 Exhibit 415, Email from CEO Kevin Modany to outside counsel and BPV Capital Management, Subject: "Re: Operational and Financing Update" (Oct. 5, 2014).
- 690 Id.
- 691 Exhibit 418, Email from CEO Kevin Modany to Cerberus Capital, cc: Compliance at HQ, Subject: "Requested per Campus Data-Confidential Information Subject to NDA" (Sept. 22, 2014).
- 692 Exhibit 415, Email from CEO Kevin Modany to outside counsel and BPV Capital Management, Subject: "Re: Operational and Financing Update" (Oct. 5, 2014).
- 693 Exhibit 419, Email From Employee at 046 (Boise, ID) to Employees at HQ, Subject: "RE: Student Complaint - 46 [redacted]" (Dec. 2, 2014).
- 694 Exhibit 420, Email from CEO Kevin Modany to AEA Investors, Subject: "Re: Looooooooooooooooooooong Response to your email :)" (Sept. 27, 2012).
- 695 Exhibit 421, Email from CEO Kevin Modany to COO at HQ, Subject: "Fwd: ACTION REQUIRED: POTENTIAL LAST-MINUTE EMPLOYMENTS/WAIVERS FOR YOUR CAMPUS!!" (Apr. 30, 2013).
- 696 Villalba Compl. at 5 ¶ 22.
- 697 See supra at 89-93 for more information on student loan repackaging.
- 698 ITT Educational Services, Inc., Annual Report (Form 10-K) at 37 (Dec. 31, 2015), available at <https://perma.cc/US3E-6FN8>.
- 699 Senate HELP Report at 6 (520) <https://perma.cc/DPG3-ZLGG>. The report went on to note: "ITT's 37.1 percent profit margin is the highest amongst the 30 companies the committee examined. . . . The amount of profit ITT generated has increased rapidly, more than doubling from \$243 million in 2007 to \$614 million in 2010." Id. "Profit is based on operating income before tax and other non-operating expenses including depreciation reported in SEC filings. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel as reported to the committee." Id. at 6 (520) n. 2087.
- 700 ITT Educational Services, Inc., Annual Report (Form 10-K) at 37 (Dec. 31, 2009), available at <https://perma.cc/FJ3P-KZHT>; see also Senate HELP Report at 6 (520).

- 701 Senate HELP Report at 93, 24 (538).
- 702 *Id.* at 24 (538).
- 703 Exhibit 30, ITT Internal Document: "Strategic Marketing Plan – A Focus on Core Programs" at 16-17 (2015).
- 704 See Exhibit 422, ITT Financial Summary for Cerberus Capital (2010-2014).
- 705 Exhibit 423, Email from CEO Kevin Modany to Chief Marketing Officer at HQ, Subject: "Re: Avoid 'quantity over quality'" (Nov. 3, 2013).
- 706 *Id.*
- 707 Exhibit 424, Email from CEO Kevin Modany to CFO at HQ, Subject: "FW: Additional Spend Analysis" (May 13, 2014).
- 708 Exhibit 425, Email from Boston Public Affairs to CEO Kevin Modany, cc: HQ Employees, Subject: "Re: Update" (Mar. 31, 2015).
- 709 *Id.*
- 710 Exhibit 426, ITT Internal Document: 2014 Finance Presentation at 13.
- 711 Exhibit 2, Email from CEO Kevin Modany to HQ, Subject: "RE: Presentation" (Nov. 18, 2013).
- 712 Exhibit 427, Email from Marketing at HQ to Legal at HQ, cc: CEO Kevin Modany, Subject: "FW: HuffPost article about affiliate sites" (Mar. 2, 2016).
- 713 Exhibit 428, Email from CEO Kevin Modany to Marketing at HQ, Subject: "RE: Presentation" (Dec. 18, 2013).
- 714 Exhibit 429, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: Lead Gen Docs - PRIVILEGED ATTORNEY/CLIENT COMMUNICATION" (Feb. 20, 2015).
- 715 Exhibit 430, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: HuffPost article about affiliate sites" (Mar. 2, 2016).
- 716 Exhibit 2, Email from CEO Kevin Modany to HQ, Subject: "RE: Presentation" (Nov. 18, 2013).
- 717 Exhibit 431, ITT Internal Document: Performance Management Video Script at 3 (Aug. 19, 2011).
- 718 *Id.*
- 719 Exhibit 432, ITT Policy Manual: Employee Relations Performance Management ER 27.0, Human Resources at 2-5 (July 2011).
- 720 Exhibit 431, ITT Internal Document: Performance Management Video Script at 8 (Aug. 19, 2011).
- 721 Exhibit 433, ITT Memorandum from HQ to Directors of Recruitment at 2 (Dec. 18, 2013).
- 722 Exhibit 434, ITT Internal Document: Enterprise Risk Management Annual/Quarterly SME Meeting – Agenda, Academic Affairs at 19 (Jan. 15, 2010).
- 723 Exhibit 435, Email from HQ to Human Resources at HQ, Subject: "RE: Termination Recommendation - West Palm Beach - [redacted]" (Feb. 15, 2012).
- 724 Merrill Decl. Ex. 4 R. Bueche Attest. at 56 ¶ 30.
- 725 Exhibit 3, ITT Employee Counseling Form, Tallahassee, FL (Sept. 16, 2015).

- 726 Exhibit 26, P. Gardner CFPB Decl. at 3 ¶¶ 8-9.
- 727 Merrill Decl. Ex. 4 R. Bueche Attest. at 53-54 ¶ 8.
- 728 Merrill Decl. Ex. 3 J. Cody Attest. at 5 ¶¶ 6-7.
- 729 Exhibit 436, ITT Procedure Manual: "Recruitment Representative Tier Inquiry Procedure" at 2 (Apr. 22, 2011).
- 730 That is, pre-packaged for financial aid. See supra at pp. 89-93 for more information on financial aid packaging.
- 731 Exhibit 436, ITT Procedure Manual: "Recruitment Representative Tier Inquiry Procedure" at 3 (Apr. 22, 2011).
- 732 Merrill Decl. Ex. 4 R. Bueche Attest. at 53 ¶ 7.
- 733 Merrill Decl. Ex. 1 J. Cody Attest. at 6 ¶ 12.
- 734 Merrill Decl. Ex. 3 D. Lueck Attest. at 47 ¶ 14.
- 735 Id. at 47 ¶ 15.
- 736 Exhibit 437, ITT Training Document: "Recruitment Training Meeting" at 2 (Apr. 20, 2007).
- 737 Merrill Decl. Ex. 1 J. Cody Attest. at 5-6 ¶ 9.
- 738 Exhibit 438, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "Re: Internal Controls for Postsecondary Education - Sarbox for ED 2010 Aug 29 Final.pptx" (Oct. 30, 2012).
- 739 Exhibit 439, Email to/from Legal at HQ, Subject: "RE: Greenville Alleged Theft Incident – PRIVILEGED" (May 8, 2015).
- 740 Exhibit 440, Email from CEO Kevin Modany to outside counsel, Subject: "RE: Update" (Mar. 31, 2015).
- 741 Exhibit 441, Email from CEO Kevin Modany to outside counsel, Subject: "RE: Decision tree for EEAL complaints" (Mar. 28, 2016).
- 742 Exhibit 442, Email from CEO Kevin Modany to Employee at HQ, Subject: "Re: Global Knowledge" (Oct. 19, 2012).
- 743 Exhibit 443, Email from CEO Kevin Modany to HQ Employee, Subject: "Re: International Offerings" (July 4, 2012).
- 744 Exhibit 444, ITT Internal Memorandum to National Director of Career Services from HQ, at 5-6 (Apr. 23, 2010).
- 745 Exhibit 445, ITT Internal Memorandum to National Director of Career Services from HQ, at 3 (Aug. 18, 2010).
- 746 Exhibit 446, Email from National Registrar at HQ to HQ, Subject: "RE: Effective Immediately - Wonderlic Admission Requirements" (July 24, 2014).
- 747 Id.
- 748 Exhibit 447, ITT Internal Document: Enterprise Risk Management Annual Quarterly SME Meeting – Agenda at 7.
- 749 Id. at 10-11.
- 750 For more on fraud related to job placement rates, see supra at 54-62.
- 751 Merrill Decl. Ex. 3 D. Lueck Attest. at 50 ¶ 34.

