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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

HEATHER TURREY, OLIVER FIETY,)
JORDAN HERNANDEZ, and JEFFREY)
SAZON, individually, and on)
behalf of all others)
similarly situated,)
)
Plaintiffs,)
)
vs.) Case No.
) 3:20-CV-00697-DMS (AHG)
VERVENT, INC. fka FIRST)
ASSOCIATES LOAN SERVICING,)
LLC, ACTIVATE FINANCIAL, LLC;)
DAVID JOHNSON; and LAWRENCE)
CHIAVARO,)
)
Defendants.)
_____)

DEPOSITION OF PERSIS YU
Sacramento, California
Tuesday, March 28, 2023

REPORTED BY: Matthew Sculatti
CSR No. 13558

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF CALIFORNIA
3
4

5 HEATHER TURREY, OLIVER FIETY,)
JORDAN HERNANDEZ, and JEFFREY)
6 SAZON, individually, and on)
behalf of all others)
7 similarly situated,)
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8 Plaintiffs,)
)
9 vs.) Case No.
) 3:20-CV-00697-DMS (AHG)
10 VERVENT, INC. fka FIRST)
ASSOCIATES LOAN SERVICING,)
11 LLC, ACTIVATE FINANCIAL, LLC;)
DAVID JOHNSON; and LAWRENCE)
12 CHIAVARO,)
)
13 Defendants.)
_____)
14
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17 Deposition of PERSIS YU, taken before
18 Matthew Sculatti, a Certified Shorthand Reporter for the
19 State of California, commencing at 1:15 P.M.,
20 Tuesday, March 28, 2023. This deposition was reported
21 remotely via Veritext Virtual Technology.
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10
11 ALSO PRESENT:

12 DALTON ALVINO, LEGAL VIDEOGRAPHER

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I N D E X

WITNESS	EXAMINATION	PAGE
PERSIS YU	By Mr. Purcell	7

E X H I B I T S

EXHIBIT	DESCRIPTION	PAGE
Exhibit 1	Expert Report	10

1 Sacramento, California; Tuesday, March 28, 2023;

2 1:15 P.M.

3

4 THE VIDEOGRAPHER: Good afternoon. We are going 01:15

5 on the record at 1:15 P.M. on Tuesday, March 28th, 2023. 01:15

6 This is Media Unit 1 of the video-recorded deposition of 01:15

7 Persis Yu, in the matter of Heather Turrey, et al., 01:15

8 Plaintiffs, vs. Vervent, Inc., et al., Defendants, filed 01:15

9 in the United States District Court, 01:15

10 Southern District of California, 01:15

11 Case No. 320-CV-00697-DMS (AHG). 01:15

12 My name is Dalton Alvino representing 01:16

13 Veritext Legal Solutions, and I'm a legal video specialist 01:16

14 and notary. The court reporter is Matthew Sculatti. I'm 01:16

15 not related to any party in this action, nor am I 01:16

16 financially interested in the outcome. If there are any 01:16

17 objections to proceeding, please state them -- state them 01:16

18 at the time of your appearance. 01:16

19 Counsel and all present will now state their 01:16

20 appearances and affiliations for the record beginning with 01:16

21 the noticing attorney. 01:16

22 MR. PURCELL: My name is John Purcell. I'm the 01:16

23 noticing attorney. I represent the defendants in this 01:16

24 case. 01:16

25 MR. BLOOD: I'm Tim Blood, and I represent the 01:16

1	plaintiffs and class in this case.	01:16
2	MR. ACKELSBURG: My name is Irv Ackelsberg, and I	01:16
3	also represent the plaintiffs and the class.	01:16
4	MR. DAVIS: James Davis for plaintiffs and the	01:16
5	class.	01:16
6	THE VIDEOGRAPHER: Thank you.	01:16
7	Will the reporter please swear in the witness,	01:16
8	and then counsel may proceed.	01:16
9		01:16
10	EXAMINATION	01:17
11	BY MR. PURCELL:	01:17
12	Q Good afternoon, Ms. Yu. My name's John Purcell.	01:17
13	I represent the defendants, and we will hopefully get you	01:17
14	out of here fairly soon.	01:17
15	At the beginning of a deposition, I always make	01:17
16	sure that somebody knows kind of how the process works,	01:17
17	and one of my first questions to do that is to ask you if	01:17
18	you've ever had your deposition taken before.	01:17
19	Have you?	01:17
20	A I have not.	01:17
21	Q Okay. I won't go into a huge amount of detail,	01:17
22	as I imagine you've got a chance to talk to your lawyers,	01:17
23	but we'll get a couple things just said for the record.	01:17
24	One of them is everything you're saying today is made	01:17
25	under penalty of perjury.	01:17

1	Do you understand that?	01:17
2	A Yes, I do.	01:17
3	Q You're doing a great job of waiting for my	01:17
4	questions to end before you answer them, and I'll try to	01:17
5	wait for your answer to end before I ask another question.	01:17
6	So that's just a good little thing of discipline for you	01:17
7	and me to try to do.	01:17
8	If I ask you a question and you don't understand	01:17
9	it, please let me know that, and I'll try to ask a better	01:17
10	question. Your attorneys will, from time to time, make	01:18
11	objections. Unless they tell you not to answer a	01:18
12	question, you should go ahead and answer the question.	01:18
13	But if, for example, they object because they claim	01:18
14	something's vague and ambiguous and you agree with them,	01:18
15	let me know what you think is vague. I -- I -- I don't	01:18
16	want to trick you or ask any questions that you don't	01:18
17	understand what I asked.	01:18
18	Another big-picture question, I just want to make	01:18
19	sure there's nothing that keeps you from giving your best	01:18
20	testimony today, health-wise or anything.	01:18
21	A There -- there is nothing that prevents me from	01:18
22	giving my best testimony today.	01:18
23	Q Terrific. Thank you very much.	01:18
24	So you had been retained as an expert in that --	01:18
25	in this case; correct?	01:18

1	A	That's correct.	01:18
2	Q	And what is the understanding of the scope of --	01:18
3		of what you're testifying -- or will be testifying about	01:18
4		at trial?	01:18
5	A	I have been asked to provide context about the --	01:18
6		the school in which these loans were made, and I've been	01:19
7		asked to opine -- sorry, I'm just pulling up a description	01:19
8		here.	01:19
9		I've been asked to provide a historical overview	01:19
10		of the historical practices of the ITT Institute, along	01:19
11		with the for-profit industry and, in particular, with	01:19
12		regards to the 90/10 rules and how this loan fits in with	01:19
13		that.	01:19
14		Further, I've been asked to examine the loan	01:19
15		documents that were used in the PEAKS program in order to	01:19
16		opine on whether or not the defects on those loans would	01:19
17		be clearly discernible to people or parties engaged in any	01:19
18		aspect of student lending.	01:19
19	Q	So thank you.	01:19
20		A couple other questions now.	01:19
21	A	Sure.	01:19
22	THE REPORTER:	I'm sorry, Counsel -- Counsel,	01:19
23		could you sit up a little bit? I think it might be	01:19
24		cutting you off.	01:19
25		Thank you.	01:19

1	BY MR. PURCELL:	01:19
2	Q One question is, it appears that you're reading	01:19
3	from something. I assume that's your expert report?	01:19
4	A Yes, I have my expert report in front of me.	01:19
5	Q Terrific. I'm going to mark that as Exhibit 1 to	01:20
6	this deposition transcript. In fact, I will try to do	01:20
7	that now. And then while I do that I will request --	01:20
8	there it is -- I will request that you talk a little	01:20
9	slower, especially when you're reading. That's a	01:20
10	deposition thing.	01:20
11	When we start reading, sometimes we read so fast	01:20
12	it makes it hard for the court reporter, and also, since	01:20
13	this is being recorded on video, it's a little harder to	01:20
14	follow when -- when you talk really fast; so just a	01:20
15	caution.	01:20
16	And from time to time, I might ask you to slow	01:20
17	down a bit, or your counsel might, or the court reporter	01:20
18	might, and all of us are doing that just to make sure the	01:20
19	record's easy to follow.	01:20
20	Do you understand that?	01:20
21	A I understand.	01:20
22	Q Terrific. Thank you.	01:20
23	(Exhibit 1 was marked for	01:20
24	identification.)	01:20
25		

1	BY MR. PURCELL:	01:20
2	Q You are an attorney; correct?	01:20
3	A That is correct.	01:20
4	Q As a matter of fact, why don't we go into your	01:20
5	CV. I'm going to scroll right down to it and -- there we	01:20
6	go.	01:21
7	So here on the screen I'll be able to turn to	01:21
8	things, and I'll be able to manipulate them. You know,	01:21
9	see how I can do this with your CV here on -- on	01:21
10	Exhibit 1? So if at any point you need to see more or --	01:21
11	or -- or in order to answer something you need to see a	01:21
12	different part of your report, let me know. But also,	01:21
13	since you have it in front of you, I assume you'll be able	01:21
14	to kind of work around that pretty well. So I'm -- I'm	01:21
15	just going to go do a little bit of "this is your life"	01:21
16	with you, Ms. Yu.	01:21
17	A Okay.	01:21
18	Q You currently are the student -- the	01:21
19	deputy executive director of the	01:21
20	Student Borrower Protection Center.	01:21
21	What -- what is that?	01:21
22	A The Student Borrower Protection Center is a	01:21
23	National 501(c)(3) organization. We work on issues	01:21
24	related to student lending and student borrowing, with the	01:21
25	goal of alleviating the burden of student debt from our	01:22

1	national economy.	01:22
2	Q Thank you.	01:22
3	Bullet Point 1 sort of says a little bit about	01:22
4	your duties there, and it mentions that you're trying to	01:22
5	execute SBPB's policy agenda.	01:22
6	What is the policy agenda?	01:22
7	A So we have a number of issues that we are	01:22
8	advocating for. We work on issues related to the student	01:22
9	loan safety net and insuring that federal student loan	01:22
10	borrowers have adequate protections in the federal student	01:22
11	loan safety net.	01:22
12	We also work on issues of racial equity to -- to	01:22
13	both examine the marketplace and determine what	01:22
14	discrimination occurs in the marketplace and to identify	01:22
15	that discrimination and to suggest remedies and ways to	01:22
16	make the system more fair for borrowers of all races.	01:22
17	We also work on issues related to predatory	01:22
18	student lending. And particularly in the private student	01:22
19	loan market, we also look -- examine the practices of	01:23
20	schools across the country and how they result in -- how	01:23
21	their practices result in their students and their	01:23
22	students' families going into debt.	01:23
23	Q Thank you.	01:23
24	The second bullet point states that it is a	01:23
25	national leader in the campaign to cancel student loan	01:23

1	debt.	01:23
2	When -- when you reference there "canceling	01:23
3	student loan debt," what do you mean?	01:23
4	A That is referencing a national campaign that is	01:23
5	ongoing in order to address the burdens of federal student	01:23
6	loan debt as it regards to the COVID-19 pandemic, and the	01:23
7	current policy debate that is currently pending with	01:23
8	regards to President Biden's program to cancel up to	01:23
9	\$20,000 of federal student loans for borrowers across the	01:23
10	country.	01:23
11	Q Thank you.	01:23
12	The third bullet point talks about leading	01:23
13	initiatives to develop, pass, and implement new	01:24
14	protections for student loan borrowers.	01:24
15	What -- what type of work is -- is that? Can you	01:24
16	flesh that out a little bit for me?	01:24
17	A Sure.	01:24
18	So we do a deep analysis of the -- of the	01:24
19	Higher Education Act and other	01:24
20	Consumer Financial Protection laws that are in place	01:24
21	surrounding the student loan market. We examine both the	01:24
22	practices in the market, as well as the laws, to look for	01:24
23	ways in which it can be improved to be more fair to	01:24
24	student loan borrowers; and then we write policy memos.	01:24
25	We do research, and then present those findings both	01:24

1 publicly and then to policymakers. 01:24

2 Q And do these initials strive to come up with 01:24

3 standards that lenders should adhere to or schools, or who 01:24

4 are they directed at (verbatim)? 01:24

5 A Typically, they are directed at regulators. They 01:24

6 are also directed at both federal policymakers, as well as 01:25

7 state lawmakers, federal agencies, the 01:25

8 Department of Education, the 01:25

9 Consumer Financial Protection Bureau, and in some -- you 01:25

10 know, I -- I imagine that lenders do also read our 01:25

11 materials. 01:25

12 Q Thank you. 01:25

13 Have you passed any of these regulations? 01:25

14 A So -- so I guess that's a broad question, but 01:25

15 yes, we have been successful in a number of our 01:25

16 initiatives. 01:25

17 Q Which ones have been successful? 01:25

18 A Well, I guess, working backwards, so we did 01:25

19 advocate for President Biden to cancel up to \$20,000 in 01:26

20 student loan debt. He did make that policy decision. I 01:26

21 have written extensively on income-driven repayment, and a 01:26

22 number of the recommendations that I made were 01:26

23 incorporated into the most recent draft of the income -- 01:26

24 the Department of Education's income (unintelligible) -- 01:26

25 THE REPORTER: I'm sorry, I couldn't catch that. 01:26

1	What was -- income what payment?	01:26
2	THE WITNESS: Income-driven repayment rules.	01:26
3	THE REPORTER: Thank you.	01:26
4	THE WITNESS: I was -- I was a negotiator on the	01:26
5	2021 student loan and affordability, negotiated rulemaking	01:26
6	at the Department of Education in which we --	01:26
7	THE REPORTER: I'm sorry, Ms. Yu, you're --	01:26
8	you're flying. Can you slow down for me? I could not --	01:26
9	THE WITNESS: Yes, I'm sorry.	01:26
10	THE REPORTER: I could not get that last answer.	01:26
11	THE WITNESS: I'm sorry, I'm an East Coaster, I	01:26
12	talk fast.	01:26
13	Yes, so I was the lead legal aid negotiator in	01:26
14	the 2021 negotiator rulemaking at the	01:26
15	Department of Education on student loans and	01:27
16	affordability. During that rulemaking, we negotiated	01:27
17	rule -- regulations surrounding, if memory serves, about a	01:27
18	dozen different programmatic regulations. I -- I have --	01:27
19	I have been -- participated in a number of different	01:27
20	rulemakings and provided feedback to -- to the	01:27
21	Department of Education, which -- a number which have been	01:27
22	implemented.	01:27
23	Legislatively, you know, Congress doesn't pass a	01:27
24	lot of laws, but we have successfully advocated for	01:27
25	removing the taxation on -- well, temporarily, during	01:27

