



April 20, 2016

VIA E-MAIL AND OVERNIGHT DELIVERY

Mr. Kevin Modany
President and CEO
ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032

kmodany@ittesi.com

Dear Mr. Modany:

ITT TECHNICAL INSTITUTE, INDIANAPOLIS, IN
ITT TECHNICAL INSTITUTE, SPOKANE VALLEY, WA

ID CODE 00016040(MC)
ID CODE 00016074(MC)

Subject: Show-Cause Directive Letter

The Council, at its recent meeting, reviewed the responses provided by ITT Educational Services, Inc. (ITT) to multiple sources of adverse information since 2014 regarding a variety of financial and regulatory issues confronting the institutions. As a result of this review, the Council found the following based on the *Accreditation Criteria*:

- The nature of the adverse information and ITT's responses to Council requests for information call into question the institutions' administrative capacity, organizational integrity, financial viability and ability to serve students in a manner that complies with ACICS standards (Sections 1-2-100(f), 3-1-202(a), 3-1-203, 3-1-300, 3-1-410, and 3-1-434)

Specifically, the Council reviewed information from a variety of sources and the institutions' responses in connection with the following items:

- Unresolved civil investigative demands from the attorneys general of Arkansas, Arizona, Colorado, Connecticut, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maryland, Minnesota, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Tennessee, Washington and the District of Columbia under the authority of state consumer protection statutes regarding ITT's marketing and advertising; recruitment; financial aid; academic advising; career services; admissions practices; programs; licensure exam pass rates; accreditation; student retention; graduation rates; and job placement performance.

- Unresolved litigation and investigations by the Consumer Financial Protection Bureau, the Securities Exchange Commission and the U.S. Department of Justice for a variety of issues related to the institution's student lending practices and misrepresentations to investors and an alleged violation of the federal False Claims Act.
- The on-going status of ITT's participation in the Federal Student Aid program (Title IV), including the financial implications of the Heightened Cash Monitoring conditions applied to the institutions' access to funds.
- The insufficiency of ITT's response to public and widely-known allegations regarding the quality of instructional materials.
- ITT's failure to comply with the Council directive to develop and submit a plan that provides for the continuation and completion of all students currently enrolled in the event that the institution elects to curtail or suspend operations.

Council Action

Based on its review, the Council determined that the institutions have not demonstrated compliance with the *Accreditation Criteria*. Therefore, the Council directed the institutions, defined as the main campuses and their respective branches, to show cause at the next Council meeting why its current grants of accreditation should not be withdrawn by suspension or otherwise conditioned.

The Council has directed that ITT appear before the Council **in person** at the August 2016 meeting. There is a \$5,000 fee for personal appearances before the Council. This fee is due within ten days of receipt of this notice.

In response to the directive, ITT must submit the following information by **June 15, 2016**:

- Evidence that ITT has investigated and remedied, across the system, any operational or procedural deficiencies regarding compliance with state consumer protection statutes of its marketing, advertising, recruitment and admissions, academic advising and career services activities.
- Evidence that ITT has investigated and remedied any operational or procedural deficiencies, across the system, regarding instructional resources of insufficient quality.

- Evidence that ITT has reviewed and remedied any policy or procedural issues derived from the collection, analysis, reporting and public disclosures of data regarding retention, placement, and graduation rates.
- A full description of the depth and breadth of ITT's efforts to resolve litigation and investigations by the Consumer Financial Protection Bureau regarding the lending practices of the institution.
- A full description of the depth and breadth of the ITT's efforts to resolve of investigations by the Securities and Exchange Commission regarding representations made to investors by ITT senior management.
- A full description of the resolution of the False Claims Act action brought by the U.S. Department of Justice regarding disbursements of public funds made to the institution.
- Evidence that ITT has reviewed and resolved the administrative issues that led to a late financial audit submittal to the U.S. Department of Education and restricted access to cash.
- A full description of the depth and breadth of ITT's efforts to generate enrollment demand sufficient to maintain its financial stability and sustain its current operations.
- The institutions are directed to submit to the Council office a plan for the continued operations of its campuses that includes:
 - a. A listing, by campus, of students with the student name; program of study; and expected graduation date.
 - b. An aggregate total, by campus, of the status of unearned tuition, status of refunds due, and current student account balances.
 - c. A listing, by campus including all online activity, of comparable programs offered at other institutions in case teach-out agreements or transfer arrangements are needed for students to complete their programs elsewhere.
 - d. A custodian for all permanent academic records in case of closure that includes contact information for this individual or entity and the process by which students can obtain their records.
 - e. A description of the financial resources available to ensure that students can complete their programs or receive refunds in the event that the institution does suspend or cease operations.

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Please submit eight hard copies of your response and one electronic copy via flash drive(s) by the date indicated above. Following submission and review of the institutions' response, ACICS may conduct a special visit to the institutions. Failure to provide all information requested by the Council may result in the withdrawal of your institutions' grants of accreditation.

The Council is obligated to take adverse action against any institution that fails to come into compliance with the *Accreditation Criteria* within established time frames without good cause. Please consult the Introduction of Title II, Chapter 3 for additional information.

Your immediate attention to this matter is required. If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,



Anthony S. Bieda
Executive in Charge

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