- 752 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 43 ¶ 75.
- 753 Id. at 43-44 ¶¶ 82-83.
- 754 Merrill Decl. Ex. 4 R. Bueche Attest. at 57 ¶¶ 34, 37.
- 755 Id. at 57 ¶ 38.
- 756 Merrill Decl. Ex. 1 J. Cody Attest. at 7 ¶¶ 21, 20.
- 757 Specifically, this employee reported to HQ that a certain recruiter told a prospective student: "What law offices are typically doing these days is, instead of hiring lawyers at \$100,000 to \$150,000 a year, they'll hire our paralegals at \$50,000-\$60,000 a year to do the same thing," which constituted an inflated salary and job expectation claim. This whistleblowing employee also noted that this same recruiter told a different prospective student, "Many of our Digital Entertainment and Game Design graduates have gone on to wonderful careers with top gaming companies. . . so you shouldn't have any problem finding a job with that degree." Exhibit 448, Email from Employee at Tampa, FL (Campus 040) to HQ, Subject "RE: Paralegal Compensation Question" (July 17, 2010). The whistleblower noted that the latter statement was both contradicted by the facts (just 5 of 12 graduates were working in field) and contrary to an admonishment from the program chair in the most recent "product knowledge seminar," where the chair had warned that recruiters "should be careful about overpromising on DEGD jobs, as it is extremely challenging to find work in this field in the state of Florida." Id.
- 758 Exhibit 449, Email from Employee at Tampa, FL (Campus 040) to HQ, Subject "Thank you for the update" (July 28, 2010).
- 759 Exhibit 450, Email from Admissions Representative at Tulsa, OK campus to HQ, Subject: "[No Subject]" (July 26, 2012).
- 760 Exhibit 19, Email from Human Resources at HQ to Employee at Campus 118 (Columbus, OH), Subject: "draft" (Apr. 25, 2012).
- 761 Id.
- 762 Exhibit 451, Email to/from Online Program Employees, Subject: "FW: Academic Enhancements" (Feb. 8, 2011).
- 763 Exhibit 20, Email from Student Relations Supervisor at HQ, Subject: "FW: Complaints of passing Students" (Sept. 12, 2012).
- 764 Exhibit 452, ITT Corrective Action Form, Youngstown, OH at 2 (May 2014).
- 765 Exhibit 1, Email from Legal/Compliance at HQ to HQ, Subject: "Re: [redacted] 039" (Aug. 27, 2012).
- 766 Exhibit 453, Email from Student Complainant to Student Survey, Subject: "RE: ITT Technical Institute Student Course Survey - Your Response (Campus Code 063)" (Aug. 3, 2013).
- 767 "[ACICS] accredited Corinthian Colleges even as it was declaring bankruptcy in 2015, and the agency did not pull the accreditation of ITT Technical Institute until after the federal advisory panel recommended the termination of the council's recognition." Erica L. Green, "It Oversaw For-Profit Colleges That Imploded. Now It Seeks a Comeback," New York Times (Apr. 1, 2018), <https://perma.cc/B3K8-Z4YQ>; see also Viviann Anguiano, "ACICS Must Be Stripped of its Federal Recognition for Good." Center for American Progress (Mar. 3, 2012), <https://perma.cc/C3V7-TWDN>.

- 768 Danielle Douglas-Gabriel, "Education Dept. Drops Embattled For-profit College Accreditor," Washington Post (June 2, 2021), <https://perma.cc/NS3H-CUZJ>.
- 769 Exhibit 454, Email from CEO Kevin Modany to HQ Employees, Subject: "Re: ACICS Renewal: ITT EDUCATIONAL SERVICES INC files (10-K) Annual report, for period end 31-Dec-12 (ESI-US)" (Feb. 24, 2013).
- 770 Id.
- 771 Exhibit 455, Email from CEO Kevin Modany to EVP/CFO at HQ, Subject: "FW: 2012 ACICS Expenditures" (Jan. 16, 2013).
- 772 Id.
- 773 Exhibit 17, Email from HQ Employee to Regulatory/Compliance at HQ, Subject: "FW: Branch I Applications" (May 23, 2011).
- 774 Exhibit 456, Email from HQ to Regulatory Affairs at HQ, Subject: "RE: CARs" (Aug. 10, 2012).
- 775 Exhibit 457, Email to/from Regulatory Affairs at HQ, Subject: "RE: ACICS Doc Prog Re-Applications Master as of 021513.xls" (Feb. 27, 2013).
- 776 Senate HELP Report at 17 (531).
- 777 Exhibit 458, Email from CEO Kevin Modany to Compliance at HQ, Subject: "RE: 8 24 2015 June 2015 Wk10 Drops Q1 thru Q8.xls" at 3-4 (Aug. 26, 2015).
- 778 Exhibit 459, Email from Compliance at HQ to CEO Kevin Modany, Subject: "FW: Retention for the Indy campus" (Aug. 22, 2016); see also Exhibit 460, Email from COO at HQ to CEO Kevin Modany, Subject: "FW: New ACICS Retention Rate with Zip Code Mapping" (Sept. 10, 2015).
- 779 Exhibit 461, Email from CEO Kevin Modany to Compliance at HQ, Subject: "RE: Online.xls" (Oct. 2, 2015); see also Exhibit 462, Email from CEO Kevin Modany to Legal at HQ, Subject: "FW: IT Status Update for CEO, 10-1-15" (Oct. 2, 2015).
- 780 Exhibit 462, Email from CEO Kevin Modany to Legal at HQ, Subject: "FW: IT Status Update for CEO, 10-1-15" (Oct. 2, 2015).
- 781 Exhibit 463, Email from CEO Kevin Modany to COO at HQ, Subject: "Re: Online.xls"(Aug. 27, 2015).
- 782 Exhibit 458, Email from CEO Kevin Modany to Compliance at HQ, Subject: "RE: 8 24 2015 June 2015 Wk10 Drops Q1 thru Q8.xls" (Aug. 26, 2015).
- 783 Exhibit 464, Email from CEO Kevin Modany to Compliance at HQ, Subject: "RE: Conditional Admission Emails – Congratulations/Start Day Reminder" (Sept. 9, 2015).
- 784 Exhibit 465, Email from CEO Kevin Modany to HQ Employee, Subject: "Re: Conditional Enrollment Initiative – Please Read and Respond"(Sept. 9, 2015).
- 785 Exhibit 466, Email from Legal/Compliance at HQ to CEO Kevin Modany, Subject: "RE: 3rd Party Verification" (Feb. 27, 2013).
- 786 Exhibit 467, Email from Compliance at HQ to National Director of Career Services at HQ and Regulatory Affairs at HQ, Subject: "RE: ACICS Pilot Discrepancy Forms" (Sept. 26, 2012).
- 787 Exhibit 468, Emailed Letter from ACICS to Louisville, KY campus, Subject: "Student Achievement Review – Campus-Level Deferral Letter" (Apr. 15, 2016).