1 COVID, we have removed the taxation of all canceled 01:27
2 federal -- all canceled loans, excuse me. 01:27
3 Prior to that, worked on legislation to eliminate 01:27
4 the taxation on loans that were canceled due to disability 01:27
5 discharge. Worked on rules related to the borrower 01:28
6 defense regulations, related to -- which is relevant to 01:28
7 ITT. In particular, I worked on legislation during the 01:28
8 passage of the CARES Act in order to ensure that those 01:28
9 rules were most protective of student loan borrowers 01:28
10 during the pandemic. 01:28
11 I -- how far back would you like me to go? 01:28
12 MR. PURCELL: I think that -- that was a pretty 01:28
13 good taste of what you've done. 01:28
14 THE WITNESS: Okay. 01:28
15 BY MR. PURCELL: 01:28
16 Q And have you worked on any initiatives that were 01:28
17 directed at student loan servicers? 01:28
18 A Yes. 01:28
19 Q Which ones are those? 01:28
20 A So I have provided comments to the 01:28
21 Department of Education with regards to -- they have done 01:28
22 a number of requests for information on student loan 01:28
23 supervising on its -- their student loan -- they have had 01:28
24 a number of solicitation processes where they are 01:29
25 attempting to renegotiate their contract with federal 01:29

1 student loan servicers. 01:29

2 I've provided comments during the -- I -- the 01:29

3 most recent RFI on their student loan servicing proposals. 01:29

4 I provided comments in I want to say it was 2015. I've 01:29

5 also participated in listening sessions with the 01:29

6 Department of Education on those. They're not 01:29

7 regulations; they're not subject to notice and comment, 01:29

8 but I have provided input and have reviewed those 01:29

9 contracts. 01:29

10 Q And what were the nature of the comments that you 01:29

11 had? 01:29

12 A The nature of the comments that we submitted on 01:29

13 the proposal were with regards to -- I mean, in -- the 01:29

14 overarching comments were to ensure that general consumer 01:29

15 protections were provided in these contracts to ensure 01:29

16 that there were adequate protections for student loan 01:30

17 borrowers to -- so that -- when the laws were violated, 01:30

18 that those borrowers were able to seek redress for -- for 01:30

19 those violations; that there were adequate -- that -- that 01:30

20 the contracts provided for adequate oversight and 01:30

21 protections to make sure that the Department of Education 01:30

22 was paying attention to the quality of the servicing, as 01:30

23 well as the conduct of the servicers; and you know -- and 01:30

24 then some, you know, fairly nuts-and-bolts feedback, such 01:30

25 as providing information regarding the need for language 01:30

1 access, for ensuring that there are adequate call center 01:30
2 time -- times for call center workers, that sort of thing. 01:30
3 Q Thank you. 01:30
4 Have you ever worked as a loan servicer? 01:30
5 A I have not. 01:30
6 Q Have you ever worked for a loan servicer? 01:30
7 A I have not. 01:30
8 Q In any of your education, did you ever study 01:31
9 anything related to loan servicing? 01:31
10 A In my -- in my formal education, no. I have done 01:31
11 extensive studying of loan servicers through -- through 01:31
12 the expertise that I've -- that I've worked on and gained 01:31
13 to learn about the student loan market. 01:31
14 Q And when did you start learning about the student 01:31
15 loan market? 01:31
16 A I started working in this field in 2009 as a 01:31
17 legal aid attorney representing student loan borrowers. 01:31
18 Q Okay. With your work at the 01:31
19 National Consumer Law Center, did any of that work 01:32
20 directly involve student loan servicing? 01:32
21 A The work that I did at the 01:32
22 National Consumer Law Center involved researching laws 01:32
23 related to servicing. The -- it also involved reviewing 01:32
24 contracts. The -- one of the RFI comments that I was 01:32
25 referencing before was done in my capacity at the 01:32

1	National Consumer Law Center.	01:32
2	I also testified before Congress twice during	01:32
3	hearings, once in front of the Senate Banking Committee	01:32
4	and once in front of the House Financial Services	01:32
5	Committee --	01:32
6	THE REPORTER: Sorry, can you slow down just a	01:32
7	little bit there? Once in front of the...	01:32
8	THE WITNESS: I'm sorry.	01:32
9	Once in front of the Senate -- I --	01:32
10	Senate Banking Subcommittee in a hearing on student loan	01:32
11	servicing, as well as in front of the	01:32
12	House Financial Services Committee in another hearing in	01:33
13	2019 on student loan servicing. Those were both done in	01:33
14	my capacity at the National Consumer Law Center.	01:33
15	Q Ms. Yu, in -- in any of your work experience,	01:33
16	have you ever dealt with a situation where one loan	01:33
17	servicer takes over a student loan portfolio from another	01:33
18	loan servicer?	01:33
19	A Yes, that -- that is a frequent occurrence.	01:33
20	Q What has -- what has been your experience in	01:33
21	doing that? What -- how many times has that come up?	01:33
22	A So it does not -- I would say it's happened	01:33
23	about -- in the federal student loan context, it certainly	01:33
24	happens about a dozen times. Most recently, we saw a	01:33
25	number of federal student loan servicers leave. Navient	01:33

1 left and their loan portfolio transferred over to -- 01:33

2 Q Ms. Yu, you're starting to go fast again. 01:33

3 Apologies. 01:34

4 A Sorry. 01:34

5 Most -- so most recently we saw, for example, 01:34

6 Navient left the Department of Education's loan portfolio, 01:34

7 and the loans were transferred to the company Maximus, 01:34

8 which runs a servicer called Aidvantage. The -- PHEAA, 01:34

9 the loan servicer which operates under the name 01:34

10 FedLoan Servicing, also left the federal student loan 01:34

11 market. Their loans were transferred to the servicer 01:34

12 Mohela. 01:34

13 There have been other smaller loan services which 01:34

14 have also left the market and which has resulted in 01:34

15 transfers of loan servicing to various different entities. 01:34

16 Also, loans are sometimes transferred from time to time. 01:34

17 This is also -- you know, occurs in the private student 01:34

18 loan market as well; however, the -- those occurrences 01:34

19 tend to be smaller and less spectacular with fewer 01:34

20 millions of borrowers transferred at any given moment. 01:34

21 Q Thank you. 01:35

22 Do you have any experience with any of these 01:35

23 transfers in the private student loan market? 01:35

24 A I do not recall -- I do -- I do not recall large 01:35

25 market transfers. There may have been some when 01:35

1 Sallie Mae transitioned to Navient. But like I said, they 01:35
2 happen typically on a much smaller scale than on the 01:35
3 Federal Student Loan scale. 01:35
4 Q Thank you. 01:35
5 And whether they happen on a small scale or a 01:35
6 large scale, have you ever been involved in the nuts and 01:35
7 bolts of how they transfer the data from one servicer to 01:35
8 the other? Or are you at a more 30,000-foot level? 01:35
9 MR. BLOOD: Vague. 01:35
10 THE WITNESS: Yes, I -- so what I understand -- 01:35
11 I -- I have -- I have talked to servicers and the 01:35
12 Department of Education about what that process looks like 01:35
13 insofar as what the impact is to student loan borrowers. 01:36
14 For example, what has often happened is that 01:36
15 these loans as they are packaged to be transferred have to 01:36
16 be condensed into data files; right? So many of these 01:36
17 servicers have multitudes of ways of -- of holding their 01:36
18 data. Sometimes there are entire platforms that are 01:36
19 transferred. 01:36
20 For example, in the Navient to Maximus case, 01:36
21 the entire -- the -- Maximus took over the entire 01:36
22 servicing platform. Whereas, in the case of 01:36
23 FedLoan Servicing to Mohela, loans had to be packaged. 01:36
24 And so I don't know that it's quite 30,000-square foot, 01:36
25 but I am not involved in the day-to-day operation of these 01:36

1 loans. But I do a -- I -- I have an understanding of how 01:36
2 these transfers work insofar as what data is lost from -- 01:36
3 from the student loan borrower's perspective and the risks 01:36
4 to student loan borrowers that can occur during a student 01:36
5 loan servicing transfer. 01:37
6 BY MR. PURCELL: 01:37
7 Q Well, what are those risks? 01:37
8 A The risks are that data loss. There can be risks 01:37
9 of lost payments. There can be risks -- risk of lost 01:37
10 communications between customer service representatives. 01:37
11 There can be the risk of lost files, that sort of thing. 01:37
12 I mean, basically, data is lost is -- is the main risk. 01:37
13 Also, there is often confusion amongst borrowers 01:37
14 about where to make payments, what they need to -- who 01:37
15 they need to interface with, as it is often quite opaque 01:37
16 to -- to the consumer who they should be discuss -- 01:37
17 talking to about their loans at any given moment. 01:37
18 Q And in your experience in dealing with the 01:37
19 student loans you've just described -- 01:37
20 A Yes. 01:37
21 Q -- is it generally your experience that if one 01:37
22 student loan servicer stops servicing a portfolio, another 01:37
23 one will step in and take over? 01:37
24 A That is -- that is generally how -- in my 01:37
25 experience, that is often what happens. 01:38

1 Q Are you aware of any occasion when one student 01:38
2 loan servicer stepped away from servicing a portfolio and 01:38
3 nobody came in to take over the servicing? 01:38
4 Has that ever happened in your experience? 01:38
5 A I am not aware of any instance where that has 01:38
6 occurred. 01:38
7 Q Are you -- are you aware of any regulations that 01:38
8 apply to the manner in which student loan servicing data 01:38
9 is supposed to be transferred from the original servicer 01:38
10 to the follow-on servicer when there's a change in student 01:38
11 loan servicing? 01:38
12 A There are a number of state laws that would 01:38
13 apply. For example, 01:38
14 California State Student Loan Servicing Law I believe has 01:38
15 requirements about the data that must be transferred from 01:39
16 one servicer to another in -- in a -- when a transfer 01:39
17 occurs. I believe that other states as well, but I don't 01:39
18 know them off the top of my head. 01:39
19 Q Thank you. 01:39
20 In this case, of course, we're dealing with the 01:39
21 PEAKS loans that were in use at ITT; correct? 01:39
22 A That's correct. 01:39
23 Q Are you aware of any regulations that were 01:39
24 violated when the data was transferred by the original 01:39
25 servicer in this case, the Access Group, to my clients -- 01:39

1	we'll refer to them as Vervent, but they were	01:39
2	First Associates at the time, in 2011?	01:39
3	A Am I aware of any data that -- I'm sorry, can you	01:39
4	say that again?	01:39
5	Q Sure.	01:39
6	Are you aware of any regulations that were	01:39
7	violated when the Access Group transferred the data for	01:39
8	the PEAKS loans to my client, Vervent, in 2011?	01:39
9	A That's outside the scope of what I was asked to	01:40
10	look at in this case, and I don't have -- I don't have	01:40
11	access to the documents of what was transferred and	01:40
12	couldn't make an opinion about what rules were or were not	01:40
13	violated.	01:40
14	Q Okay. Have you ever had a job related to	01:40
15	criminal law?	01:40
16	A Yes. I was an intern at the	01:40
17	District Attorney's Office in 2002.	01:40
18	Q Is that about the extent of your work experience	01:40
19	relating to criminal law?	01:40
20	A I have had -- tangentially, I have had some	01:41
21	experience working with survivors of domestic violence.	01:41
22	Q Okay. Other than that, any other experience with	01:41
23	criminal law?	01:41
24	A I volunteered at a teen court when I was an	01:41
25	attorney in Rochester.	01:41

1 Q Okay. Other than that? 01:41

2 A Other than that, I do not recall any other 01:41

3 instances. 01:41

4 I served on a jury once. 01:41

5 Q Have you ever had a job where you decided whether 01:41

6 or not someone would be charged with a crime? 01:41

7 A I have not. 01:41

8 Q What familiar -- familiarity do you have with the 01:41

9 RICO statute? 01:41

10 A I -- I -- I am generally aware of the RICO 01:41

11 statute. 01:41

12 Q Have you ever had a job where you helped 01:41

13 determine whether a RICO enterprise existed? 01:41

14 A In my work as -- as a consumer attorney, the -- I 01:42

15 have been in a position to consider or to work with others 01:42

16 who have considered whether or not a RICO violation has 01:42

17 occurred. 01:42

18 Q Have you ever had any experience with that in the 01:42

19 context of student loans? 01:42

20 A These cases would have been under -- these would 01:42

21 have been student loan related cases. That's my primary 01:42

22 area of expertise. 01:42

23 Q And how many times have you done that? 01:42

24 A A small handful of times. Less than half a -- 01:42

25 less than half a dozen. 01:42

1	Q	And when was the last time you did that?	01:42
2	A	I couldn't recall.	01:42
3	Q	Does that mean it was five to ten years ago?	01:43
4		More?	01:43
5	A	Within the last five to ten years, for sure.	01:43
6	Q	In your report that is attached hereto as the	01:43
7		first exhibit to the deposition, did you make any findings	01:43
8		about whether there was a RICO enterprise?	01:43
9	A	I was not asked to provide a legal opinion as to	01:43
10		whether or not there was a RICO enterprise.	01:43
11	Q	So you made no findings with respect to that	01:43
12		issue?	01:43
13	A	This was -- that was outside the scope of my	01:43
14		report.	01:43
15	Q	Go down to -- I'm going to go back into your	01:44
16		report. So I'm here -- there's paragraph 8 here. You see	01:44
17		we're on page 2? And after paragraph 8 we no longer have	01:44
18		any paragraph numbers. Was that a conscious decision?	01:44
19	A	That was not a conscious decision.	01:44
20	Q	Okay. It happens. I'm not trying to give you a	01:44
21		hard time about it. I just wondered if there's some	01:44
22		significance, if like the first part of it was prefatory	01:44
23		and the rest of it was different somehow, but that was --	01:44
24		it just is what it is? Okay.	01:44
25	A	That just is what it is.	01:44

