





Gainful Employment—School Impacts



Agenda




- Final rules published on October 29, 2010 in the *Federal Register*:
 - Program Integrity
 - Reporting and disclosure requirements for gainful employment in a recognized occupation
 - Gainful Employment—new programs
 - Requirements for adding a new program that prepares students for gainful employment
 - The final rules (both sets) are effective July 1, 2011



Agenda TG™


- Proposed rules published on July 26, 2010 in the *Federal Register*:
 - Gainful Employment
 - ED has indicated that it expects to publish final rules in early 2011
- Summary and resources



Gainful Employment TG™

- The final rules published so far
 - Lay the groundwork for future, substantial changes regarding programs that prepare students for gainful employment in a recognized occupation
 - Establish new reporting and disclosure requirements for schools
 - Affect virtually all programs offered by *for-profit schools*, and all non-degree (certificate or diploma) programs offered by *public and nonprofit schools*

§§§§ 600.4, 600.5, 600.6, 668.6



Final Rules — Gainful Employment

Reporting and Disclosure Requirements

Gainful Employment



Disclosures are intended to provide prospective students with answers to these questions:

- What specific job(s) is the program designed to prepare me to perform?
- How successful have graduates of the program been in securing employment in the targeted job(s)?
- Do students generally graduate from the program within the expected (normal) amount of time?

§ 668.6 (b)



Gainful Employment



Disclosures

- What is the total cost of the program that I will need funding to cover?
- How much loan debt (federal, private, and school-based) do students typically incur in the program?

§ 668.6 (b)



Gainful Employment



Disclosures

- For *each* covered program, the school must provide on its Web site:
 - The occupation by name and Standard Occupational Classification (SOC) code applicable to the educational program, with a link to the occupational profile on O*NET
 - On-time graduation rate for students completing the program

§ 668.6 (b)



Gainful Employment



- Disclosures
 - For each covered program, the school must provide on its Web site:
 - Cost of the program, including tuition and fees, room and board, and typical costs for books and supplies
 - Beginning on July 1, 2011, the placement rate for students completing the program, as calculated under § 668.8 (g) or a state-sponsored workforce data system

§ 668.6 (b)



Gainful Employment



- Disclosures
 - For each covered program, the school must provide on its Web site:
 - Median loan debt incurred by students who completed the program in the preceding 4 years, identified separately as:
 - Debt from Title IV loans
 - Debt from private educational loans and school financing plans
 - ED will compute median loan debt by program

§ 668.6 (b)



Gainful Employment



- Annual reporting to ED will include:
 - Information to identify each student who enrolled in a program during a period
 - Classification of Instructional Program (CIP) code for that program
- If student completed the program:
 - Completion date
 - Amounts student received from private educational loans and school financing plans

§ 668.6 (a)



Gainful Employment



- Annual reporting to ED (cont'd)
 - Beginning in 2011, with data from the
 - 2006-07 through 2009-10 award years
 - First data submission due by October 1, 2011
 - Time period rolls forward a year at a time in future years
 - If any data is unavailable, school must explain the reason

§ 668.6 (a)



Final Rules — Gainful Employment

New Programs

Gainful Employment



- A new or additional program includes:
 - A program with a CIP code that is different from the CIP code for any other program
 - A program with the same CIP code as another program, but that leads to a different degree or certificate
 - A program that the school's accrediting agency determines to be an additional program

§ 600.10 (c)



Gainful Employment



- School must notify ED at least 90 days *before* the first day of class when it intends to offer a new program that prepares students for gainful employment

§§ 600.10 (c); 600.20 (d)



Gainful Employment



- New program notice to ED must include:
 - How the school determined the need for the program
 - How the program was designed to meet market needs
 - How the program was reviewed or approved by, or developed in conjunction with, relevant entities
 - Description of any wage analysis performed by the school for the program's graduates
 - Confirmation that the program is accredited

§ 600.20 (d)



Gainful Employment



- Outcome of new program notice to ED:
 - School may be required to obtain approval
 - If school submits timely notification to ED, school will be notified at least 30 days before the first the day of class if program approval must be obtained
 - If not notified by ED at least 30 days before the first day of class, school may offer program as planned
 - If school does not submit timely notice, school must obtain ED approval of the new program

§ 600.20 (d)



Proposed Rules — Gainful Employment

Proposed Rules — Program Outcomes



- Why did ED decide to define “gainful employment in a recognized occupation” in the first place?