- 788 Exhibit 443, Email from CEO Kevin Modany to HQ Employee, Subject: "Re: International Offerings" (July 4, 2012).
- 789 Id.
- 790 Exhibit 469, Email from CEO Kevin Modany to Compliance at HQ, Subject: "RE: ACICS Concerns" (Apr. 7, 2013).
- 791 Exhibit 470, Email from HQ to CEO Kevin Modany, Subject: "RE: Definition of Placement rates Confidential" (Dec. 11, 2012).
- 792 Exhibit 471, Email from CEO Kevin Modany to ACICS, Subject: "Re: Copy of materials submitted to ACICS" (July 19, 2016).
- 793 Exhibit 472, Email from CEO Kevin Modany to Legal at HQ, Subject: "Re: Takano Briefing" (June 24, 2015).
- 794 Exhibit 473, Email from CEO Kevin Modany to Legal/Compliance at HQ, Subject: "RE: GECoalitionLettertoSecDuncan.August21" (Aug. 29, 2012).
- 795 Exhibit 474, Email from CEO Kevin Modany to outside counsel, Subject: "Re: Holly Patraeus Testimony" (July 31, 2013).
- 796 Exhibit 475, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: Interesting read - just out" (Oct. 2, 2015).
- 797 Exhibit 476, Email from CEO Kevin Modany to Legal at HQ, Subject: "Re: From [redacted] - Miami Herald" (Aug. 8, 2014).
- 798 Id.
- 799 Exhibit 477, Email to/from Legal at HQ, Subject: "RE: Hanover" (Sept. 15, 2015).
- 800 Id.
- 801 Exhibit 478, Email from CEO Kevin Modany to outside counsel, Subject: "RE: Pg 522 of DTR" (June 14, 2016).
- 802 Exhibit 479, Email from CEO Kevin Modany to outside counsel, Subject: "RE: for-profit college" (May 24, 2016).
- 803 Exhibit 478, Email from CEO Kevin Modany to outside counsel, Subject: "RE: Pg 522 of DTR" (June 14, 2016).
- 804 Exhibit 479, Email from CEO Kevin Modany to outside counsel, Subject: "RE: for-profit college" (May 24, 2016).
- 805 Exhibit 480, Email from CEO Kevin Modany to Legal at HQ, Subject: "Re: Have You Been Affected by Crushing Student Loan Debt?" (Feb. 9, 2016).
- 806 Exhibit 481, Email from Legal at HQ to CEO Kevin Modany, Subject: "RE: Harkin report" (July 30, 2014).
- 807 Exhibit 482, Email from HQ to HQ and outside recipients, Subject: "FW: List of spots" (May 1, 2014).
- 808 Exhibit 483, Email from HQ to Legal/Compliance at HQ, Subject: "FYI: Graduate spotlights in upcoming Fall 2012 Alumni Magazine" (Oct. 12, 2012).
- 809 Exhibit 484, Email from CEO Kevin Modany to Marketing at HQ, Subject: "RE: [Redacted]" (Oct. 26, 2012).
- 810 Id.

- 811 Exhibit 485, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Subject: "Re: Please don't go Dr. [redacted]" (Oct. 17, 2013).
- 812 Exhibit 486, Email from CEO Kevin Modany to HQ Employee, Subject: "Fwd: Dr. [redacted] and ITT Breckinridge [sic] School of Nursing" (Oct. 29, 2013).
- 813 Exhibit 487, Email from CEO Kevin Modany to EVP of Nursing at HQ, Subject: "Re: Lexington Board Meeting" (Mar. 7, 2013).
- 814 Exhibit 488, Email from former CEO Rene Champagne to CEO Kevin Modany, Subject: "Re: Sen. Durbin roundtable, Jan. 23rd" (Jan. 11, 2012).
- 815 Exhibit 489, Email from Legal/Compliance at HQ to CEO Kevin Modany, Subject: "FW: Describing my vision to our Colleagues" (Feb. 24, 2012).
- 816 Exhibit 490, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: MediaVantage ALERT - With taxpayer money, for-profit colleges spend massively on marketing. Sherrod Brown wants to ban the practice" (June 17, 2015).
- 817 Exhibit 491, Email from CEO Kevin Modany to Employee at HQ and campus employees, Subject: "RE: IMMEDIATE ACTION REQUIRED: Call Campaign" (Mar. 14, 2011).
- 818 Exhibit 492, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: Meeting w/ IN Federal Lobbyist" (June 24, 2013).
- 819 Exhibit 493, Email from CEO Kevin Modany to HQ, Subject: "Final GE Rule Summary" (Nov. 11, 2014).
- 820 Exhibit 494, Email from CEO Kevin Modany to BPV Capital, Subject: "Re: ESI: Sued By State Of New Mexico For Unfair Practices Related To Breckenridge School Of Nursing: Urdan/Wells Fargo" (Apr. 10, 2014).
- 821 Exhibit 495, ITT Educational Services, Inc. Board of Directors Meeting at 4 (Apr. 19, 2010).
- 822 Id. at 12.
- 823 Id. at 14.
- 824 Id. at 16.
- 825 Exhibit 496, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: GE Informational Rate Data – Updated 4/2/2014" (Apr. 11, 2014).
- 826 Exhibit 497, ITT Internal Document: "Employee Ethics Alert Line/Compliance Reviews Q1-Q2 2016" at 2 (showing employee reports of improper student employment documentation and use of outdated materials).
- 827 Exhibit 498, ITT Internal Document: Academic Affairs Presentation at 3 (April/May 2011).
- 828 Id.
- 829 Exhibit 499, ITT Internal Document: Academic Affairs Presentation at 3 (April/May 2011).
- 830 Id.
- 831 Feedback on this outsourcing strategy was, unsurprisingly, negative: "[T]he changes they [NIIT] made to the Online course (which I was unaware they were making) to create the one course concept in December appears to be having a very bad effect on the Online performance of GS1145 and GS1140. Our withdrawal rates have gone up dramatically for those two courses. There could be other reasons causing the negative effects including email issues, more 2nd week starts this year than last, but my suspicion is that the changes to the curriculum, however well intentioned, are causing the problems." Exhibit 500,