1	Q	Okay. Thank you.	01:44
2		You provide -- the initial background, you	01:44
3		provide an overview of higher education and for-profit	01:45
4		colleges. You have some familiarity with the concept of	01:45
5		for-profit colleges in America, I take it?	01:45
6	A	I do.	01:45
7	Q	And there -- there's no law against for-profit	01:45
8		schools; correct?	01:45
9	A	That is correct.	01:45
10	Q	There's no law against making a profit either;	01:45
11		correct?	01:45
12	A	That is correct.	01:45
13	Q	Did you have any firsthand experience with what	01:45
14		the quality of education was like at IT&T -- ITT?	01:45
15		MR. BLOOD: Did you say firsthand?	01:45
16		MR. PURCELL: Yes.	01:45
17		THE WITNESS: I never attended ITT.	01:45
18		BY MR. PURCELL:	01:45
19	Q	Did you -- as -- as part of your -- of your work,	01:45
20		did you ever do anything that analyzed whether -- the --	01:45
21		the level of -- of education there?	01:45
22	A	So the -- so my area of expertise is in student	01:45
23		lending, and so the area that I would've examined with	01:46
24		regards to ITT is with -- with the debt that students	01:46
25		incurred. So I did -- I -- I have both on individual	01:46

1 level -- I -- I represented individual borrowers and -- 01:46
2 who have a -- I've represented a small number of ITT 01:46
3 students; however, my expertise has been looking more 01:46
4 broadly at ITT and about the systemic problems that have 01:46
5 been identified by regulators, by, also, Senate 01:46
6 committees, and so looked systemically at the issues that 01:46
7 have been raised by student loan borrowers in those 01:46
8 contexts and understanding the ways in which ITT has led 01:46
9 students into debt. 01:46

10 Q Would it be fair to say that your view about ITT, 01:46
11 based on the -- the materials you've reviewed, is that in 01:47
12 many occasions the benefits of an ITT education were 01:47
13 outweighed by the burdens of debt that students took? 01:47

14 A I'm sorry, can you ask that one more time? 01:47

15 Q Sure. 01:47

16 Is -- is your view that on many occasions ITT 01:47
17 students received less of a benefit from the education 01:47
18 there than would be commensurate to the amount of student 01:47
19 debt they had to take on? 01:47

20 A So it is my view -- or let me rephrase that. 01:47

21 Based upon my analysis of the materials that is 01:48
22 in -- both in the public domain and in the reports by ITT 01:48
23 and the reports that I have relied on, what it has shown 01:48
24 is that few students or -- very few students receive the 01:48
25 benefits that are promised to them by ITT which is what 01:48

1 led them to take on the debt in the first place. 01:48

2 Q So it -- it's not your opinion that an ITT 01:48

3 diploma is worthless; correct? 01:48

4 A Is... 01:48

5 MR. BLOOD: Vague. 01:48

6 THE WITNESS: Well, yeah. I mean, I think I 01:48

7 don't really understand what you mean when you say that it 01:49

8 is -- is worthless. I mean, the data suggests that, you 01:49

9 know, folks who attend a school -- that folks who attend a 01:49

10 for-profit college and get a diploma, such as that from 01:49

11 ITT, typically earn less than they did even with just a 01:49

12 high school diploma. 01:49

13 I think beyond that, there's also issues about 01:49

14 whether or not students complete their degree. ITT and 01:49

15 other for-profit schools have extraordinarily high dropout 01:49

16 rates. 01:49

17 BY MR. PURCELL: 01:49

18 Q Uh-huh. 01:49

19 A And so many of the -- a large -- systemically 01:49

20 large number of folks -- even if one were to say that 01:49

21 the -- the degree had value -- which I -- I don't -- what 01:49

22 I know is the data around earnings, and I know about the 01:49

23 data around retention. I don't -- I'm not in a position 01:49

24 to say about the educational quality, for example. But 01:49

25 I -- what I can say is about the economic outcomes of 01:49

1 students that attend ITT are typic- -- are -- are 01:50
2 statistically worse than many folks who did not attend 01:50
3 ITT. 01:50
4 BY MR. PURCELL: 01:50
5 Q Okay. So I'm just trying to unpack that a little 01:50
6 bit -- 01:50
7 A Sure. 01:50
8 Q -- because you -- you're talking about 01:50
9 statistics. 01:50
10 So what -- what statistics are you aware of about 01:50
11 how many -- what percentage of ITT students ended up 01:50
12 getting degrees as opposed to those who did not get 01:50
13 degrees? 01:50
14 A If you'll -- I -- I'm going to refer to my report 01:50
15 because I believe that I have this date. I believe -- the 01:50
16 Senate HELP Committee looked specifically at ITT and 01:50
17 looked at the retention rates at ITT. 01:50
18 MR. BLOOD: Ms. Yu, the -- the senate what 01:50
19 committee? I didn't catch that. 01:50
20 THE WITNESS: The -- the -- I'm sorry. 01:50
21 The Senate HELP Committee: Health, Education, 01:50
22 Labor, and Pension Committee. 01:50
23 MR. BLOOD: Thank you. 01:50
24 THE WITNESS: They did a report in -- they 01:50
25 released a report in 2012 which was based upon a two-year 01:50

1 investigation into a number of for-profit institutions. 01:51

2 ITT was one of those schools that it investigated. As a 01:51

3 part of that investigation, it released data regarding the 01:51

4 retention rates of ITT. And I'm happy, if you'll give me 01:51

5 a moment, to take a look and to pull up that number for 01:51

6 you. 01:51

7 BY MR. PURCELL: 01:51

8 Q Sure. 01:51

9 A So it appears that I did not put the exact figure 01:53

10 of the retention rates in -- into my report. It isn't 01:53

11 documented in the Senate HELP Report. The other -- the 01:53

12 other metric besides retention that is important to look 01:53

13 at when -- when judging the quality of the degree and the 01:53

14 quality of -- on whether borrowers experienced -- or 01:53

15 students rather experienced a valuable experience is to 01:53

16 look at the default rates at an institution, and so ITT 01:53

17 had a notably high default rate which indicates that -- 01:53

18 which is a good indicator that students were not getting 01:53

19 the value from which they -- the value of the education 01:53

20 which they were taking on the loans to get. 01:53

21 Q Okay. So a couple sort of big-picture questions. 01:53

22 One -- 01:53

23 A Sure. 01:53

24 Q -- one is just, it -- it is not your opinion that 01:53

25 every degree from ITT was worthless; is that fair? 01:54

1	MR. BLOOD: Vague.	01:54
2	THE WITNESS: I have no way of -- of evaluating	01:54
3	every single degree. What I have is looking at	01:54
4	market-wide data available about the outcomes of ITT	01:54
5	students.	01:54
6	BY MR. PURCELL:	01:54
7	Q Okay. How about this: If there is an ITT	01:54
8	student and they got a degree and made more than twice as	01:54
9	much as they made after graduating from ITT than before	01:54
10	they attended ITT, would you consider that to be an	01:54
11	unusual experience with an ITT student?	01:54
12	MR. BLOOD: Vague --	01:54
13	THE WITNESS: Well --	01:54
14	MR. BLOOD: Vague. Incomplete hypothetical.	01:54
15	Go ahead. You can answer.	01:54
16	THE WITNESS: Sure.	01:55
17	That would be an outlier experience. If a -- if	01:55
18	a student were to graduate and -- and -- I'm sorry, I	01:55
19	don't remember the details of your hypothetical.	01:55
20	(Simultaneous speakers.)	01:55
21	BY MR. PURCELL:	01:55
22	Q Sure. I'll go back and ask it more simply --	01:55
23	A Sure.	01:55
24	Q -- with -- with the benefit of your answer.	01:55
25	So you're saying it would -- it would be atypical	01:55

1 if an ITT student graduated with a degree and also made 01:55
2 twice as much, if not more, than they made prior to 01:55
3 attending ITT after getting the -- the degree. 01:55
4 That would be atypical; correct? 01:55
5 MR. BLOOD: Incomplete hypothetical. 01:55
6 Go ahead. 01:55
7 THE WITNESS: So I think -- I mean, I think 01:55
8 still -- I -- I think the words that I used before would 01:55
9 still apply. It would be an outlier. And I think that 01:55
10 there's a number of different factors that one would 01:55
11 consider. 01:55
12 I mean, I know -- there's a -- there's a number 01:55
13 of different factors that go into the exact salary that 01:55
14 someone makes after attending a school. Many of them have 01:55
15 very little to do with the school itself. However -- so 01:56
16 that's why I think it's important to look at the aggregate 01:56
17 field and to look big-picture at what is happening 01:56
18 throughout the field. 01:56
19 Is there a single student who may wind up doing 01:56
20 better? Sure. But that student may have done better 01:56
21 without the degree from ITT regardless, which is why 01:56
22 individual anecdotes are not necessarily instructive of 01:56
23 what is happening in the field. I think what's more 01:56
24 instructive is to look at these big-picture, you know, 01:56
25 graduation rates, retention rates. The rates of -- of 01:56

1	default, for example.	01:56
2	So yes, there are -- there are going to be	01:56
3	example of students who make decent salaries, but that is	01:56
4	not necessarily an indication. You have to look instead	01:56
5	rather at the bigger picture of what's -- what's happening	01:56
6	across the field.	01:56
7	BY MR. PURCELL:	01:56
8	Q Sure.	01:56
9	But when you -- when you've used the -- the term	01:56
10	"outlier" -- and you've used it a couple times -- what do	01:56
11	you mean by that?	01:56
12	A It is not the typical experience. The typical	01:57
13	experience is that ITT was a -- was a notoriously bad	01:57
14	institution that -- that used, you know,	01:57
15	flagrant misrepresentations about the quality of	01:57
16	education --	01:57
17	(Simultaneous speakers.)	01:57
18	THE REPORTER: I'm sorry, I'm sorry, you need to	01:57
19	slow down a little bit, Ms. Yu. The -- I lost you after	01:57
20	"flagrant."	01:57
21	MR. BLOOD: Flagrant misrepresentations.	01:57
22	THE WITNESS: Flagrant misrepresentations, thank	01:57
23	you.	01:57
24	So, you know, I -- I -- I think what is more	01:57
25	important to recognize is that across the field ITT is	01:57

1 known for misrepresenting the quality of its education, 01:57
2 the value of its degree, the job placement rates. It is 01:57
3 known for misrepresenting the -- the salaries that its 01:57
4 former students receive upon completion. 01:57
5 And so I think those are the more important 01:57
6 pieces of data to look at when we're analyzing the quality 01:57
7 of the institution and the practices; more importantly, 01:57
8 the practices of the institution. 01:58
9 BY MR. PURCELL: 01:58
10 Q Thank you. 01:58
11 And with respect to misrepresenting the -- the 01:58
12 benefits of an ITT education, for example -- 01:58
13 A Yes. 01:58
14 Q -- are you aware of any of the Vervent defendants 01:58
15 being involved in that practice by ITT? 01:58
16 A The -- I'm sorry, can you ask that -- 01:58
17 Q Sure. 01:58
18 In terms of making misrepresentations to students 01:58
19 about the benefits of attending ITT, are you aware of any 01:58
20 of the Vervent defendants being involved in making those 01:58
21 sorts of misrepresentations? 01:58
22 A The Vervent -- I am not aware of the Vervent 01:58
23 representatives making the -- those representations 01:58
24 themselves; however, they certainly would have been aware 01:58
25 of those representations when they were asking students to 01:58

1 make payments on loans that were taken out based upon 01:58
2 those representations. 01:59
3 Q How do you know the loans were taken out based on 01:59
4 the misrepresentation? 01:59
5 A Their -- 01:59
6 (Simultaneous speakers.) 01:59
7 Q -- talking about? 01:59
8 A So the representations, certainly there's -- 01:59
9 there are numerous sources that cite to misrepresentations 01:59
10 with regard specifically to the financing of the 01:59
11 education. So we see this both in the 01:59
12 Senate HELP Committee Report, for example. They discuss 01:59
13 misrepresentations within ITT's practices. We also see 01:59
14 this again in the Consumer Financial Protection Bureau's 01:59
15 complaint in the -- in the investigation and the report of 01:59
16 the investigation by the 01:59
17 Consumer Financial Protection Bureau which outlines not 01:59
18 only its own investigations but ITT's investigations with 01:59
19 regards to secret shoppers who were asked to go in posing 01:59
20 as students and reported then their experiences about both 02:00
21 the quality of the education, the value of the 02:00
22 accreditation, and the job placement rates in -- 02:00
23 So those are all evidence that I -- the defendant 02:00
24 Vervent would've had access to when -- when communicating 02:00
25 with borrowers about their loans that were made with 02:00

1	regards to ITT.	02:00
2	MR. BLOOD: And John, we're at the top of the	02:00
3	hour; so whenever is convenient for you to take a break.	02:00
4	MR. PURCELL: Let's -- let's go ahead and take a	02:00
5	break now.	02:00
6	THE WITNESS: Okay.	02:00
7	MR. BLOOD: Ten minutes?	02:00
8	MR. PURCELL: Sure.	02:00
9	MR. BLOOD: Okay.	02:00
10	THE VIDEOGRAPHER: We are going off the record at	02:00
11	2:00 P.M.	02:00
12	(A brief recess was taken.)	02:12
13	THE VIDEOGRAPHER: We are going back on the	02:12
14	record at 2:12 P.M.	02:12
15	BY MR. PURCELL:	02:12
16	Q Ms. Yu, you understand that you're still under	02:12
17	penalty of perjury; correct?	02:12
18	A Correct.	02:12
19	Q Okay. I'm just going to put a finer point on	02:12
20	what we were talking about before and move on to something	02:12
21	else.	02:12
22	A Sure.	02:12
23	Q We were talking a bit about what benefits	02:12
24	somebody might've gotten from an ITT degree.	02:12
25	Would it be fair to say that if somebody went to	02:12

