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Attorney General

Attorney General Becerra Announces Multistate \$330 Million Settlement with ITT Tech Lender for Defrauding Students

Press Release / *Attorney General Becerra Announces Multistate \$330 Million S...*

Tuesday, September 15, 2020

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Nearly 4,000 California students will automatically receive loan forgiveness and relief

SACRAMENTO – California Attorney General Xavier Becerra, along with 48 states and the Consumer Financial Protection Bureau (CFPB) today announced a \$330 million settlement with ITT Technical Institute (ITT Tech), the now-defunct predatory for-profit college, and PEAKS, its holding company. The settlement, which in California is pending court approval, resolves allegations of an illegal private student loan scheme that harmed student borrowers by misdirecting them towards expensive student loans that they struggled to repay. The settlement will automatically discharge PEAKS' entire student-loan portfolio with loan forgiveness for anyone with an outstanding PEAKS loan. This will provide relief for more than 43,000 borrowers nationwide, including 4,000 Californians. PEAKS will also be required to shut down after carrying out the settlement.

“As students strive for a college degree, their attention should be on their studies not on being cheated by unscrupulous lenders,” **said Attorney General Becerra.** “Using a private lending scheme, ITT Tech saddled students with massive debt, exorbitant interest rates, and a worthless diploma. Today's settlement removes the financial handcuffs gripping thousands of California students defrauded by ITT Tech. These students and former students can now wake up from this borrower’s nightmare. At the California Department of Justice, we will continue to crackdown on predatory for-profit colleges that focus on dollars instead of diplomas.”

PEAKS was created in 2009 to purchase and manage certain private student loans ITT Tech offered to students. ITT Tech was one of the nation’s largest for-profit colleges before filing for bankruptcy and folding in 2016. For-profit colleges can receive up to 90 percent of their revenue from federal student aid. The remaining 10 percent must come from some other source, like private student loans. To take advantage of this, ITT Tech priced tuition at 10 percent above the maximum federal student-aid award, leaving thousands of California students in search of private loans to cover the difference. The company would then step in and, through PEAKS, offer students the remaining cost of tuition through private loans.

Neither ITT Tech nor PEAKS made students aware of the true cost of repayment for these loans until after they took out the loan. Interest rates ranged up to 16.25 percent. Approximately 80 percent of loans held by PEAKS are in default. This substantial default rate is a result of the steep cost of the loans and the trouble faced by ITT Tech graduates in securing jobs that earned enough to cover repayment.

Under today's settlement, PEAKS is required to provide credit reporting agencies information to correct credit scores negatively affected by the illegal lending scheme. PEAKS is also required to alert borrowers that their student debt has been

forgiven, cancel automatic payments, and establish a telephone number to address questions from borrowers. No action is required on behalf of borrowers to receive debt relief.

Today's settlement follows a similar action, on July 23, 2019, related to CUSO, LLC, another holding company for private loans made in connection with ITT Tech.

California is a leader in addressing harms in the student lending market and in cracking down on fraudulent for-profit colleges. In 2017, Attorney General Becerra sued Ashford University, and its parent company, Bridgepoint Education, for illegal marketing and collections activity, among other abuses. In December 2017, Attorney General Becerra sued U.S. Education Secretary Betsy DeVos over the failure of the U.S. Department of Education to expeditiously grant promised, full loan relief to tens of thousands of borrowers with pending "borrower defense" claims who were defrauded by the Corinthian Colleges. In June 2018, Attorney General Becerra filed a lawsuit against Navient and its subsidiaries for unlawfully misleading student loan borrowers, engaging in illegal collections practices, and steering borrowers to more costly repayment options.

Attorney General Becerra joined the settlement with the CFPB along with the attorneys general of Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and the District of Columbia.

A copy of the complaint and the judgment can be found [here](#) and [here](#).

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