- Email from CEO Kevin Modany to Online Programs, Subject: "RE: Recommendation for expansion of High Impact Courses" (Feb. 13, 2014).
- 832 Exhibit 501, Email from HQ to CEO Kevin Modany, Subject: "RE: GE Chart" (May 27, 2015).
- 833 Id. Another strategy that ITT used to mitigate poor gainful employment results involved heavy promotion of the Opportunity Scholarship, especially in lieu of cutting ITT's sticker price. For more information on ITT's Opportunity Scholarship, see supra at pp. 99-103.
- 834 Exhibit 502, Email from CEO Kevin Modany to HQ Employees, Subject: "RE: Interesting Article" (Dec. 17, 2014).
- 835 Exhibit 503, Email from CEO Kevin Modany to outside counsel, Subject: "Re: U.S. Department of Education" (June 8, 2015).
- 836 Exhibit 504, Email from Legal at HQ to CEO Kevin Modany, Subject: "Re: More Corinthian News" (Nov. 18, 2015).
- 837 Exhibit 505, Email from CEO Kevin Modany to outside counsel, Subject: "RE: More Gainful Reporting and More Negotiated Rulemaking" (Aug. 19, 2015).
- 838 Exhibit 506, Email from CEO Kevin Modany to outside counsel, Subject: "Re: Cost of borrower defense rules still unclear" (Mar. 16, 2016).
- 839 Exhibit 507, Email from CEO Kevin Modany to Legal at HQ, Subject: "RE: Government to Expand Program to Forgive Student Loan Debt - The New York Times" (Nov. 18, 2015).
- 840 Exhibit 508, Email from Legal at HQ to CEO Kevin Modany, Subject: "FW: Question" (Nov. 19, 2015).
- 841 Id.
- 842 See U.S. Bureau of Labor Statistics, Occupational Outlook Handbook, <https://perma.cc/PD73-V3ET>.
- 843 See Institute of Medicine (US) Committee on the Robert Wood Johnson Foundation Initiative on the Future of Nursing, The Future of Nursing: Leading Change, Advancing Health (2011), available at <https://perma.cc/9NRQ-45HP>.
- 844 National Council of State Boards of Nursing, "Definition of Nursing Terms," <https://perma.cc/R67P-D4WE>.
- 845 Id.
- 846 This report refers to this organization as NLNAC except when ACEN is used in a direct quotation.
- 847 Accreditation Commission for Education in Nursing, "Mission, Purpose, and Goal: Accreditation Commission for Education in Nursing," <https://perma.cc/KA7M-5TLK>.
- 848 Accreditation Commission for Education in Nursing, "Frequently Asked Questions," <https://perma.cc/F9GZ-SWED>.
- 849 Additionally, specialized accreditation is mandatory for nursing programs preparing students for an advanced practice role (e.g., nurse practitioner, nurse midwife, nurse anesthetist, or clinical nurse specialist), in order for graduates to take the licensing/certification examination in the advanced practice role. The agencies that offer the various licensing/certification examinations in the advanced practice roles mandate that the accrediting agency be recognized by the United States Department of Education.

- 850 For a list of accreditation criteria required by NLNAC/ACEN see ACEN Accreditation Manual Section III: Standards and Criteria (July 2020 ed.), <https://perma.cc/TR44-V9PF>.
- 851 See Exhibit 509, Email from Regulatory Affairs at HQ to Compliance at HQ, Subject: "Re: Internal Audit" (Nov. 21, 2012).
- 852 ITT stayed away from starting nursing programs in states where either regional or programmatic nursing accreditation was a requirement. See Exhibit 510, Email from HQ Employee to Regulatory Affairs at HQ, Subject: "RE: Nursing program opportunities" (July 24, 2013).
- 853 Exhibit 511, Email from Assistant Director of Regulatory Affairs at HQ to Director at 012, Subject: "RE: Two things..." (Nov. 12, 2012).
- 854 Exhibit 512, ITT Conference Call Summary (Mar. 28, 2014).
- 855 Accreditation Commission for Education in Nursing, "Benefits of Accreditation: Accreditation Commission for Education in Nursing," <https://perma.cc/MNY4-J9DJ>.
- 856 See Accreditation Commission for Education in Nursing, "Frequently Asked Questions," <https://perma.cc/F9GZ-SWED>.
- 857 "No one disputes that accreditation of ITT's nursing program is a 'good thing' and desired by ITT . . . Accreditation signifies that an institution provides a quality education with trained instructors teaching nursing practices that meet national standards . . . [T]here is no doubt accreditation by the NLNAC is significant and was important to Claimant personally." Exhibit 513, Award of Arbitrator at 3-4, [Redacted] v. ITT, Case No. 76434 E00247 MAVE, American Arbitration Association (Dec. 9, 2013).
- 858 Exhibit 514, Letter to ITT's National Nursing Dean from ITT's Lexington, Kentucky Campus Director and Program Chair (regarding the need for NLNAC accreditation).
- 859 Press Release, ITT Technical Institute, "ITT Educational Services Inc. Reports 2007 Second Quarter Results Earnings Per Share Increased 58.2 Percent" (July 26, 2007), available at <https://perma.cc/6NEK-QY7A>.
- 860 Exhibit 515, Email from Regulatory Affairs at HQ to Employee at HQ, cc: Nursing Program Director at HQ, Subject: "Re: RE: Nursing program opportunities"(July 24, 2013).
- 861 ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2011), available at <https://perma.cc/4J2Y-J8LL>.
- 862 NLNAC/ACEN was then—and continues to be—recognized as the accrediting body for all types of nursing programs by the U.S. Department of Education, the U.S. Department of Health and Human Services, the U.S. Uniformed Nursing Services, the Veterans Health Administration, the National Council of State Boards for Nursing, and the State Boards of Nurse Examiners, among others.
- 863 In March 2011, the regulatory affairs department reminded officials at HQ that all nursing programs in Indiana must achieve NLNAC accreditation within three years of initial approval. This requirement came into effect in May 2010, after ITT's five Indiana nursing programs began, and it is unclear whether those existing programs were covered by the new rule.
- 864 Some states eventually did go on to require programmatic nursing accreditation. For example, national nursing accreditation was not required by the Alabama board of nursing between 2010 and 2016, but the board "revamped" its nursing education rules in 2019 to require "all programs in the state to obtain national accreditation by 2022.". See Alabama