1 ITT, got a degree, and then made quite a bit more than 02:13
2 they made prior to attending ITT, that they would've 02:13
3 gotten more of a benefit than was typical for an ITT 02:13
4 student? 02:13
5 MR. BLOOD: Vague. Incomplete hypothetical. 02:13
6 THE WITNESS: I think also -- I mean, as -- as we 02:13
7 were discussing before, that you can't draw a direct 02:13
8 correlation between the salary that someone earns 02:13
9 afterwards than to -- directly to that degree. But I 02:13
10 think to the point you're making, most people did not -- 02:13
11 most -- most people did not get value from their ITT 02:13
12 degrees, if they completed at all. 02:13
13 BY MR. PURCELL: 02:13
14 Q Thank you. 02:13
15 So if somebody did get a degree and then made 02:13
16 twice as much, if not more, money after graduating than 02:13
17 they were making prior to attending ITT, they would be 02:13
18 "outliers"; correct, to use your term? 02:14
19 MR. BLOOD: Same objections. 02:14
20 THE WITNESS: Based upon the -- the available 02:14
21 data, yes, that the typical borrower did not make its -- I 02:14
22 mean, I guess part of the problem with the question is 02:14
23 also we -- I don't have any information about what this 02:14
24 hypothetical borrower was making prior to when they 02:14
25 started at ITT. So I suppose that -- 02:14

1 BY MR. PURCELL: 02:14

2 Q (Unintelligible response.) 02:14

3 A Let me -- let me -- yeah, let me not answer the 02:14

4 question because I think that piece of information is 02:14

5 important, that if someone's not making any money and they 02:14

6 make twice as much, then -- 02:14

7 (Simultaneous speakers.) 02:14

8 Q Ms. Yu, (unintelligible) -- 02:14

9 THE REPORTER: I'm sorry, guys, guys, guys, guys, 02:14

10 I'm sorry, I'm losing you guys. 02:14

11 BY MR. PURCELL: 02:14

12 Q Ms. Yu, this -- that was part of the 02:14

13 hypothetical. So that -- so I'm going to have to ask it 02:14

14 again. 02:14

15 A Okay. 02:14

16 Q If there's an ITT student and they, A, got a 02:14

17 degree and, B, they made more than twice after graduating 02:14

18 from ITT than they made before attending ITT, they would 02:14

19 be an outlier; correct? 02:15

20 MR. BLOOD: Incomplete hypothetical. Vague. 02:15

21 Go ahead. 02:15

22 THE WITNESS: Yeah, I mean, the problem -- the 02:15

23 problem with the question is that I don't have any data 02:15

24 about what you're saying that the -- the borrower -- this 02:15

25 borrower made prior to attending ITT. So that's -- I 02:15

1 think -- I can't answer the question with the information 02:15
2 that you've given me. 02:15
3 BY MR. PURCELL: 02:15
4 Q Ms. Yu, when I say that they made twice as much 02:15
5 as they made after graduating than they made before, how 02:15
6 is that not giving you information? 02:15
7 A Because if somebody was not working or worked 02:15
8 very part-time and made twice as much money, they may 02:15
9 have -- that -- that may or may not be -- right -- but 02:15
10 like it's a spectrum, and what you're asking me is to 02:15
11 place -- I mean, the starting point -- without knowing the 02:15
12 starting point, I can't give an opinion about the ending 02:15
13 point and how typical that is, given the size of the 02:15
14 portfolio. 02:16
15 People enter with a wide range of salaries. Many 02:16
16 folks are unemployed when they enter, many folks are 02:16
17 underemployed, some people have full employment 02:16
18 afterwards, and so -- 02:16
19 Q Okay. 02:16
20 A -- it's not necessary -- like what their -- what 02:16
21 their salary is in relationship prior to entering school 02:16
22 and afterwards is not really I think necessarily 02:16
23 instructive without more information. 02:16
24 Q Okay. How about if there was somebody who, prior 02:16
25 to attending ITT, made minimum wage, and let's call that 02:16

1 between 10 and \$15 an hour; went to ITT; got a degree; 02:16
2 after graduating from ITT, got a job making \$80,000 a 02:16
3 year. 02:16
4 Would that person be an outlier in your 02:16
5 experience? 02:16
6 MR. BLOOD: Same objections. 02:16
7 THE WITNESS: So \$80,000 is significantly more 02:17
8 than the average starting salary of a -- of a recent 02:17
9 graduate from ITT. 02:17
10 BY MR. PURCELL: 02:17
11 Q Okay. But can you please answer my question? 02:17
12 And this'll go so much faster if you'll answer my 02:17
13 question. You're free to say anything you want, but 02:17
14 you're -- you're -- you're not like actually answering the 02:17
15 question. 02:17
16 So the question is: Would -- would that person, 02:17
17 who we've now in a laborious process given you all the 02:17
18 detail you need, they started off, they're making 10, \$15 02:17
19 an hour; they -- before going to ITT; they attend ITT 02:17
20 afterwards; shortly after graduating, they're making 02:17
21 \$80,000 an hour -- \$80,000 a year. 02:17
22 Is that person an outlier and not typical of an 02:17
23 ITT graduate? 02:17
24 MR. BLOOD: Same objection. 02:17
25 THE WITNESS: And based -- and my -- my answer is 02:17

1 the same. Based upon the data that is available, that 02:17
2 that is not the typical experience of an ITT graduate. 02:18
3 BY MR. PURCELL: 02:18
4 Q Thank you. 02:18
5 Another big-picture issue here. I mean, 02:18
6 you're -- you're familiar with when people entered into 02:18
7 the -- their -- their PEAKS loans was generally in 2010; 02:18
8 correct? 02:18
9 A That's -- that's -- 2010 and 2011, as I 02:18
10 understand. 02:18
11 Q Okay. Are you aware that the Vervent defendants 02:18
12 did not get involved with the PEAKS portfolio until very 02:18
13 late in 2011, and that was after all of the PEAKS loans 02:18
14 were originated? 02:18
15 A Yes, I understand that. 02:18
16 Q Okay. So based on your review of everything, the 02:18
17 Vervent defendants were not involved in the origination of 02:18
18 the PEAKS loans; correct? 02:18
19 A The -- the Vervent defendants -- based upon my 02:18
20 analysis of the documents here, the -- the Vervent 02:18
21 defendants took the portfolio after most of those loans 02:19
22 were originated. 02:19
23 Q Are you aware of any loans that originated after 02:19
24 the Vervent defendants took over the servicing 02:19
25 (unintelligible). 02:19

1 THE REPORTER: I'm sorry, took over the 02:19
2 servicing... 02:19
3 MR. PURCELL: Responsibilities. 02:19
4 THE WITNESS: That was -- that was outside the 02:19
5 scope of my review, and I -- I don't know the answer to 02:19
6 that question. 02:19
7 BY MR. PURCELL: 02:19
8 Q Okay. Are you aware of the Vervent defendants 02:19
9 playing any role in recruiting students to ITT? 02:19
10 A That was not the -- that was not the role that 02:19
11 Vervent -- that Vervent -- sorry, I'm losing my words 02:19
12 here. 02:19
13 Vervent did not -- that was not their role within 02:19
14 the PEAKS loan. They were -- rather, they were the entity 02:19
15 who was responsible for facilitating the communications 02:20
16 between student loan borrowers and these -- and the 02:20
17 payments on these loans. But -- but based upon the 02:20
18 information, that would have been negotiated -- you know, 02:20
19 based upon the information, that would have been in the 02:20
20 origination of these loans. 02:20
21 MR. PURCELL: I'm going to move to strike as 02:20
22 nonresponsive. 02:20
23 BY MR. PURCELL: 02:20
24 Q Ms. Yu, I just asked you if you have any 02:20
25 information that -- that led you to believe that the -- 02:20

1 the -- the Vervent defendants had any role in -- 02:20

2 MR. PURCELL: Well, actually, can -- can you read 02:20

3 it back, Mr. Court Reporter? 02:20

4 THE REPORTER: Sure. 02:20

5 (Record read.) 02:20

6 BY MR. PURCELL: 02:20

7 Q So is your answer "yes" or "no," Ms. Yu? 02:20

8 A Servicers don't play a role in recruiting 02:21

9 students. 02:21

10 Q So that's a "no" then? 02:21

11 A No, they would not. 02:21

12 Q Okay. Thank you. 02:21

13 You've reviewed a lot of material about the PEAKS 02:21

14 loans; is that correct? 02:21

15 A I have -- I have reviewed the materials that -- 02:21

16 that -- that -- I reviewed materials on the PEAKS loans, 02:21

17 correct. 02:21

18 Q Well, do you feel that you're qualified to give 02:21

19 opinions relating to the PEAKS loans? 02:21

20 A Yes, I -- I am qualified to provide an opinion on 02:21

21 the materials that I reviewed. 02:21

22 Q Okay. And do you believe that at some point the 02:21

23 PEAKS loans became invalid and unenforceable? 02:21

24 A So I think that's not quite an accurate 02:22

25 description of the legal -- so I'm not exact- -- can 02:22

1 you -- can you rephrase that? I'm not exactly sure 02:22

2 what -- what exactly you're asking me. Whether or not at 02:22

3 some point temporally they -- they became or whether or 02:22

4 not it was ever legally determined that they were invalid 02:22

5 or unenforceable? 02:22

6 Q Okay. Well, let's go with the second one first 02:22

7 because I -- I think that's the easier one. 02:22

8 Are you aware at any time that it was legally 02:22

9 determined that the PEAKS loans were unenforceable? 02:22

10 A There was -- there was not a legal determination 02:22

11 made about the enforceability, to the best of my 02:23

12 recollection. I mean, when I think about -- certainly, 02:23

13 the issue of their legality and enforceability was raised 02:23

14 on numerous occasions. 02:23

15 For the -- in the case of the 02:23

16 Consumer Financial Protection Bureau case, that reached a 02:23

17 settlement and so no legal determination was made, as I 02:23

18 understand it, because they reached a settlement in which 02:23

19 the PEAKS loan program agreed to cancel any outstanding 02:23

20 loans. 02:23

21 Q And that occurred in the fall of 2020; correct? 02:23

22 A That's correct. 02:23

23 Q And before that, are you aware of any court or 02:23

24 other governmental agency that ordered that collections 02:23

25 should stop on the PEAKS loans? 02:23

1 THE REPORTER: Hey, Counsel, could you sit up 02:23
2 just a little more for me? 02:24
3 Thank you. 02:24
4 THE WITNESS: So I'm trying to be careful because 02:24
5 I don't have the bankruptcy documents in front of me, but 02:24
6 I know that there was at some point -- at -- at some point 02:24
7 there was instructions to cease collecting on the loans, 02:24
8 and so I don't want to -- I don't want to speak beyond my 02:24
9 recollection here, but as -- I know there was an order in 02:24
10 the bankruptcy to at least stop collecting on them. 02:24
11 BY MR. PURCELL: 02:24
12 Q There was an order in the 2016 ITT bankruptcy to 02:24
13 stop collecting on the loans? That's your testimony? 02:24
14 A Sorry. 02:24
15 In my report I say that the ITT bankruptcy 02:25
16 trustee instructed Vervent to cease and desist on the CUSO 02:25
17 loans, and I believe that the same thing was done with the 02:25
18 PEAKS loans, but I -- I did not -- I don't have that here, 02:25
19 and I don't have that document in front of me. 02:25
20 Q And your report does not say that, does it? 02:25
21 A No, it does not say that. 02:25
22 Q Well, it's -- it's not my understanding that the 02:25
23 2016 bankruptcy made any ruling that the collections 02:25
24 should stop on the PEAKS loans at that time. In -- and in 02:25
25 fact, that's -- that's counter to what the records would 02:25

1 indicate here. But if -- if after your deposition you 02:25
2 want to go back and review that and -- and make a change 02:25
3 later to your testimony, that's great. But, you know, it 02:25
4 is what it is. 02:25

5 Okay. So there was the question of whether 02:26
6 anybody had determined -- had made a determination that 02:26
7 the -- the PEAKS loans were unenforceable, I guess it's a 02:26
8 legal matter. 02:26

9 Do you have an opinion as to whether the PEAKS 02:26
10 loans were unenforceable at some point between -- at some 02:26
11 point before the fall of 2020 when the 02:26
12 Consumer Financial Protection Bureau made its ruling or 02:26
13 made its order as part of the settlement? 02:26

14 A So what I've been asked to do in this case is to 02:26
15 look at the existing PEAKS loans documents and to say 02:26
16 what -- what -- based upon what I see what is there and 02:26
17 what is not there. Whether or not the loans were 02:26
18 enforceable is outside the scope of my report. 02:27

19 However, what I can say is, looking at the 02:27
20 documents -- so looking specifically at the loan 02:27
21 application, for example -- is that there are -- that 02:27
22 there are material defects in the loan documents with 02:27
23 regards -- which could impact the enforceability of these 02:27
24 loans. 02:27

