



# Consumer Financial Protection Bureau

# ALERT

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## CFPB Focus on For-Profit Educational Providers Intensifies

The for-profit educational giant ITT Educational Services, Inc., recently revealed in a filing with the Securities and Exchange Commission that it is the target of anticipated legal action from the Consumer Financial Protection Bureau (CFPB) in connection with the company's student loan practices. In its Form 8-K filing, ITT noted that it had received a Notice and Opportunity to Respond and Advise (NORA) letter notifying the company that the CFPB Enforcement Office intended to recommend that the Bureau commence legal action against the company for alleged violations of the Dodd-Frank Act, the Truth in Lending Act, and Regulation Z. The letter is the latest indication that the CFPB intends to actively police nonbank student loan providers.

The CFPB sends NORA letters to allow targets of CFPB investigations to present a defense to alleged legal violations that the CFPB's enforcement staff asserts the recipient has committed, in advance of the Bureau's decision to bring a formal enforcement action. The "early warning" letter follows the Bureau's September 2013 Civil Investigative Demand (CID) to ITT, indicating that the CFPB's investigation was "in part 'to determine whether for-profit postsecondary companies, student loan origination and servicing providers, or other unnamed persons have engaged or are engaging in unlawful acts or practices relating to the advertising, marketing, or origination of private student loans.'" The Bureau initially issued and then rescinded a CID to ITT in May 2012. ITT is not the only target of the Bureau's investigation into the student loan practices of for-profit education companies. In September, the CFPB also issued a CID to Corinthian

Colleges, Inc., the public company that operates a number of for-profit colleges nationwide, including Heald, Everest, and Wyotech.

The CFPB investigation is reportedly part of a more comprehensive federal-state probe of the for-profit educational services industry that includes 32 state attorneys general and focuses on loan practices as well as for-profit colleges' representations concerning postgraduation job placement. The industry has come under increasing scrutiny, including ongoing investigations by the SEC and the U.S. Department of Justice.

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