- Board of Nursing, "Who We Are and What We Do" at 10 (Aug. 2019), available at <https://perma.cc/6BPG-9TVQ>.
- 865 See Exhibit 514, Letter to ITT's National Nursing Dean from Lexington, Kentucky Campus Director and Program Chair (undated).
- 866 See Exhibit 516, Email from EVP of Nursing Program to CEO Kevin Modany, Subject: "FW: Nursing School Looking to Partner with You for Your Hiring Needs!" (Aug. 5, 2013).
- 867 Exhibit 517, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: fall rotations" (June 14, 2012).
- 868 Exhibit 518, ITT Internal Document: "Proposal – The Case to Pursue Voluntary Programmatic Accreditation for select BSNHS Campuses."
- 869 Id.
- 870 Exhibit 519, Email from Assistant Director of Regulatory Affairs at HQ to HQ Employees, Subject: "Re: NLNAC" (Sept. 28, 2011).
- 871 Exhibit 520, ITT Internal Document: "Review of Readiness for NLNAC Accreditation" at 3 (Feb. 18, 2013).
- 872 Exhibit 519, Email from Assistant Director of Regulatory Affairs at HQ to HQ Employees, Subject: "Re: NLNAC" (Sept. 28, 2011).
- 873 Exhibit 521, Email from CEO Kevin Modany to Executive Vice President and Chief Information Officer at HQ, Subject: "RE: IntelliCourse - Nursing Curriculum - Updated proposal" (Oct. 11, 2012).
- 874 Exhibit 520, ITT Internal Document: "Review of Readiness for NLNAC Accreditation" at 3 (Feb. 18, 2013).
- 875 Exhibit 522, Email from Assistant Director of Regulatory Affairs at HQ to Indianapolis Nursing Faculty at 011, Subject: "RE: Hello" (Ja. 23, 2012).
- 876 Id.
- 877 Exhibit 523, Email from Assistant Director of Regulatory Affairs at HQ to Senior Vice President, Business Development at HQ, Subject: "FW: Student Survey" (Aug. 7, 2012).
- 878 Exhibit 524, Email from Student Survey to HQ, Subject: "FW: ITT Technical Institute Student Course Survey - Your Response (Campus Code 66)" (Mar. 26, 2012).
- 879 Exhibit 525, Arizona Board of Nursing Consent Agreement with ITT at 3 ¶ 6 (May 15, 2015).
- 880 Exhibit 526, Indiana Board of Nursing Meeting Minutes at 4 (Nov. 19, 2015).
- 881 Exhibit 527, Email from Vice President of Instructional Operations at 211 to National Nursing Dean at 211, cc: President and Chief Operating Officer at HQ, Subject: "RE: Richardson Nursing Situation" (Dec. 30, 2015).
- 882 Exhibit 528, Email from Regulatory Affairs at HQ to Employees at HQ and outside recipients, Subject: "RE: Our AR State Board of Nursing Visit today" (Nov. 27, 2012).
- 883 Exhibit 529, Email from Executive Vice President and Chief Information Officer at HQ to CEO Kevin Modany, Subject: "RE: Recap of our meeting today" (Sept. 25, 2012).
- 884 Exhibit 530, Email from HQ Employees to Regulatory Affairs at HQ and outside recipients, Subject: "FW: Nursing help" (Aug. 22, 2012).
- 885 Id.

- 886 In Arkansas, ITT's unwillingness to spend money on its nursing programs made it a near certainty that these programs could not survive. In terms of resources, the state board of nursing noted "a measure of concern about the size of the clinical lab, given the size of the cohort [ITT was] asking to admit," as well as ITT's failure to meet the requirement, "articulated clearly," "that each and every faculty member, as well as the chair, be provided a private office." Exhibit 528, Email from Regulatory Affairs at HQ to Employees at HQ and outside recipients, Subject: "RE: Our AR State Board of Nursing Visit today" (Nov. 27, 2012). ITT HQ deemed the requirement for private offices "probably a deal breaker." Exhibit 531, Email from Employees at HQ to Regulatory Affairs at HQ, Subject: "RE: Our AR State Board of Nursing Visit today" (Nov. 27, 2012).
- 887 Exhibit 532, Email from Regulatory Affairs at HQ to Compliance at HQ, Subject: "RE: Dr. [redacted] - February visit to Indy" (Jan. 11, 2013).
- 888 Exhibit 533, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Subject: "RE: Nursing faculty - Rancho Cordova" (June 24, 2013).
- 889 Id.
- 890 Exhibit 534, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Subject: "RE: Update per request" (Oct. 2, 2013).
- 891 Exhibit 535, Letter from Director of Nursing, Rancho Cordova, CA campus (2013).
- 892 Exhibit 485, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Subject: "Re: Please don't go Dr. [redacted]" (Oct. 17, 2013).
- 893 Exhibit 536, Email from CEO Kevin Modany to CFO at HQ, Subject: "FW: Pay for adjunct instructors" (Dec. 19, 2013).
- 894 Id.
- 895 Id.
- 896 Exhibit 537, Email from CEO Kevin Modany to EVP of Nursing Program at HQ, Subject: "RE: Pay for adjunct instructors" (Dec. 19, 2013).
- 897 Exhibit 538, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Re: "RE: Pay for adjunct instructors" (Dec. 19, 2013).
- 898 Exhibit 539, Email from Regulatory Affairs at HQ to Compliance at HQ, Subject: "RE: Nursing and NLNAC" (June 8, 2010).
- 899 Exhibit 540, Email from CEO Kevin Modany to EVP of Nursing Program at HQ, Subject: "Re: ACEN" (Aug. 12, 2014).
- 900 Exhibit 541, Email from HQ Employee to CEO Kevin Modany, Subject: "RE: Nursing Faculty and teaching loads" (Oct. 1, 2014).
- 901 Exhibit 542, Email from CEO Kevin Modany to HQ Employee, Subject: "RE: Nursing Faculty and teaching loads" (Oct. 2, 2014).
- 902 Exhibit 543, Email from CEO Kevin Modany to CFO at HQ, Subject: "FW: Nursing Faculty and teaching loads" (Oct. 2, 2014).
- 903 Exhibit 544, Email from CEO Kevin Modany to Employees at HQ, Subject: "RE: Accelerated BSN Program" (Feb. 9, 2014).
- 904 Id.
- 905 Exhibit 545, ITT Internal Document: Business Development, "Accelerated BSN Bachelor's