25 For example, we have the PEAKS loan documents. 02:27

1 So we have only the loan application, but not any of the 02:27
2 following documents such as any approval documents or any 02:27
3 final disclosures which would have indicated what the 02:27
4 terms of the loans were which would have given the time 02:27
5 frame under which a borrower may have attempted to cancel 02:27
6 their loans and -- 02:27
7 (Simultaneous speakers.) 02:27
8 THE REPORTER: I'm sorry, you lost me there. 02:27
9 I lost you after "borrower may have attempted to 02:27
10 cancel their loans and..." 02:27
11 THE WITNESS: Right. 02:27
12 So certainly, within the loans -- within the loan 02:27
13 documents that I have examined, there are questions about 02:28
14 the enforceability of these loans, which I don't have -- 02:28
15 which I don't have access -- I have not been retained to 02:28
16 opine about whether or not these documents do or do not 02:28
17 exist. 02:28
18 But based upon my review of the documents, what I 02:28
19 see are material defects in the documents which could lead 02:28
20 to the conclusion that these loans are unenforceable. 02:28
21 BY MR. PURCELL: 02:28
22 Q Okay. So to try to unpack that a little bit. 02:28
23 So you're telling me you do not currently have an 02:28
24 opinion about whether or not the PEAKS loans became 02:28
25 unenforceable at some time; is that correct? 02:28

1	A	So --	02:28
2		MR. BLOOD: Misstates testimony.	02:28
3		Go ahead.	02:28
4		THE WITNESS: Yes.	02:28
5		The -- the answer -- so the answer to my question	02:28
6		is that there are -- there are issues that arise within	02:28
7		the documentation that -- that call into question the	02:29
8		enforceability of these documents -- of these loans,	02:29
9		excuse me, and so it is -- it -- it is outside the scope	02:29
10		of my -- of my testimony to determine whether or not any	02:29
11		individual loan was or was not enforceable, but rather the	02:29
12		documents that I examined show material defects that can	02:29
13		raise -- that raise questions about the enforceability and	02:29
14		the validity of these loans.	02:29
15		BY MR. PURCELL:	02:29
16	Q	Okay. So you're not saying one way or another	02:29
17		whether these loans were enforceable; is that correct?	02:29
18	A	That -- that is outside the scope of my report.	02:29
19	Q	So you're not saying one way or another that	02:29
20		these loans were enforceable; is that correct?	02:29
21	A	It is -- it is not -- it's not my job to say	02:29
22		whether or not these loans -- loans were enforceable or	02:29
23		not; rather whether or not there are issues that raise	02:29
24		questions about the enforceability of these loans.	02:30
25	Q	All right. And you are not -- you're here	02:30

1	testifying today, and I'm entitled to your opinions.	02:30
2	Is your opinion -- is it your opinion that the	02:30
3	PEAKS loans were invalid and unenforceable at some point?	02:30
4	A It is my opinion that there are serious defects	02:30
5	in the documentations which raise questions about the	02:30
6	validity because certain -- because certain documents do	02:30
7	not exist and because certain pieces do not exist. If	02:30
8	those pieces do -- in fact do not exist, then there is no	02:30
9	valid loan.	02:30
10	Q Okay. Which --	02:30
11	A It is not enforceable.	02:30
12	Q Which pieces are those?	02:30
13	A So I mean, the basic terms of the, you know -- so	02:30
14	the -- the -- under the Truth in Lending Act, when the	02:30
15	loan is originated there needs to be three separate pieces	02:30
16	of information, and those pieces -- those documents need	02:30
17	to contain very specific information. So part of the	02:30
18	package of information, which the defendants have, is only	02:31
19	the loan application. The defendants don't have the	02:31
20	promissory notes, they don't have the terms, they don't	02:31
21	have the signature of the borrower actually originating	02:31
22	the loans.	02:31
23	I mean, so we don't have any basic information	02:31
24	about the -- whether or not a loan was ever originated to	02:31
25	begin with. All of those documents are critical to	02:31

1 understanding whether or not this loan exists and whether 02:31
2 or not that -- that loan is enforceable. 02:31

3 Q So when you were reviewing this issue, did you -- 02:31
4 did you ever ask if the Access Group had these disclosures 02:31
5 that you're concerned about? 02:31

6 A Whether or not the Access Group -- the 02:31
7 Access Group wasn't part of -- part of my review. 02:31

8 Q So if you wanted to know whether the Access Group 02:31
9 made the appropriate final disclosures, how would you go 02:32
10 about trying to find that out? 02:32

11 A So I mean, I was asked to review the documents 02:32
12 that were part of this record and -- and so the -- the -- 02:32
13 the scope of my review was whether or not the documents 02:32
14 that the defendants, Vervent, had included these 02:32
15 disclosures. 02:32

16 Q Are you aware of any regulation that requires 02:32
17 Vervent to have the disclosures that were made by the 02:32
18 Access Group? 02:32

19 MR. BLOOD: Vague. 02:32

20 THE WITNESS: I'd have to think about that for a 02:32
21 second, whether or not -- as we've -- as we've discussed 02:32
22 earlier, the -- the California Student Loan Servicing Law 02:32
23 does require some transfer of documents -- or doesn't, I'm 02:33
24 sorry, requires extensive transfer of documents. So under 02:33
25 that law, there -- there may be a requirement. It's not a 02:33

1 law that I have in front of me right at this moment. 02:33

2 BY MR. PURCELL: 02:33

3 Q It's also not a -- it's also not a law that you 02:33

4 reviewed in preparing your -- 02:33

5 A That's correct. 02:33

6 Q -- report; correct? 02:33

7 THE REPORTER: I'm sorry, guys, I'm sorry, guys. 02:33

8 I -- I couldn't get that whole question, Counsel. 02:33

9 THE WITNESS: Whether -- the documents that was 02:33

10 transferred to Vervent -- 02:33

11 (Simultaneous speakers.) 02:33

12 MR. BLOOD: There's no question pending. 02:33

13 THE WITNESS: Sorry. 02:33

14 MR. PURCELL: And Mr. Court Reporter, can you 02:33

15 read back to where we -- we ended up, where -- where you 02:33

16 need us to pick up? 02:33

17 THE REPORTER: Sure. 02:33

18 (Record read.) 02:33

19 MR. PURCELL: All right, then. Okay. 02:33

20 BY MR. PURCELL: 02:33

21 Q So that California law about loan servicing was 02:33

22 not a law you reviewed when preparing your report; 02:34

23 correct? 02:34

24 A That's -- that's correct. That was outside the 02:34

25 scope of my report. 02:34

1 Q And your report does not provide any opinion 02:34
2 about whether or not that law was complied with; correct? 02:34
3 MR. BLOOD: Document speaks for itself. 02:34
4 THE WITNESS: That was outside the scope of -- of 02:34
5 my report. 02:34
6 BY MR. PURCELL: 02:34
7 Q So your report states no opinion about that; 02:34
8 correct? 02:34
9 A That was outside the scope of my report, correct. 02:34
10 Q We can keep doing this forever. It's a yes-or-no 02:34
11 question. And so I guess you're saying "correct" at the 02:34
12 end, that's fine. 02:34
13 Okay. So there is, at most, a question about 02:34
14 whether these loans were enforceable in -- in your view -- 02:34
15 in your opinion? 02:35
16 MR. BLOOD: Misstates the testimony. 02:35
17 THE WITNESS: I'm sorry, can you repeat that? 02:35
18 BY MR. PURCELL: 02:35
19 Q Sure, and I'll -- I'll ask a better question. 02:35
20 A Okay. 02:35
21 Q Are you aware of any definitive proof that the 02:35
22 PEAKS loans were unenforceable? 02:35
23 MR. BLOOD: Vague. Calls for a legal conclusion. 02:35
24 THE WITNESS: So that -- that again is outside 02:35
25 the -- the scope of what I was asked to review. What I 02:35

1 was asked to look at is the documents that Vervent would 02:35
2 have had access to which it would have used to rely when 02:35
3 communicating to student loan borrowers about -- about the 02:35
4 terms and conditions of their loans. 02:35

5 The fact that they didn't have those -- those 02:35
6 documents means that they could not definitively know when 02:35
7 a borrower says what is my interest rate, for example. 02:35
8 Without that document, the servicer can't answer the 02:35
9 question. 02:35

10 BY MR. PURCELL: 02:35

11 Q Is it your testimony you believe that Vervent 02:35
12 never knew what the interest rates were on these loans? 02:35

13 A That -- that -- that is not what I -- that is not 02:36
14 what I said. 02:36

15 Q Okay. So then you don't have any opinion on 02:36
16 whether or not Vervent knew the interest rates on the 02:36
17 loans; is that correct? 02:36

18 A Vervent did not have proof of the interest rates 02:36
19 of those loans without the additional documents provided 02:36
20 in the -- through the Truth in Lending Act disclosures 02:36
21 which a borrower would have signed. 02:36

22 Q What is your evidence on which you base that -- 02:36
23 the -- the assertion that Vervent did not have information 02:36
24 about what the interest rates were on these loans? 02:36

25 A I did not say that Vervent did not have 02:36

1 information on the interest rates on the loans. What I 02:36
2 said is that Vervent didn't have the -- the loan documents 02:36
3 that showed what the interest rates on the loans were. 02:36
4 I -- my understanding is that they had -- they imported 02:36
5 a -- a spreadsheet from a prior servicer which indicated 02:36
6 what it would be. 02:37

7 However, you know, if a borrower were to ask, you 02:37
8 know, for their loan documentation, for proof of what 02:37
9 their interest rate, for example, are, but that, you know, 02:37
10 for proof that a loan exists, that Vervent does not have 02:37
11 access to those documents. Vervent did not have those 02:37
12 documents. As part -- that's my understanding from the 02:37
13 record. 02:37

14 Q Do you believe that there was a wide-scale 02:37
15 failure to provide the PEAKS borrowers with the final 02:37
16 disclosures required by law with respect to their loans? 02:37

17 A I don't have access to the information that 02:37
18 borrowers were provided at the time. What I have -- the 02:37
19 information that I have is that in the records those -- 02:37
20 those further disclosures do not exist and were not 02:38
21 provided to the defendants. 02:38

22 Q Okay. Do you -- but I'm asking, what -- what is 02:38
23 your opinion about whether or not they were actually sent 02:38
24 to the borrowers? 02:38

25 A I don't -- 02:38

1 MR. BLOOD: Vague (unintelligible). 02:38

2 THE REPORTER: I'm sorry, I didn't hear that, 02:38

3 Mr. Blood. 02:38

4 MR. BLOOD: Vague as to "they." 02:38

5 BY MR. PURCELL: 02:38

6 Q The final disclosures. What is your opinion as 02:38

7 to whether or not the final disclosures were sent to the 02:38

8 PEAKS borrowers? 02:38

9 A That is outside the scope of -- of -- of -- of my 02:38

10 report and not -- not what I was asked to review or had 02:38

11 access to information about. 02:38

12 Q I believe in your report you -- you state that if 02:38

13 these disclosures were not made, the loans would be 02:38

14 invalid and the borrowers would have the right to cancel 02:38

15 the loans; is that correct? 02:38

16 A Yes, that's -- that's correct. That sounds like 02:38

17 something I would say. I don't -- 02:39

18 Q Okay. So a couple questions here. 02:39

19 How long after a borrower has failed to receive 02:39

20 the final disclosures would they have the right to cancel 02:39

21 the loan? 02:39

22 A Let me verify. But if a -- if a borrower never 02:39

23 receives the final disclosure -- so the -- the right to 02:39

24 cancel the loan begins when the consumer receives the 02:39

25 final disclosure. And so if the borrower never receives 02:39

1 the final disclosure, then they have an infinite right to 02:39
2 cancel up until the point -- up until three days in which 02:39
3 they receive that disclosure. 02:39

4 Q Thank you. 02:39

5 And when you say cancel the loan, is what would 02:39
6 happen there be that the -- the loan would be canceled, 02:39
7 any amounts that either the student or the school received 02:39
8 would go back to the lender, and then any obligations 02:39
9 under the loan agreement would no longer exist? 02:39

10 Is that what canceling the loan would be? 02:40

11 A Sorry, can you say -- can you say that chain of 02:40
12 events one more time? 02:40

13 Q Sure thing. 02:40

14 A I'm going to write it down to -- 02:40

15 Q Sure. 02:40

16 Under the right to cancel the loan because of a 02:40
17 failure to receive the disclosures, would that mean that 02:40
18 the loan is canceled and if any funds went to either the 02:40
19 student or the school, they would be returned to the 02:40
20 lender, and then any obligations under the loan agreement 02:40
21 that the student would have would no longer exist. 02:40

22 Is that what canceling the -- the loan would be? 02:40

23 A That sounds right. 02:40

24 Q Okay. And if a loan was faulty because of a 02:40
25 failure to make disclosures at the beginning of the loan, 02:40

1 then that would be the case right at the time the -- 02:41
2 the -- the loan was supposed to be originated; correct? 02:41
3 MR. BLOOD: Vague. 02:41
4 THE WITNESS: I -- I'm sorry, I don't understand 02:41
5 your question. 02:41
6 BY MR. PURCELL: 02:41
7 Q Sure thing. 02:41
8 Let's say that these PEAKS loans -- the ones that 02:41
9 were originated in 2010, let's say they -- they were 02:41
10 originated in March of 2010 and no disclosures were made, 02:41
11 then they would be unenforceable loans at what point in 02:41
12 time? Right away? A month into it? When -- when would 02:41
13 they be unenforceable? 02:41
14 A I mean, if no loan exists, then it can't -- like 02:41
15 no loan could be -- could exist without the disclosures, 02:41
16 and so you -- so I mean, I -- I guess one of the -- it's 02:42
17 not a loan. It's not enforceable because it's not a loan 02:42
18 if the disclosures have not been made. You have no 02:42
19 evidence that -- I mean, I guess one of the things, you 02:42
20 have no evidence that money was ever paid to the school. 02:42
21 And so under that -- that loan -- that loan would not 02:42
22 exist, I guess, is -- is my answer. 02:42
23 Q Okay. But what if -- what if there was a loan 02:42
24 and there's a record that the school got the money? Let's 02:42
25 say it's a \$20,000 loan and ITT has records that they -- 02:42

