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ITT TECHNICAL INSTITUTE TO CLOSE AFTER GOVERNMENT CUT OFF NEW FUNDING

Company cites actions by U.S. Department of Education for closure; 8,000 employees affected

By Melissa Korn and Joshua Jamerson
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ITT Technical Institute is shuttering immediately, ceasing operations at more than 130 campuses nationwide and eliminating most of its 8,000-plus employees, the latest for-profit school to close its doors amid a government crackdown on the sector.

The schools, operated by ITT Educational Services Inc., had about 40,000 students across 38 states, and its shutdown could have wide-ranging implications for taxpayers now on the hook for loans those students took out to pay for school.

U.S. Department of Education Undersecretary Ted Mitchell said Tuesday that current and recent students could ultimately seek to have \$500 million in federal loans discharged. At least \$90 million of that could be covered by funds already set aside by ITT.

The U.S. Department of Education last month banned the for-profit college operator from enrolling new students who receive federal aid, effectively issuing a death blow to the ITT chain. The company derives 80% of its cash revenue from Title IV federal aid, including Pell Grants and student loans.

ITT Chief Executive Kevin Modany said in a conference call with reporters Tuesday that the company had been in conversations with other colleges, as well as education nonprofits, to potentially take over its school operations. He said management had "multiple conversations, with multiple parties, over a period of probably at least 12 months," but the Education Department rejected proposed alternatives.

Mr. Mitchell said he knew that ITT had been in talks with a variety of organizations, but none ever reached the stage of a formal proposal.

"We never saw a path forward in the informal conversation that we had been having with potential buyers," he said.

Mr. Modany said that ITT's Daniel Webster College, a bricks-and-mortar campus in New Hampshire, began its fall semester as scheduled and will remain in operation for now. He added that school leaders are "actively seeking options and alternatives to continue that school's operation," including possibly talking to other nearby institutions.

In a statement, ITT said: "The damage done to our students and employees, as well as to our shareholders and the American taxpayers, is irrevocable."

The for-profit college industry has shriveled in recent years, due in part to a government crackdown on aggressive recruiting practices. A better job market is also keeping prospective students from signing up for additional training.

Enrollments at schools run by onetime giants ITT, DeVry Education Group Inc. and Apollo Education Group Inc. have dropped significantly in recent years, forcing the institutions to close campuses, trim program offerings and find alternative revenue opportunities in areas like corporate training.

Apollo, which runs the University of Phoenix, agreed to a buyout by Apollo Global Management LP in May with the hope of having more flexibility to respond to the changing market.

ITT Tech, among the nation's largest for-profit college chains by revenue, had been facing accusations from its accreditor of chronic financial mismanagement and questionable recruiting tactics. It is also under investigation by more than a dozen state and federal authorities, including the Massachusetts Attorney General, the Consumer Financial Protection Bureau and the Securities and Exchange Commission.