- Degree in Nursing Program" at 5-6.
- 906 Exhibit 509, Email from Regulatory Affairs at HQ to Compliance at HQ, Subject: "Re: Internal Audit" (Nov. 21, 2012).
- 907 Exhibit 546, Email from Regulatory Affairs at HQ to Employees at Campus 011 (Indianapolis, IN), Subject: "Re: NLNAC Write Up" (Oct. 15, 2010).
- 908 Exhibit 547, Email from Nursing Chair at 157 to [redacted], Subject: "RE: Update of Mock Visit" (Feb. 14, 2013).
- 909 Id.
- 910 Exhibit 515, Email from Regulatory Affairs at HQ to Employee at HQ, cc: Nursing Program Director at HQ, Subject: "Re: RE: Nursing program opportunities" (July 24, 2013).
- 911 Id.
- 912 Exhibit 548, Email to/from Regulatory Affairs at HQ, Subject: "Re: RE: Texas nursing" (Jan. 22, 2013).
- 913 Exhibit 549, Email from HQ to Regulatory Affairs at HQ, Subject: "Re: RE: Call from IL BON" (Feb. 4, 2013).
- 914 Id.
- 915 Id.
- 916 Id.
- 917 Id.
- 918 Exhibit 550, Email from Employee at Campus 082 to HQ Regulatory Affairs and Nursing Director at HQ, Subject: "Re: RE: Nursing Board Letter of Deficiency: Bessemer ITT Technical Institute" (May 31, 2013).
- 919 Exhibit 551, Email from Regulatory Affairs at HQ to HQ, Subject: "Re: RE: AA1.2s for OH and OR nursing programs" (May 24, 2013).
- 920 Exhibit 509, Email from Regulatory Affairs at HQ to Compliance at HQ, Subject: "Re: Internal Audit" (Nov. 21, 2012).
- 921 Exhibit 552, Email from Regulatory Affairs to Nursing Regulatory at HQ, Subject: "Re: RE: Henderson Nursing" (Oct. 18, 2012.)
- 922 Id.
- 923 Id.
- 924 Exhibit 553, Email from Nursing Regulatory to Regulatory Affairs at HQ, Subject: "RE: Binders to prepare for BRN visit" (Oct. 30, 2012).
- 925 Id.
- 926 Exhibit 554, Email from Nursing Regulatory to Regulatory Affairs at HQ, Subject: "RE: Henderson NLNAC" (Jan. 3, 2013).
- 927 Id.
- 928 Exhibit 555, Email from Nursing Regulatory to HQ, Subject: "Re: FW: Indianapolis Mock Visit February 12-13/Other HEN Mock Visit" (Jan. 16, 2013).
- 929 Exhibit 556, Email to/from Regulatory Affairs at HQ, Subject "Re: FW: Henderson NLNAC" (Jan. 3, 2013).

- 930 Id.
- 931 Exhibit 557, Email from/to Regulatory Affairs at HQ, Subject: "RE: Indianapolis Mock Visit February 12-13/Other HEN Mock Visit" (Jan. 17, 2013).
- 932 Exhibit 558, Email to/from Regulatory Affairs at HQ, Subject: "FW: Mock NLNAC Visit" (Oct. 4, 2012).
- 933 Exhibit 559, Email from Regulatory Affairs at HQ to EVP of Nursing Program, Subject: "FW: Nevada Board Meeting response information/preparation" (May 14, 2013).
- 934 Exhibit 560, Email from HQ to Regulatory Affairs at HQ, Subject: "RE: Henderson, NV" (May 14, 2013).
- 935 Exhibit 561, Email from EVP of Nursing at HQ to HQ, Subject: "RE: Nevada Board Meeting response information/preparation" (May 14, 2013).
- 936 Id.
- 937 Exhibit 562, Email from/to Regulatory Affairs at HQ, Subject: "RE: Nevada Nursing Board Meeting" (July 25, 2013).
- 938 See Exhibit 563, ITT Training Presentation: "Associate Degree Program in Nursing Key Components" at 8 (Aug. 15, 2011).
- 939 Id.
- 940 Exhibit 564, Email from Regulatory Affairs at HQ to HQ Employees, Subject: "Re: FW: NLNAC" (Feb. 28, 2011).
- 941 Exhibit 565, Email from Regulatory Affairs at HQ to HQ Employees, Subject: "Re: FW: Some thoughts based on Indy NLNAC site visit - heads up on what your program needs to be doing" (Feb. 28, 2011).
- 942 Exhibit 566, Email from Regulatory Affairs at HQ to HQ Employee, Subject: "Re: RE: IND Website/NLNAC" (Mar. 4, 2011).
- 943 Exhibit 567, Email to/from Regulatory Affairs at HQ, Subject: "Re: NLNAC" (Mar. 11, 2013).
- 944 Exhibit 549, Email from HQ to Regulatory Affairs at HQ, Subject: "Re: RE: Call from IL BON" (Feb. 4, 2013).
- 945 See supra at 40-42 regarding national accreditation.
- 946 Exhibit 568, ITT Marketing Presentation: "Associate's Degree in Nursing Program Overview," Albuquerque, NM, at 5.
- 947 Id. at 17.
- 948 Exhibit 569, Email from Director at Campus 060 (Albuquerque, NM) to Chief Academic Officer at HQ, Subject: "FW: Nursing Presentation" (Feb. 15, 2011).
- 949 Exhibit 570, Email from Nursing Chair at Albuquerque, NM to Campus Nursing Staff, Subject: "FW: Nursing Recruitment and NLNAC" (Dec. 14, 2010).
- 950 Exhibit 539, Email from Regulatory Affairs at HQ to HQ Officials, Subject: "RE: Nursing and NLNAC" (June 8, 2010).
- 951 Exhibit 571, Email from Regulatory Affairs at HQ to HQ and Nursing Campus Employees, Subject: "NLNAC" (June 9, 2010).
- 952 Exhibit 572, Email from Regulatory Affairs at HQ to HQ Officials, Subject: "FW: NLNAC-