1 they have the money and that the borrower doesn't even 02:42
2 deny that. But let's say that disclosure was never made, 02:42
3 they never -- the -- the borrower never received it. So 02:42
4 that loan did get paid to the school; it's just that the 02:42
5 borrower never received the disclosure. 02:42
6 And according to what you're saying, that -- that 02:42
7 student would -- would have the right to cancel that loan 02:43
8 whenever; correct? 02:43
9 MR. BLOOD: Incomplete hypothetical. 02:43
10 You can answer. 02:43
11 THE WITNESS: Yes, they would have to right to 02:43
12 cancel that loan if they never received the disclosure. 02:43
13 BY MR. PURCELL: 02:43
14 Q And is there some sort of grace period for how 02:43
15 long they get to receive the disclosure? 02:43
16 A There's -- I believe that there is a time 02:43
17 period -- I'm not remembering it off the top of my head -- 02:43
18 of how much time they are -- that is supposed to last 02:43
19 between the various disclosures. 02:44
20 Q Is it -- can you give me a range? Is it three 02:44
21 weeks or three months? Or do you know? 02:44
22 A I don't -- I -- I don't remember. It's not three 02:44
23 months. 02:44
24 Q It's less than that? 02:44
25 A I would believe that it is less than that, but I 02:44

1 don't remember off the top of my head. 02:44

2 Q Okay. And are you aware of anything that 02:44

3 occurred after the loans were originated, aside from this 02:44

4 failure to provide disclosures, that would have rendered 02:44

5 them unenforceable at some later time? 02:44

6 A So am I -- sorry -- is the question -- I mean, I 02:45

7 think there are a number of different points within the 02:45

8 lifecycle of a loan at which the loan -- which could 02:45

9 impact the enforceability of a loan. For example, you 02:45

10 can -- I mean, so the disclosure -- the disclosures are 02:45

11 certainly one component of what makes a loan enforceable 02:45

12 or not. Certainly at the origination would impact the -- 02:45

13 the -- the enforceability of the loan. 02:45

14 For example, what we have with the -- with the 02:45

15 Consumer Financial Protection Bureau brought up in terms 02:45

16 of borrowers being strong-armed into taking on these 02:45

17 loans; you know, borrowers being misled about the value 02:45

18 about what would happen under the loans. These are things 02:45

19 that would impact the enforceability of the loans. 02:45

20 Certainly, along the way, having the appropriate -- having 02:45

21 the appropriate information to make an informed decision, 02:45

22 which is what the purpose behind the Truth in Lending Act 02:45

23 is -- is aiming to get at, is to make sure that, you know, 02:46

24 that students have an under- -- or borrowers, consumers 02:46

25 have an understanding of the total cost of credit. That 02:46

1 is -- you know, and then -- and follows a procedure in 02:46
2 order to ensure that those consumer protections are in 02:46
3 place, that is certainly something that would impact the 02:46
4 enforceability of the loan. 02:46

5 There are any number of events that can happen 02:46
6 after -- hypothetically, after the origination of a loan 02:46
7 that could also impact the enforceability of the loan as 02:46
8 well. 02:46

9 Q So you've been through the file. Are you aware 02:46
10 of anything that happened after the origination of these 02:46
11 loans that in your opinion would render them to be 02:46
12 unenforceable? 02:46

13 A So there were certainly -- there were findings by 02:46
14 the Consumer Financial Protection Bureau, by the 02:47
15 Department of Education. I mean, I suppose that those 02:47
16 were related to the origination. They -- they 02:47
17 temporally -- the findings happened after the origination 02:47
18 of the loan, though they were referred to events that 02:47
19 happened during -- during origination. And certainly, 02:47
20 the -- the canceling of the loans would suggest that they 02:47
21 were, you know -- when the loans were canceled, ultimately 02:47
22 within the CFPB settlement, that they were then no longer 02:47
23 enforceable loans as well. 02:47

24 Q Correct. 02:47

25 And that CFPB settlement, did you read it? 02:47

1	A	Yes, I have read it.	02:47
2	Q	Was there anything in there where they found that	02:47
3		any of the Vervent defendants were at fault with respect	02:47
4		to any aspect of the PEAKS loans?	02:47
5	A	That was not in my understanding the -- the	02:47
6		findings of the CFPB settlement. That was not the focus	02:48
7		of their -- of their investigation.	02:48
8	Q	Okay. On page 11 of your report, at line 6 --	02:48
9	A	Yep.	02:48
10	Q	-- you're referring to evidence of widespread	02:48
11		abusive recruiting and financial aid practices, and you	02:49
12		reference some reports from 1999 up through 2005 relating	02:49
13		to a certain aspect of -- of ITT and their -- their -- the	02:49
14		way they conducted themselves.	02:49
15		Do you see that?	02:49
16	A	Yes.	02:49
17	Q	All of this was public; correct? The -- the --	02:49
18	A	Correct.	02:49
19	Q	Okay. And none of these issues that you spot	02:49
20		here resulted in any order from a court or other	02:49
21		governmental agency that people could no longer do	02:49
22		business with ITT; correct?	02:49
23	A	ITT remained in business following these events.	02:49
24		Correct.	02:49
25	Q	But in fact, even the federal government provided	02:49

1 loans to ITT students after this point; correct? 02:50

2 MR. BLOOD: Vague. 02:50

3 THE WITNESS: ITT did participate in the Title IV 02:50

4 program. 02:50

5 BY MR. PURCELL: 02:50

6 Q Okay. So do you think it was obvious that ITT 02:50

7 was nothing but a fraudulent enterprise if the government 02:50

8 would still allow student loans to attend it? 02:50

9 A Well, I would be the first to tell you that I -- 02:50

10 that I think the Department of Education needed tougher 02:50

11 standards in terms of who it provided Title IV loans to. 02:50

12 I think the Department of Education unfortunately has a 02:50

13 long history of providing loans to fraudulent 02:50

14 institutions, which is, you know, why at various times the 02:50

15 90/10 Rules were put in place and why there have been 02:50

16 rules that have evolved over time. 02:50

17 But unfortunately, you know, the fact the 02:50

18 Department of Education gave loans to ITT students is not 02:50

19 in my view any indication of the quality of the school. 02:51

20 Q Well, aside from being the quality of the school, 02:51

21 if the federal government does not prohibit ITT students 02:51

22 from taking out government loans to attend ITT, isn't it 02:51

23 an indication that it's not obvious to everyone that ITT 02:51

24 is some sort of fraudulent enterprise? 02:51

25 A So I think it's not obvious to -- 02:51

1 MR. BLOOD: Hang on -- 02:51

2 (Simultaneous speakers.) 02:51

3 THE REPORTER: I'm sorry, I'm sorry, guys, slow 02:51

4 down, please. 02:51

5 MR. BLOOD: Vague. Incomplete hypothetical. 02:51

6 Calls for speculation. 02:51

7 Go ahead. 02:51

8 THE WITNESS: So the fact -- I mean, the fact 02:51

9 that the government provides loans to these students I 02:51

10 think -- I think from the students' perspective many 02:51

11 students do believe that that is some sort of, you know, 02:51

12 seal of approval. I think most of us who work in the 02:51

13 industry understand that unfortunately it is not, that 02:51

14 there are over 4,000 schools that receive loans under the 02:52

15 Title IV Program. 02:52

16 And so -- and -- and unfortunately, there's a 02:52

17 long history of abusive practices within schools that stem 02:52

18 before the 2000, 2004, but, you know, there were abusive 02:52

19 practices in the eighties and the nineties and again in 02:52

20 2000. 02:52

21 So I think anyone who works in the industry would 02:52

22 not assume that the fact that the government provides 02:52

23 these loans means that there is some sort of seal of 02:52

24 approval by the federal government about the quality of 02:52

25 the education or the practices by the institution. 02:52

1 BY MR. PURCELL: 02:52

2 Q Well, aside of it being a seal of approval, if it 02:52

3 was known to everybody, including the federal government, 02:52

4 that ITT was basically a criminal enterprise, that was 02:52

5 widespread knowledge, do you really think that the federal 02:52

6 government would still give loans to students who wanted 02:53

7 to attend there? 02:53

8 A So I have -- I don't -- 02:53

9 (Simultaneous speakers.) 02:53

10 MR. BLOOD: Hang on. Wait. 02:53

11 Vague. Incomplete hypothetical. Argumentative. 02:53

12 Go ahead. 02:53

13 THE WITNESS: So the purpose of the report that I 02:53

14 provided was to demonstrate the widespread abusive 02:53

15 practices and the -- and the notoriety of ITT within the 02:53

16 community for having abusive practices with its students, 02:53

17 and -- and I think -- and, in fact, a lot of the practices 02:53

18 that were talked about in the whistleblower suit in the -- 02:53

19 in the DOJ and the later -- and -- and the early 02:53

20 investigations are -- are the same in -- are the same 02:53

21 practices that were eventually the practices that led to 02:53

22 the closure of ITT and the -- the findings by the 02:53

23 Department of Education, which led to the cancelation of 02:53

24 all remaining federal loans on the program. 02:53

25 So I think the purpose -- the -- the report that 02:54

1 I was asked to give was about what people knew about ITT 02:54
2 and its practices. And so the information which -- there 02:54
3 were -- there were whistleblowers, there were 02:54
4 investigations, there were news reports about, you know, 02:54
5 fraudulent activity by ITT which was known to many of the 02:54
6 participants in the -- in the student loan industry, 02:54
7 and -- and -- and I don't know what the 02:54
8 Department of Education knew, but one of the ways that the 02:54
9 Department of Education operates is that it relies on 02:54
10 self-reporting like reporting on 90/10, for example, as 02:54
11 well as, you know, on accrediting agencies which are also, 02:54
12 you know -- so there's a number of different factors that 02:54
13 go into play here. 02:54

14 But I think the purpose of what I'm describing is 02:54
15 what was known to folks in the community who would have 02:55
16 looked into ITT, who would have understood what the 02:55
17 practices were that were discussed in -- in -- in various 02:55
18 different settings, whether it's the whistleblower, the 02:55
19 DOJ, or their investigation, and so that is the purpose of 02:55
20 this information in my report. 02:55

21 BY MR. PURCELL: 02:55

22 Q Okay. Now we'll move on to the -- you start 02:55
23 referencing how the PEAKS program itself was central to 02:55
24 several investigations. 02:55

25 A Yes. 02:55

1 Q You reference a 2012 02:55
2 Consumer Financial Protection Bureau Civil Investigative 02:55
3 Demand -- 02:55
4 A Yes. 02:55
5 Q -- correct? 02:55
6 A Correct. 02:55
7 MR. BLOOD: What -- what page are you referring 02:55
8 to? 02:55
9 MR. PURCELL: This is page 12 at line 12 through 02:55
10 15 or so. 02:55
11 MR. BLOOD: Okay. 02:55
12 BY MR. PURCELL: 02:56
13 Q Do you know what ultimately happened as the 02:56
14 result of this Civil Investigative Demand? 02:56
15 A So I -- I believe that the results of the -- the 02:56
16 Civil Investigative Demand was the complaint that was 02:56
17 ultimately filed by the 02:56
18 Consumer Financial Protection Bureau. 02:56
19 Q Is that the same one that we discussed before 02:56
20 that did not make any findings that the Vervent defendants 02:56
21 did anything wrong? 02:56
22 A So there were -- there were two 02:56
23 Consumer Financial Protection Bureau complaints. There 02:56
24 was one specifically against ITT, and then there was 02:56
25 another which followed related to the PEAKS Trust. And 02:56

1 I -- I -- I don't -- I don't know which -- which 02:56
2 complaint, if not both, the CFPB relied on. 02:56
3 Q Did -- regardless of which one it was, did the 02:56
4 CFPB ever make any findings that the Vervent defendants 02:56
5 did anything wrong with respect to their servicing of the 02:56
6 PEAKS loans? 02:57
7 A The focus of the -- of the CFPB was primarily on 02:57
8 ITT and on the origination of these loans. 02:57
9 Q So you're not aware of any finding of wrongdoing 02:57
10 on the part of the Vervent defendants with respect to the 02:57
11 CFPB's investigation; correct? 02:57
12 A The Consumer Financial Protection Bureau was -- 02:57
13 complaint does not focus on the defendant Vervent. 02:57
14 Q And it made no findings that the Vervent 02:57
15 defendants did anything wrong; correct? 02:57
16 A Not that I -- I -- not that I am publicly -- that 02:57
17 I am publicly aware of. 02:57
18 Q Are you privately aware? 02:57
19 A No, I'm -- no, I -- I am not aware of any 02:57
20 publicly available that -- thank you for allowing me to 02:57
21 clarify. 02:57
22 I am not aware of any public findings. What I 02:57
23 don't know is if whether or not it made private findings, 02:57
24 to which I cannot speak. 02:57
25 Q Okay. Thank you. 02:57

1 And the next thing is an SEC investigation of the 02:57
2 PEAKS loans. Do you know if the SEC made any findings 02:58
3 that any of the Vervent defendants did anything wrong? 02:58
4 A I do not believe this SEC complaint focused on 02:58
5 the behavior of the defendants. 02:58
6 Q Well, you have an opportunity right now to tell 02:58
7 me if the SEC investigation made any findings of 02:58
8 wrongdoing against the Vervent defendants, whether or not 02:58
9 they were the focus of this investigation. 02:58
10 A Yeah, I mean, so it's an interesting question. 02:58
11 THE REPORTER: I'm sorry, I'm sorry, Ms. Yu, 02:58
12 please slow down. 02:58
13 THE WITNESS: Sorry. 02:58
14 I am not looking at the SEC complaint right at 02:58
15 this moment. The SEC was concerned on the payments on 02:58
16 behalf of borrowers, which the defendants were -- did play 02:58
17 a role in, and so I don't want -- I don't want to speak 02:58
18 too definitively since I'm not looking at the complaint 02:59
19 about whether or not it discussed the defendants 02:59
20 specifically in that role. But the SEC was very concerned 02:59
21 about the payments on behalf of borrowers, which was 02:59
22 something in which the defendants were engaged in. 02:59
23 BY MR. PURCELL: 02:59
24 Q Well, when the SEC was expressing its concern 02:59
25 about that practice, did it take issue with anything that 02:59

