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Community College Fact Sheet for the U.S. Department of Education's Proposed "Gainful Employment" Regulations

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Overview

The U.S. Department of Education (ED) has released the Notice of Proposed Rulemaking (NPRM) to set standards for vocational programs at community colleges and for-profit institutions which must *"prepare students for gainful employment in a recognized occupation."* The new regulations include a number of revisions from prior versions of the rule – both draft and final – to satisfy court opinions and demands from consumer groups to strengthen the regulation's impact on predatory programs.

The proposed standards include two primary metrics for judging program eligibility for Title IV funds. The metrics are largely unchanged from the last public draft released to negotiators and the public in December 2013. These two gainful employment metrics are:

- **Debt-to-Earnings:** Gainful employment programs would "pass" the debt-to-earnings standard if completers who receive federal student aid spend less than 8 percent of their *annual earnings* on federal student loan payments, or less than 20 percent of their *discretionary earnings* on payments – defined as income above 150% of the federal poverty level for a single person. Programs would "fail" if their payments were above 12 percent on annual and 30 percent on discretionary. Those in the "zone" would fall between the passing and failing standards. Programs that failed both annual and discretionary debt-to-earnings tests twice in any three-year period, or are in the zone for four consecutive years, would become ineligible for Title IV student aid. Both debt payments and earnings would be evaluated by median levels. Earnings information will be obtained through Social Security Administration data.

- **Program-Level Cohort Default Rates (pCDR):** Much like institutional CDRs, this metric would judge the number of student borrowers who enter repayment and subsequently default within three fiscal years. However, the pCDR metric would evaluate those default rates at the *program level*. Individual programs with a default rate at or above 30.0 percent for three consecutive years would be ineligible for Title IV aid. Similar corrections, adjustments, and appeals processes for institutional CDRs – such as the Participation Rate Index appeal – would be available. A minimum number of 30 borrowers entering repayment would be needed for the metric to apply to programs.

Estimated Impact

The total number of community college programs considered to be "failing" the new gainful employment regulations is approximately 50 in total, although this is based on a one-year snapshot of data provided by ED. **No community college programs fail the debt-to-earnings tests** by being above both 12 percent annual and 30 percent discretionary thresholds. Therefore, these 50 programs all struggle with the "pCDR" metric. However, programs would need to cross the pCDR threshold of defaults ≥ 30.0% for three consecutive years before their Title IV aid would become at risk, so it is difficult to know how many might ultimately lose eligibility based on this one-year snapshot of data. Given that many programs have small numbers of borrowers, some programs may be able to significantly reduce their pCDRs through effective borrower outreach. The total Title IV enrollment in the 50 community college programs that are failing is approximately 12,000 students nationwide.

Reporting & Disclosure

All gainful employment programs will continue to be required to report information on their participants and disclose to the public information via the new ED-designed web template. However, the NPRM adds some new requirements for institutions. The following is a summary of some required reporting and disclosure items:

Reporting – on individual students for accountability purposes:

- Information needed to identify the student and the institution
- Name, CIP code, credential level, and length of the program
- Date student initially enrolled, attendance dates, and current enrollment status and intensity
- For completed or withdrawn students, the date of completion or withdrawal, total loan debt incurred, and cost of attendance including tuition, fees, books, supplies, and equipment

Disclosures – on programs for consumer information purposes:

- The primary occupations (by name and SOC code) that the program prepares students to enter
- As calculated by the Secretary, the program's completion rates for full-time and less-than-full-time students and the program's withdrawal rates
- The length of the program in calendar time (i.e., weeks, months, years) and the number of clock or credit hours, as applicable, in the program
- Total number of individuals enrolled in program during most recently completed award year
- Loan repayment rates for students who enrolled, completed, or withdrew from program
- The total cost of tuition and fees, and the total cost of books, supplies, and equipment that a student would incur for completing the program within the length of the program
- Job placement rate for the program, if the institution is required by its accrediting agency or State to calculate a placement rate
- Percentage of enrolled students who incurred debt for enrollment in the program
- Median loan debt for completers, withdrawn students, and all students
- As provided by the Secretary, the median earnings for students who completed and withdrew
- As calculated by the Secretary, the most recent pCDR
- As calculated by the Secretary, the most recent annual earnings rate for the program
- If applicable, whether the program holds the programmatic accreditation necessary for an individual to obtain employment in the occupation for which the program prepares the student

Changes from 2013 Draft:

Compared to draft released in December 2013, the NPRM includes a number of changes and modifications. Among these is a new accountability framework that would create a "certification process" by which an institution would establish a gainful employment program's eligibility for Title IV, HEA program funds, as well as a process by which the Department would determine whether a program remains eligible. An institution would establish the eligibility of a gainful employment program by certifying that the program is included in the institution's accreditation and satisfies any applicable State or Federal program-level accrediting and licensing requirements for the occupations for which the program purports to prepare students to enter.

The NPRM version raises the required number of Title IV completers in a cohort that must be present for a program to be subject to the debt-to-earnings metrics from 10 to 30, which exempts many smaller programs. An appeals process, or "showing of mitigating circumstances," is created for low rates of borrowing – where the overall number of completers taking out any federal loans is less than 50 percent. However, this would only apply to the debt-to-earnings metrics, and no community colleges fail these measures. The NPRM also eliminates a requirement known as "borrower relief" that would have required programs that lose Title IV eligibility to provide debt relief to previously-enrolled students. ED also removed a cap on the amount of federal financial aid that programs about to lose eligibility could receive.

Summary chart as provided by the U.S. Department of Education:

1. Certification requirements		
Institutions must certify that each of their gainful employment programs meets applicable institutional or program-level accreditation requirements and state or federal licensure standards.		
2. Accountability metrics		
To maintain Title IV eligibility, gainful employment programs will be required to meet minimum standards measured by two metrics: debt-to-earnings and program cohort default rate.		
	Annual debt-to-earnings (aD/E) **Discretionary debt-to-earnings (dD/E)**	**Program cohort default rate (pCDR)**
Students	Title-IV aided completers	Title-IV aided completers *AND* non-completers
Categories & thresholds	Pass: aD/E≤8% *OR* dD/E≤20% Zone: 8%<aD/E≤12% *OR* 20%<dD/E≤30% Fail: aD/E>12% *AND* dD/E>30%	Pass: pCDR<30% Fail: pCDR≥30%
Ineligibility	A program becomes ineligible to provide Title IV aid for 3 years if: It fails in any 2 out of 3 consecutive years *OR* It is in the zone (or a combination of being in the zone and failing) for 4 consecutive years	A program becomes ineligible to provide Title IV aid for 3 years if it fails for 3 consecutive years.
3. Disclosures		
Institutions will be required to make public disclosures regarding the performance and outcomes of their gainful employment programs. The disclosures include information on costs, earnings, debt, default rates, and completion rates.		

Note: programs must pass *both* the debt-to-earnings metric <u>and</u> the pCDR metric over the given time frames to remain fully Title IV eligible. A failure in one of these two measures could lead to ineligibility for Title IV aid.