- Nursing Information Session Question" (June 11, 2010).
- 953 Exhibit 573, Email from/to Regulatory Affairs at HQ, Subject: "RE: Our AR State Board of Nursing Visit today" (Nov. 27, 2012).
- 954 Id.
- 955 Exhibit 574, New Mexico Board of Nursing Site Visit Report for Breckinridge School of Nursing of ITT Technical Institute at 2 (Jan. 4-5, 2012).
- 956 Exhibit 575, Email from HQ to Director of Albuquerque, NM Campus, Subject: "FW: BON site visit dates / Clinical Issue" (Oct. 1, 2012); see also Exhibit 517, Email from CEO Kevin Modany to HQ Employee, "RE: fall rotations" (June 14, 2012).
- 957 (1) Exhibit 576, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00229 13, American Arbitration Association; (2) Exhibit 577, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00226 13, American Arbitration Association; (3) Exhibit 578, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00220 13, American Arbitration Association; (4) Exhibit 579, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00227 13, American Arbitration Association; (5) Exhibit 580, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00220 13 American Arbitration Association.
- 958 Exhibit 578, Arbitration Complaint, [Redacted] v. ITT, Case No. 76 434 E 00220 13, American Arbitration Association at 5 ¶ 19.
- 959 See Exhibit 581, Email from Nursing Chair at Albuquerque, NM to Campus Nursing Instructor, Subject: "FW: NLNAC Resource Room Start Materials" (Nov. 10, 2010) (indicating the NLNAC process was on hold in November 2010); see also Exhibit 583, ITT Technical Institute - Albuquerque Nursing Faculty Organization Meeting (instructions for how to maintain files for future NLNAC applications, even though most were on hold at that time); Exhibit 582, Email from Nursing Chair at Albuquerque, NM to Campus Nursing Instructor, Subject: "FW: NLNAC Resource Room Start Materials" (Nov. 16, 2010).
- 960 Exhibit 513, Award of Arbitrator at 3, [Redacted] v. ITT, Case No. 76434 E00247 MAVI, American Arbitration Association (Dec. 9, 2013).
- 961 See Exhibit 584, Email from Nursing Dept. Administrative Coordinator at Albuquerque, NM to Campus Director, Subject: "RE: Nursing Presentation" (Feb. 15, 2011); See also Exhibit 568, ITT Marketing Presentation: "Associate's Degree in Nursing Program Overview, Albuquerque, NM (nursing director misrepresenting accreditation status to students); Exhibit 570, Email from Nursing Chair at Albuquerque, NM to Campus Nursing Staff, Subject: "FW: Nursing Recruitment and NLNAC" (Dec. 14, 2010) (ITT intentionally providing vague information and answers to students about accreditation); Exhibit 585, Email from Nursing at Albuquerque, NM to Campus Director, Subject: "FW: NLNAC Candidacy Presentation" (May 10, 2010); Exhibit 581; Email from Nursing Chair at Albuquerque, NM to Campus Nursing Instructor, Subject: "FW: NLNAC Resource Room Start Materials" (Nov. 10, 2010); Exhibit 586, Albuquerque Nursing Meeting Script & other internal documents related to ITT nursing accreditation process; Exhibit 574, New Mexico Board of Nursing Site Visit Report for Breckinridge School of Nursing of ITT Technical Institute (Jan. 4-5, 2012); Exhibit 575, Email from HQ to Director of Albuquerque, NM Campus, Subject: "FW: BON site visit dates / Clinical Issue" (Oct. 1, 2012) (telling students that accreditation was in progress when the administration knew nothing was being done); Exhibit 587, ITT Career Services Exit Interview (Apr. 2010); Exhibit 588, ITT Career Services Exit Interview (Jan. 2010); Exhibit 583, ITT Technical Institute - Albuquerque Nursing Faculty Organization Meeting (including student surveys indicating students felt they had

- been misled about accreditation).
- 962 See Exhibit 586, Albuquerque Nursing Meeting Script & other internal documents related to ITT nursing accreditation process at 2 (including script explaining that ITT Albuquerque is not pursuing NLNAC accreditation but that it is already authorized by the board of nursing and its graduates pass the NCLEX, so they can be an RN; acknowledgment and sign-in forms regarding same; draft email offering refunds to students who enrolled between December 2009 and March 2010 on the understanding the program would be NLNAC accredited).
- 963 See, e.g., *id.* (statement explaining that NLNAC accreditation is optional and unnecessary).
- 964 See Exhibit 589, Department of Veterans Affairs Memo to Chair, School of Nursing (July 15, 2010) (email explaining that VA hospitals will not take students or graduates from non-NLNAC accredited schools); see also Exhibit 575, Email from HQ to Director of Albuquerque, NM Campus, Subject: "FW: BON site visit dates / Clinical Issue" (Oct. 1, 2012) (stating that the Albuquerque program will lose its last clinical partner due to lack of NLNAC accreditation); see also Exhibit 517, Email from CEO Kevin Modany to HQ, Subject: "RE: fall rotations" (June 14, 2012).
- 965 Exhibit 513, Award of Arbitrator at 5, [Redacted] v. ITT, Case No. 76434 E00247 MAVI, American Arbitration Association (Dec. 9, 2013).
- 966 See NM AG Complaint ¶¶ 108-16, 117-22. <https://perma.cc/YDP7-GEN2>
- 967 See *id.*
- 968 See Exhibit 590, Email from Albuquerque, NM School of Nursing Administrative Coordinator to prospective nursing student, Subject: "RE: nursing school" (May 20, 2009); see also Exhibit 591, Email from Nursing Program Assistant at Albuquerque, NM to prospective nursing student, Subject: "RE: ITT Tech RN Program information" (July 21, 2009) (telling student that other schools decide whether to accept ITT credits); Exhibit 592, ITT Internal Document: "NLN Accreditation Issues" (noting that many schools require NLNAC accreditation to accept credits or associate's degrees); Exhibit 589, Department of Veterans Affairs Memo to Chair, School of Nursing (July 15, 2010); Exhibit 593, ITT Internal Document: "Breckinridge School of Nursing Town Hall Meeting" (Nov. 3, 2011); Exhibit 575, Email from HQ to Director of Albuquerque, NM Campus, Subject: "FW: BON site visit dates / Clinical Issue" (Oct. 1, 2012); Exhibit 594, ITT Internal Document: "Chair and Clinical Coordinator Meeting" (Sept. 12, 2012); Exhibit 595, ITT Internal Document, "Chair and Clinical Coordinator Meeting" (Oct. 1, 2012) (showing that ITT was aware that certain employers required NLNAC accreditation).
- 969 NM AG Complaint ¶¶ 24-25.
- 970 *Id.* ¶ 26
- 971 *Id.* ¶¶ 27, 28.
- 972 *Id.* at ¶ 26.
- 973 *Id.* at ¶ 28.
- 974 *Id.* at ¶¶ 29-30.
- 975 Exhibit 596, Student Complaint Report: Complaint from a former nursing student at the Albuquerque, NM campus at 3-4 (May 14, 2012).
- 976 Exhibit 597, Email from Compliance at HQ to Regulatory Affairs at HQ, Subject: "FW: Site visit" (Jan. 9, 2013).