1 the Vervent defendants did with respect to those payments? 02:59

2 MR. BLOOD: Calls for speculation. 02:59

3 THE WITNESS: Like I said, I don't -- I don't 02:59

4 have it in front of me right now; so I -- I don't want to 02:59

5 speculate about what -- my memory -- I don't remember what 02:59

6 it said exactly with regards to that. 02:59

7 BY MR. PURCELL: 02:59

8 Q Okay. So as you sit here today, you can't think 02:59

9 of anything -- any issue the SEC had with respect to the 02:59

10 Vervent defendants. 02:59

11 MR. BLOOD: Speculation. 02:59

12 THE WITNESS: I'm sorry, I didn't hear that. 02:59

13 BY MR. PURCELL: 02:59

14 Q Yes. 02:59

15 As you sit here today, you can't think of 02:59

16 anything that the SEC took issue with with respect to the 02:59

17 Vervent defendants? 03:00

18 MR. BLOOD: Calls for speculation. 03:00

19 Go ahead and answer. 03:00

20 THE WITNESS: Yeah. I mean -- and so -- I 03:00

21 don't -- what I don't recall is whether or not the SEC 03:00

22 specifically highlighted the role that Vervent played in 03:00

23 it; however, the SEC did raise issues with the payments on 03:00

24 behalf of borrowers which does -- directly or indirectly, 03:00

25 which -- which, you know, is indirectly or directly 03:00

1	related to the defendants.	03:00
2	And since I don't have the complaint in front of	03:00
3	me, I don't -- I can't say for sure.	03:00
4	BY MR. PURCELL:	03:00
5	Q Thank you, Ms. Yu.	03:00
6	And you've said that twice now, and that part's	03:00
7	covered so you don't have to say it again when I ask this	03:00
8	question.	03:00
9	But the question is: Are you aware of any issue	03:00
10	the SEC raised with respect to the Vervent defendants'	03:00
11	conduct with respect to the payments that ITT made on	03:00
12	behalf of borrowers?	03:00
13	A I don't remember.	03:00
14	Q Thank you.	03:00
15	So then there's the February 2014	03:00
16	Consumer Financial Protection Bureau's suit against ITT	03:01
17	over high-pressure tactics and predatory loans, including	03:01
18	the PEAKS loans.	03:01
19	Do you see that? It's at lines 5 and 6.	03:01
20	A Yes. Are we -- we're moving backwards in --	03:01
21	Q No, we're moving forwards. It's after --	03:01
22	A Forwards.	03:01
23	Q Yeah.	03:01
24	A I'm sorry, I don't see what page we're on.	03:01
25	Q Oh. We're on page 27, and it is -- it's right	03:01

1	there at line 6 -- 5 and 6.	03:01
2	Your words: In February 2014, the	03:01
3	Consumer Financial Protection Bureau sued ITT over	03:01
4	high-pressure tactics and predatory loans including the	03:01
5	PEAKS loans at issue here.	03:01
6	Do you see that?	03:01
7	MR. BLOOD: Wait. What -- what page are you on?	03:01
8	THE WITNESS: Yeah, I'm sorry. I -- I see that	03:01
9	on your screen. I don't see -- I'm -- I'm --	03:01
10	MR. PURCELL: Oh, page 13.	03:01
11	THE WITNESS: Okay. Thank you. Sorry.	03:01
12	MR. PURCELL: Yeah, it's --	03:01
13	MR. BLOOD: Give me a second --	03:01
14	(Simultaneous speakers.)	03:01
15	MR. PURCELL: -- there's a 27 in the middle,	03:02
16	you'll -- you'll see it.	03:02
17	But at page 13.	03:02
18	MR. BLOOD: Okay. And line what?	03:02
19	MR. PURCELL: Lines 5 and 6 -- 5 through 7.	03:02
20	BY MR. PURCELL:	03:02
21	Q Do you see where it says in February 2014?	03:02
22	A Yes.	03:02
23	Q Is that the CFPB action that we've talked about	03:02
24	before where there was a settlement in 2020?	03:02
25	A The settlement in -- in -- in September 2020 was	03:02

1 with the PEAKS loan program. No, the settlement with ITT 03:02
2 was in 2019. 03:02
3 Q Okay. Oh, that was the ITT settlement. Okay. 03:02
4 Thank you. 03:02
5 And in that settlement, was there any finding 03:02
6 that the Vervent defendants did anything wrong? 03:03
7 A The CFPB's settlement was, again, focused on the 03:03
8 high-pressure sales tactics and predatory lending 03:03
9 practices of ITT which is what led to the origination of 03:03
10 the PEAKS loans that Vervent was servicing but was not -- 03:03
11 yeah. 03:03
12 Q Yeah, so that predated Vervent's participation in 03:03
13 the PEAKS loan program. 03:03
14 A Well, the CFPB investigation was -- rode 03:03
15 alongside of Vervent's participation in the PEAKS loan 03:03
16 program. Vervent was -- Vervent was served with a 03:03
17 Civil Investigative Demand in 2012 or 2013 I believe. 03:03
18 Q Well, I -- I mean, the -- the -- when you 03:03
19 referenced the origination of the loans, I was referencing 03:03
20 that the origination of these loans predated Vervent's 03:03
21 involvement; correct? 03:04
22 A The -- Vervent, as I understand, was not -- was 03:04
23 not involved in the origination. As a servicer, it would 03:04
24 not be involved in the origination of the loans. 03:04
25 Q Okay. Thanks. 03:04

1	And then you reference: In 2014, over one dozen	03:04
2	state attorneys general investigated ITT for fraud and	03:04
3	deceptive marketing.	03:04
4	Do you see that?	03:04
5	A Yes.	03:04
6	Q Are you familiar in general with those	03:04
7	investigations?	03:04
8	A I am in general familiar with those	03:04
9	investigations.	03:04
10	Q Are you aware of any findings that the Vervent	03:04
11	defendants did anything wrong?	03:04
12	A My understanding of those investigations is they	03:04
13	were focused on the practices of ITT.	03:04
14	Q So there was no findings, to your knowledge, that	03:04
15	Vervent did anything wrong?	03:04
16	A To -- to my knowledge, their findings were --	03:04
17	were focused on the behavior of a -- of ITT.	03:04
18	Q And that they made no findings with respect to	03:04
19	any wrongdoing on the part of the Vervent defendants?	03:05
20	MR. BLOOD: Asked and answered.	03:05
21	BY MR. PURCELL:	03:05
22	Q Will you please answer?	03:05
23	A Sorry, I'm -- I'm thinking -- I'm thinking	03:05
24	through the "making no findings," that there are no	03:05
25	findings that were publicly made -- that were made	03:05

1 publicly available as a part of those investigations. 03:05

2 I don't know what those dates would have -- what 03:05

3 findings they may have made internally and not release 03:05

4 publicly. 03:05

5 Q Okay. Are you aware of the 03:05

6 U.S. Department of Education ever making any findings that 03:05

7 Vervent behaved inappropriately with respect to the PEAKS 03:05

8 loans? 03:05

9 A Similarly, the Department of Education's findings 03:05

10 are based upon the -- the -- the behavior of ITT as it was 03:05

11 making the loans that Vervent was servicing, but it was 03:05

12 focused primarily on ITT. 03:05

13 Q Are you aware of the U.S. Department of Education 03:05

14 ever investigating loan servicers? 03:06

15 A It investigates -- it certainly investigates 03:06

16 the -- I don't know if that's the correct word, but 03:06

17 certainly, it -- it contracts with its own servicers, and 03:06

18 certainly, I -- it does look into and make adjustments on 03:06

19 borrowers' accounts based upon the behavior of those loan 03:06

20 servicers. The -- the Department of Education is not a -- 03:06

21 it's not a financial regulator like the 03:06

22 Consumer Financial Protection Bureau or state attorneys 03:06

23 general. 03:06

24 MR. BLOOD: And John, we're a little past an 03:06

25 hour. 03:06

1 MR. PURCELL: Let's take a break. 03:06

2 MR. BLOOD: Okay. 03:06

3 MR. PURCELL: Okay. Thank you. 03:06

4 MR. BLOOD: Ten minutes. 03:06

5 THE VIDEOGRAPHER: We are going off the record at 03:06

6 3:06 P.M. 03:07

7 (A brief recess was taken.) 03:23

8 THE VIDEOGRAPHER: We are going back on the 03:23

9 record at 3:23 P.M. 03:23

10 MR. PURCELL: 03:23

11 Q Ms. Yu, you understand you're still under penalty 03:23

12 of perjury; correct? 03:23

13 A Correct. 03:23

14 Q You have -- in your professional life, you've 03:23

15 participated in a great many investigations; correct? 03:23

16 A Can you say more -- what do you mean by both 03:23

17 "great number" and "investigations"? 03:23

18 Q Okay. Do you have any -- any professional 03:24

19 experience in conducting investigations? 03:24

20 A Again, I'm not -- I'm -- I'm not exactly sure 03:24

21 what you mean by "investigations." 03:24

22 Q And I'm not sure how to define that word any 03:24

23 better. It's an investigation. 03:24

24 Do you sometimes examine situations to see if 03:24

25 something should be done about them? 03:24

1 MR. BLOOD: Vague. 03:24

2 BY MR. PURCELL: 03:24

3 Q Is there -- is there a part of "investigation" 03:24

4 you don't understand, Ms. Yu? 03:24

5 A I just want to make sure that I understand -- you 03:24

6 know, I've never been, for example, a federal regulator; 03:24

7 however, you know, I -- I do research and I look at 03:24

8 documents that are -- that are publicly available and, you 03:24

9 know, suggest courses of action based upon, you know, my 03:24

10 analysis of those documents. 03:24

11 Q Okay. So I guess you don't -- you do not 03:24

12 consider yourself to be a professional investigator. Is 03:25

13 that accurate? 03:25

14 MR. BLOOD: Vague. 03:25

15 THE WITNESS: I would say that part of the work 03:25

16 that I do sometimes involves investigating situations. I 03:25

17 don't think I would describe myself as an investigator. 03:25

18 BY MR. PURCELL: 03:25

19 Q Thank you. 03:25

20 But you are familiar with, as I -- I can tell 03:25

21 from your report, you mentioned several investigators into 03:25

22 ITT and the PEAKS program; correct? 03:25

23 A Yes. There -- other people have done numerous 03:25

24 investigations into ITT and the PEAKS program. 03:25

25 Q And you did not have any personal role in those 03:25

1 investigations, did you? 03:25

2 A I did not have a personal role in any of those 03:25

3 investigations. 03:26

4 Q Does the fact that there's an investigation mean 03:26

5 that something wrong has definitely occurred? 03:26

6 MR. BLOOD: Vague. 03:26

7 THE WITNESS: I think the mere -- so I think 03:26

8 typically the way that investigations occur is that -- 03:26

9 that, you know, they may be investigating complaints. 03:26

10 They may be investigating, you know, allegations that were 03:26

11 raised in some other -- through some other medium. 03:26

12 Usually, there is some activity which leads to an 03:26

13 investigation. 03:26

14 BY MR. PURCELL: 03:26

15 Q Okay. But the fact that an investigation occurs 03:26

16 does not by itself mean that wrongdoing has occurred; 03:26

17 correct? 03:26

18 A That is why an investigation occurs, in order to 03:26

19 find out whether or not wrongdoing has occurred. 03:27

20 Q And until we get to the end of the investigation, 03:27

21 we don't have the benefit of a finding of whether or not 03:27

22 wrongdoing has occurred; correct? 03:27

23 MR. BLOOD: Vague. Calls for speculation. 03:27

24 THE WITNESS: I think we can have evidence of 03:27

25 wrongdoing. 03:27

1	BY MR. PURCELL:	03:27
2	Q Okay. Are -- are you aware of any investigation	03:27
3	that in your opinion meant that Vervent had to stop	03:27
4	servicing the PEAKS loans?	03:27
5	MR. BLOOD: Vague. Incomplete hypothetical.	03:27
6	THE WITNESS: I'm sorry, can you say that one	03:27
7	more time?	03:27
8	BY MR. PURCELL:	03:27
9	Q Sure.	03:27
10	Was -- was there -- at any point, was there an	03:27
11	investigation that occurred and because that investigation	03:27
12	occurred, you believe Vervent definitely should have	03:27
13	stopped servicing the PEAKS loans at that moment?	03:27
14	MR. BLOOD: Same objections.	03:27
15	THE WITNESS: So I think the mere fact of the	03:28
16	investigations is not necessarily -- does not necessarily	03:28
17	rise to the level that Vervent should've stopped servicing	03:28
18	the loans, but I think that the information with which --	03:28
19	the information -- sorry, let me -- let me start this	03:28
20	phrase again.	03:28
21	I think that there is information which Vervent	03:28
22	had in which those -- in which those investigations were	03:28
23	looking at which raised serious questions about the	03:28
24	enforceability of the loan and whether or not Vervent was	03:28
25	forced to stop collecting on those loans. Vervent	03:28

1 affirmatively chose to continue collecting on those loans 03:28
2 and to continue their contract with ITT and the PEAKS 03:28
3 loans trust. 03:28
4 BY MR. PURCELL: 03:28
5 Q Let's use -- let's use our words kind of 03:28
6 precisely. 03:28
7 There's "servicing" loans, and there's 03:28
8 "collecting" on loans, and there -- there's definitely a 03:28
9 relation between the two. But a loan servicer, their job 03:29
10 is to accept payment on the loans and pass those payments 03:29
11 on to the lender; correct? 03:29
12 MR. BLOOD: Incomplete. 03:29
13 THE WITNESS: Yeah, I mean, that -- that is 03:29
14 certainly one of the functions of the -- the servicer. 03:29
15 MR. PURCELL: Sure. 03:29
16 THE WITNESS: Servicers do collect -- do take 03:29
17 payments from borrowers and pass that on to the trust. 03:29
18 They -- they serve a number of other functions as well. 03:29
19 MR. PURCELL: Yeah. 03:29
20 THE WITNESS: But yes, it includes those -- those 03:29
21 that you just listed. 03:29
22 BY MR. PURCELL: 03:29
23 Q And the -- some of the other functions include 03:29
24 keeping track of borrower addresses; correct? 03:29
25 A Yeah, some of the other functions include 03:29