- 977 The CFPB's complaint against ITT also cited ITT's accreditation misrepresentations, specifically with respect to its nursing program: "For example, ITT falsely told prospective nursing students that the nursing programs either were accredited, or would be accredited, by the appropriate bodies to allow them to use their ITT degree to obtain a nursing position. Many students only learned this was untrue after they started at ITT." See CFPB Compl. at 10 ¶ 53.
- 978 Villalba Ex. 1 at 34 ¶ 158 (student enrolled at the Newburgh, IN campus in Breckinridge School of Nursing from 2009-2011).
- 979 Exhibit 598, ITT Complaint Report: Complaint from a former nursing student at the Lake Mary, FL campus at 3 (May 10, 2016).
- 980 Villalba Ex. 2 at 65 ¶ 357 (nursing student enrolled at ITT from 2011 to 2013).
- 981 Villalba Compl., Exhibit 4 at 15 ¶ 76, <https://perma.cc/6Y55-JMLM> (hereinafter "Villalba Ex. 4") (former ITT Nursing student enrolled from 2011 to 2013).
- 982 Exhibit 599, Email to/from HQ Employees, Subject: "RE: Student Complaint" (Mar. 7, 2014).
- 983 Exhibit 600, Email from/to HQ Employees, Subject: "RE: Accreditation" (Feb. 1, 2013).
- 984 Exhibit 601, Email from/to HQ Employees, Subject: "Re: RE: Accreditation" (Feb. 1, 2013).
- 985 Id.
- 986 Exhibit 600, Email from/to HQ Employees, Subject: "RE: Accreditation" (Feb. 1, 2013).
- 987 U.S. Government Accountability Office, Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools (GAO-12-143) (Dec. 2011), <https://perma.cc/826K-7QKV>.
- 988 Exhibit 520, ITT Internal Document: Review of Readiness for NLNAC Accreditation at 3 (Feb. 18, 2013).
- 989 ACICS standards for licensure exams are described in the ITT's 2015 annual report (Form-10K). See ITT Educational Services, Inc., Annual Report (Form 10-K) (Dec. 31, 2015), available at <http://www.ittesi.com/index.php?s=127>.
- 990 NM AG Complaint at 11 ¶ 55.
- 991 Exhibit 15, Indiana Board of Nursing meeting minutes at 3 (Jan. 15, 2015).
- 992 Id.
- 993 Exhibit 526, Indiana Board of Nursing meeting minutes at 3 (Nov. 19, 2015).
- 994 Exhibit 525, Arizona Board of Nursing Consent Agreement with ITT 6 ¶ 19 (May 15, 2015).
- 995 Exhibit 602, Texas Board of Nursing meeting minutes at 2 (Jan. 2016).
- 996 Id.
- 997 Exhibit 603, Email from HQ to EVP of Nursing Program at HQ, Subject: "RE: Exit HESI Exam Policy" (May 3, 2013).
- 998 Id.
- 999 Exhibit 604, Internal ITT Document re Ohio Nursing Programs at 3.
- 1000 Exhibit 605, ITT Internal Document re Nursing program (2011).
- 1001 Id.

- 1002 Exhibit 606, Student Complaint Report, Complaint from nursing student at Orland Park, IL campus at 3 (July 16, 2015).
- 1003 Exhibit 607, Student Complaint Report, Orland Park, IL (Jan. 13, 2015).
- 1004 Exhibit 608, Email from CEO Kevin Modany to EVP of Nursing at HQ, Subject: "Re: Definition of program completers versus withdrawals" (July 24, 2013).
- 1005 Id.
- 1006 Villalba Ex. 6 at 22 ¶ 89 (student enrolled in Nursing RN program at Merrillville, IN campus from 2010 to 2013).
- 1007 Exhibit 74, Email from VP of Nursing Program at HQ to HQ Employees, Subject: "RE: Strongsville Nursing: Student Clinical Agreement" (Mar. 6, 2014).
- 1008 Exhibit 609, Student Complaint Report, Fort Wayne, IN (July 2012).
- 1009 Exhibit 610, ITT Student Complaint Report: Nursing student at Merrillville, IN campus at 4-5 (Feb. 27, 2015).
- 1010 Exhibit 535, Letter from Director of Nursing, Rancho Cordova, CA Campus (2013).
- 1011 Exhibit 533, Email from EVP of Nursing Program at HQ to CEO Kevin Modany, Subject: "RE: Nursing faculty - Rancho Cordova" (June 24, 2013).
- 1012 Id.
- 1013 Exhibit 611, Email from HQ Employee to HR at HQ, Subject: "RE: RSN – Interim Nursing Chair" (Jan. 5, 2016).
- 1014 Exhibit 527, Email from Vice President of Instructional Operations at 211 to National Nursing Dean at 211, cc: President and Chief Operating Officer at HQ, Subject: "RE: Richardson Nursing Situation" (Dec. 30, 2015).
- 1015 Id.
- 1016 Exhibit 612, Email from/to HQ Employees, Subject: "Re: 096-Richardson-Nursing Chair 2015-27415" (Dec. 30, 2015).
- 1017 Exhibit 613, Email from Jacksonville, FL Campus Employee to HQ, Subject: "RE: [Redacted]" (Dec. 2, 2014).
- 1018 Exhibit 614, Indiana Board of Nursing Meeting Minutes at 2-3 (June 19, 2014).
- 1019 Exhibit 15, Indiana Board of Nursing Meeting Minutes at 2-3 (Jan. 15, 2015).
- 1020 Exhibit 615, Ohio Board of Nursing Consent Agreement at 5 (Jan. 2016).
- 1021 Exhibit 525, Arizona Board of Nursing Consent Agreement with ITT (May 15, 2015).
- 1022 Id. at 3 ¶ 7.
- 1023 Id. at 4-5 ¶¶ 12, 13, 14, 15.
- 1024 See Exhibit 16, Arizona Board of Nursing Investigative Documents and ITT Response at 135-142 (2013).
- 1025 Exhibit 616, ITT Corrective Action Form, Nursing, Henderson, NV (Feb. 13, 2013).
- 1026 Exhibit 280, ACICS Evaluation Report at 687-688 (Sept. 1, 2012).
- 1027 See generally Exhibit 617 for correspondence between the school of nursing at ITT's Rancho Cordova, California campus and ACICS about the California Board of Registered Nursing's decision to change the school from initial approval status to

warning status. ITT provides details about its proposed teach-out plan, which would allow it to voluntarily end its nursing program, due to its inability to satisfy the requirements of the board of nursing. At 38, 44, 46-48, 70-72.

- 1028 Exhibit 618, Email from Regulatory Affairs to HQ, Subject: "RE: Observations as clinical experiences" (May 1, 2013).
- 1029 Exhibit 619, Email from/to HQ Employees, Subject: "FW: ITT Fort Wayne" (Mar. 19, 2013).
- 1030 See supra pp. 48-50 for more on ITT's use of career wheels.
- 1031 Exhibit 620, ITT Internal Documents: Career Wheels; see also Exhibit 621, ITT Marketing Presentation: "Breckinridge School of Nursing and Health Sciences - Explore Your Options."
- 1032 Exhibit 621, ITT Marketing Presentation: "Breckinridge School of Nursing and Health Sciences - Explore Your Options" at 13.
- 1033 Id. at 15
- 1034 Merrill Decl. Ex. 2 R. Lipscomb Attest. at 42 ¶ 70.

Project on Predatory Student Lending

www.predatorystudentlending.org