1 tracking the data about the borrowers, keeping -- keeping 03:29
2 track of -- keeping track of those payments. It also 03:29
3 includes things such as advising borrowers about details 03:29
4 about their loans, about their loan options, about their 03:29
5 repayment terms, about their repayment options as well. 03:30
6 So there's a number of different functions of 03:30
7 which the servicers -- I mean, servicers are basically the 03:30
8 main interface between the student loan borrower and the 03:30
9 loan holder. 03:30
10 Q Are -- are you aware of any regulation or statute 03:30
11 that requires a servicer to stop servicing loans because 03:30
12 they're aware that a school is being investigated? 03:30
13 MR. BLOOD: Vague. Incomplete hypothetical. 03:30
14 THE WITNESS: There is not a law that 03:30
15 specifically states it in-- in those ways; however, it is 03:30
16 an unfair and deceptive practice to demand -- to, you 03:30
17 know, misrepresent the enforceability of a loan. It is -- 03:30
18 it -- there are certainly laws that talk about the 03:30
19 communications, whether or not it's (unintelligible) -- 03:30
20 THE REPORTER: I'm sorry, I'm sorry, you're going 03:30
21 too fast for me. 03:30
22 "Whether or not..."? 03:30
23 THE WITNESS: Sorry. 03:30
24 Whether or not it's an unfair or deceptive 03:30
25 practice to demand payments on a loan that you have a 03:30

1 reason to believe is unenforceable. 03:31

2 So I think that there's -- there's a number of 03:31

3 different laws which -- which could, but there are none 03:31

4 that are the precise -- provide the precise wording that 03:31

5 you asked about. 03:31

6 BY MR. PURCELL: 03:31

7 Q When was the PEAKS loans deemed unenforceable as 03:31

8 a matter of law, Ms. Yu? 03:31

9 MR. BLOOD: Vague. 03:31

10 THE WITNESS: I -- I -- so I don't believe that 03:31

11 there -- I -- I am not aware of any judicial determination 03:31

12 that the loans were unenforceable. There was, of course, 03:31

13 the settlement between the loan -- between the CFPB and 03:31

14 the PEAKS loan trust which -- which resulted in the 03:31

15 cancelation of the loans which means that they, you know, 03:31

16 were then unenforceable. 03:31

17 BY MR. PURCELL: 03:32

18 Q And that occurred in the fall of 2020; correct? 03:32

19 A That's correct. 03:32

20 Q Are you aware of any conduct on the part of the 03:32

21 Vervent defendants that violated the terms of that 03:32

22 settlement in terms of collection or servicing the PEAKS 03:32

23 loans after the fall of 2020? 03:32

24 A I am not aware of any activity of -- of the 03:32

25 defendant after -- after that period. 03:32

1 Q And you're also not aware of any time before the 03:32
2 fall of 2020 when the PEAKS loans had been deemed 03:32
3 unenforceable; correct? 03:32
4 A The -- that there was evidence of the loans would 03:32
5 be unenforceable, but that there was not a determination. 03:32
6 Q In your opinion, there is evidence that the loans 03:32
7 might be unenforceable -- 03:32
8 A That's correct. 03:32
9 Q -- because there was no determination -- 03:32
10 A It's my opinion that there was evidence to 03:32
11 suggest that the loans might be unenforceable. 03:32
12 Q To suggest; correct? That's all you're saying? 03:32
13 It was -- there was a question. 03:32
14 A There are questions about -- 03:32
15 (Simultaneous speakers.) 03:33
16 THE REPORTER: I'm sorry, guys, guys, guys. I'm 03:33
17 sorry, guys. 03:33
18 Counsel, I need -- I need that line again there. 03:33
19 Everyone's talking at the same time. 03:33
20 MR. BLOOD: Sorry. 03:33
21 Misstates prior testimony. 03:33
22 Go ahead. 03:33
23 MR. PURCELL: No, I -- I was asking the witness 03:33
24 whether there had been any determination that -- prior to 03:33
25 the fall of 2020 that the loans were unenforceable, and I 03:33

1 believe that she responded that she believed that there 03:33
2 was evidence to suggest that they were unenforceable -- 03:33
3 THE REPORTER: I'm sorry to interrupt, Counsel, 03:33
4 but I -- I didn't get that part, and so now I'm just 03:33
5 getting you testifying and not the witness; so I need -- I 03:33
6 need -- 03:33
7 MR. PURCELL: Okay. Let's -- let's start over. 03:33
8 Okay. 03:33
9 THE WITNESS: Yeah. 03:33
10 BY MR. PURCELL: 03:33
11 Q So prior to the fall of 2020, Ms. Yu -- 03:33
12 A Yes. 03:33
13 Q -- there had been no determination that these 03:33
14 loans were unenforceable; correct? 03:33
15 MR. BLOOD: Vague. 03:33
16 THE WITNESS: Prior to -- 03:33
17 MR. BLOOD: I'm sorry, hang on a second. 03:33
18 John, maybe define by who. In other words, the 03:33
19 problem is somebody may have made that determination. It 03:34
20 may not matter, but maybe define by whom a 03:34
21 determination -- 03:34
22 MR. PURCELL: Well -- 03:34
23 MR. BLOOD: -- was made. 03:34
24 BY MR. PURCELL: 03:34
25 Q Ms. Yu, you're not aware of any court or 03:34

1 governmental agency making any determination that the 03:34
2 PEAKS loans were unenforceable prior to the fall of 2020; 03:34
3 is that correct? 03:34
4 A There is -- that no court or government agency 03:34
5 made a public determination or publicly released findings 03:34
6 prior to 2020. I can't speak to what they -- what they 03:34
7 internally found or thought or believed. 03:34
8 Q And if you can't speak to it, then you have no 03:34
9 opinion of it as an expert in this case; correct? 03:34
10 MR. BLOOD: Vague. 03:34
11 THE WITNESS: Yeah, if it's out -- if they didn't 03:34
12 say it publicly, it is outside the scope of my expert 03:34
13 report. 03:35
14 BY MR. PURCELL: 03:35
15 Q And I believe I asked you before about whether 03:35
16 there was some time when, in your opinion, the PEAKS loans 03:35
17 became unenforceable, and I believe you responded that you 03:35
18 could not provide an opinion on that; is that correct? 03:35
19 A So I mean, I guess -- here -- the -- the -- I'm 03:35
20 struggling a little bit with your question here, because 03:35
21 if the loans are unenforceable because they don't exist, 03:35
22 then they became unenforce- -- then they were always 03:35
23 unenforceable, and so I think I -- I think I'm -- I'm 03:35
24 struggling with -- a little bit with -- to understand what 03:35
25 exactly you're asking me to state. 03:35

1 Q Okay. So if the PEAKS loans were unenforceable, 03:35
2 they were unenforceable at their outset then; correct, 03:35
3 because they did not have the -- 03:35
4 (Simultaneous speakers.) 03:36
5 A Right, yeah. So I mean -- 03:36
6 THE REPORTER: I'm sorry, guys, guys. I'm sorry, 03:36
7 Counsel, I didn't get the end of the question. 03:36
8 MR. PURCELL: Sure. 03:36
9 BY MR. PURCELL: 03:36
10 Q In your opinion, Ms. Yu, if the PEAKS loan 03:36
11 were -- loans were unenforceable, they were unenforceable 03:36
12 at the outset, at their origination, because they lacked 03:36
13 the requisite disclosures in order to be viable 03:36
14 enforceable loans; is that correct? 03:36
15 A Right. That if the -- that if the requisite -- I 03:36
16 mean, the documents are evidence that a loan exists and if 03:36
17 a loan exists -- if the loan fails to exist, then the -- 03:36
18 then there's nothing to enforce. 03:36
19 Q Okay. And -- and you're -- you're not aware of 03:36
20 anything that occurred after their origination that 03:36
21 rendered them unenforceable at some later point in time; 03:36
22 correct? 03:36
23 A There is nothing in the record to base an opinion 03:36
24 about activities that occurred afterwards about the 03:37
25 enforceability. There are activities that could have 03:37

1 occurred, but they're not -- they were outside the scope 03:37
2 of my report. 03:37
3 Q Thank you. 03:37
4 And do you have any opinion about what would've 03:37
5 happened to the PEAKS loans if the Vervent defendants had 03:37
6 simply told ITT they would not service them? 03:38
7 MR. BLOOD: Calls for speculation. Vague. 03:38
8 THE WITNESS: I -- I don't have an opinion about 03:38
9 what would've happened to the PEAKS loans. 03:38
10 BY MR. PURCELL: 03:38
11 Q In your review of the various investigations into 03:38
12 the PEAKS loans program, did you note that anybody had any 03:38
13 issues with any of the actual servicing that the Vervent 03:38
14 defendants did? 03:39
15 MR. BLOOD: Vague. 03:39
16 THE WITNESS: Can you -- can you rephrase that 03:39
17 for me? 03:39
18 BY MR. PURCELL: 03:39
19 Q Sure. 03:39
20 You've reviewed a lot of investigations relating 03:39
21 to the PEAKS loans, and I was just asking whether in your 03:39
22 review of those investigations and their findings and 03:39
23 their various settlements whether you noticed that anybody 03:39
24 had any issues with the way that Vervent did the servicing 03:39
25 on the loans. 03:39

1 MR. BLOOD: Same objection. 03:39

2 THE WITNESS: I do not recall. I -- yeah, I 03:40

3 don't recall. 03:40

4 MR. PURCELL: Okay. We're getting very close to 03:40

5 the end. Just give me a minute. 03:40

6 Okay. That's all I've got. 03:42

7 MR. BLOOD: Thank you. 03:42

8 MR. PURCELL: Thanks. 03:42

9 THE REPORTER: Okay. Can we go off the record? 03:42

10 MR. PURCELL: Yes. 03:42

11 THE VIDEOGRAPHER: We are going off the record at 03:42

12 3:42 P.M., and this concludes today's testimony given by 03:42

13 Persis Yu. 03:42

14 The media will be retained by 03:42

15 Veritext Legal Solutions. 03:42

16

17 (Whereupon, the deposition concluded at 3:42 P.M.)

18

19 (DECLARATION UNDER PENALTY OF PERJURY ON THE FOLLOWING

20 PAGE HEREOF.)

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I, PERSIS YU, do solemnly declare under penalty of perjury that the foregoing is my deposition under oath; that these are the questions asked of me and my answers thereto; that I have read same and have made the necessary corrections, additions, or changes to my answers that I deem necessary.

In witness thereof, I hereby subscribe my name this day of _____, 2023.

WITNESS SIGNATURE

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CERTIFICATION

OF

CERTIFIED SHORTHAND REPORTER

I, the undersigned, a Certified Shorthand Reporter of the State of California do hereby certify:

That the foregoing proceedings were taken before me at the time and place herein set forth; that any witnesses in the foregoing proceedings, prior to testifying, were placed under oath; that a verbatim record of the proceedings was made by me using machine shorthand which was thereafter transcribed under my direction; further, that the foregoing is an accurate transcription thereof.

I further certify that I am neither financially interested in the action nor a relative or employee of any attorney of any of the parties.

IN WITNESS WHEREOF, I have this date subscribed my name.

Dated: April 11, 2023



CSR No. 13558

1 JOHN S. PURCELL

2 john.purcell@afslaw.com

3 April 11, 2023

4 RE: HEATHER TURREY vs. VERVENT, INC.

5 March 28, 2023-PERSIS YU-5831593

6 The above-referenced transcript has been
7 completed by Veritext Legal Solutions and
8 review of the transcript is being handled as follows:

9 ___ Per CA State Code (CCP 2025.520 (a)-(e)) - Contact Veritext
10 to schedule a time to review the original transcript at
11 a Veritext office.

12 ___ Per CA State Code (CCP 2025.520 (a)-(e)) - Locked .PDF
13 Transcript - The witness should review the transcript and
14 make any necessary corrections on the errata pages included
15 below, notating the page and line number of the corrections.
16 The witness should then sign and date the errata and penalty
17 of perjury pages and return the completed pages to all
18 appearing counsel within the period of time determined at
19 the deposition or provided by the Code of Civil Procedure.

20 ___ Waiving the CA Code of Civil Procedure per Stipulation of
21 Counsel - Original transcript to be released for signature
22 as determined at the deposition.

23 ___ Signature Waived - Reading & Signature was waived at the
24 time of the deposition.

25 Page 91

1 ___ Federal R&S Requested (FRCP 30(e)(1)(B)) - Locked .PDF
2 Transcript - The witness should review the transcript and
3 make any necessary corrections on the errata pages included
4 below, notating the page and line number of the corrections.
5 The witness should then sign and date the errata and penalty
6 of perjury pages and return the completed pages to all
7 appearing counsel within the period of time determined at
8 the deposition or provided by the Federal Rules.
9 _X_ Federal R&S Not Requested - Reading & Signature was not
10 requested before the completion of the deposition.

1 HEATHER TURREY vs. VERVENT, INC.
2 March 28, 2023-PERSIS YU-5831593
3 E R R A T A S H E E T
4 PAGE_____ LINE_____ CHANGE_____
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19 PAGE_____ LINE_____ CHANGE_____
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22 _____
23 _____
24 WITNESS Date
25

[& - action]

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Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and

(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

DISCLAIMER: THE FOREGOING FEDERAL PROCEDURE RULES ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

THE ABOVE RULES ARE CURRENT AS OF APRIL 1, 2019. PLEASE REFER TO THE APPLICABLE FEDERAL RULES OF CIVIL PROCEDURE FOR UP-TO-DATE INFORMATION.

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