Proposed Rules — Program Outcomes



- To determine which programs do an adequate job of preparing students for gainful employment, ED has proposed 2 criteria:
 - Loan repayment rate
 - Debt to earnings ratios (two separate but related measures)
 - Average annual earnings ratio
 - Discretionary income ratio


Proposed § 668.7




Loan Repayment Rate 

- Loan repayment rate:
 - Determines if former students who entered repayment during the past 4 fiscal years on their FFELP or FDLP loans for the program have made sufficient payments during the most recent year to reduce the outstanding principal balance of those loans
 - Former students include both completers and non-completers
 - FFELP and FDLP loans include Stafford and Grad PLUS


Proposed § 668.7



Loan Repayment Rate 

- Terminology:
 - *Federal fiscal year (FFY)*: Oct 1 of prior year - Sept 30 of specified year
 - *Loans Paid in Full (LPF)*: Loans paid in full except via a consolidation loan
 - *Original Outstanding Principal Balance (OOPB)*: Loan balance at time repayment period began
 - *Reduced Principal Loan (RPL)*: Borrower payments during the most recently completed FFY reduced the loan's outstanding principal balance since the beginning of the year

Proposed § 668.7




Loan Repayment Rate **TG™**

- Calculation:

$$\frac{\text{OOPB of LPF} + \text{OOPB of RPL}}{\text{OOPB of all FFELP and FDLP loans for students who attended the program}}$$


Proposed § 668.7



Debt to Earnings Ratio — Average Annual Earnings **TG™**

- Average annual earnings ratio:
 - Determine the average percentage of a graduate's salary that is consumed by loan repayment
 - Includes all program completers in the 3 most recently completed award years prior to the earnings year
 - Or all completers in the 4th, 5th, and 6th award years prior to the earnings year
 - Includes Title IV loans, private educational loans, and institutional financing debt

Proposed § 668.7



Debt to Earnings Ratio — Average Annual Earnings



- Terminology:
 - *Award Year (AY)*: July 1 of prior year - June 30 of specified year
 - *Earnings Year (EY)*: Most recent calendar year for which wage data on program completers is available to ED
 - *Three-Year Period (3YP)*: 3 most recently completed AYs preceding the EY
 - *Prior Three-Year-Period (P3YP)*: 3 most recently completed AYs preceding the 3YP

Proposed § 668.7



Debt to Earnings Ratio — Average Annual Earnings



- Terminology:
 - *Annual Loan Payment (ALP)*: Median loan debt of completers in the 3YP (or P3YP) is used to compute this amount based on 10-year repayment schedule and current FDLP interest rate on unsubsidized Stafford loans
 - *Average Annual Earnings (AAE)*: The most recent wage data available to ED from another federal agency is used to calculate the average annual earnings of program completers during the 3YP (and P3YP, if possible)

Proposed § 668.7



Debt to Earnings Ratio — Average Annual Earnings

- Calculation:

$$\frac{\text{Annual Loan Payment of program completers}}{\text{Average Annual Earnings of program completers}}$$

Proposed § 668.7



Debt to Earnings Ratio — Discretionary Income

- Discretionary income ratio:
 - Determines the average percentage of a graduate's discretionary income that is consumed by loan repayment
 - Includes all program completers in the 3 most recently completed award years prior to the earnings year
 - Or all completers in the 4th, 5th, and 6th award years prior to the earnings year
 - Student loan debt consists of Title IV loans, private educational loans, and institutional financing debt

Proposed § 668.7



Debt to Earnings Ratio — Discretionary Income



- Terminology:
 - Refer to previously-defined terminology under the Average Annual Earnings (AAE) ratio, and
 - *Discretionary income (DI)*: Difference between AAE and 150% of current federal Poverty Guideline amount for a single person living in the continental U.S.

Proposed § 668.7



Debt to Earnings Ratio — Discretionary Income



- Calculation:

**Annual Loan Payment of
program completers**

**Average Annual Earnings of
program completers minus 150%
of Poverty Guideline Amount**

Proposed § 668.7



Evaluation of Measures



- If a program's loan repayment rate and the debt to earnings ratios indicate that students are financially successful, the program should be eligible.
- If the measures indicate that students are partially but not completely successful, the program should face restrictions and students should be warned about the challenge of repaying loan debt.
- If the measures indicate that students are financially struggling, the program should lose eligibility.

Proposed § 668.7



Evaluation of Measures



Criteria	Eligibility status of the program	Consequences
Loan repayment rate of at least 45 percent AND a debt-earnings ratio of 8 percent or less of average annual earnings or 20 percent or less of discretionary income.	Eligible	None.
Loan repayment rate of at least 45 percent OR a debt-earnings ratio of 8 percent or less of average annual earnings or 20 percent or less of discretionary income.	Eligible	Schools must warn prospective and current students of potential difficulty in repaying debt, and provide the most recent debt measures for the program.

Evaluation of Measures		TG™
Criteria	Eligibility status of the program	Consequences
Loan repayment rate of at least 35 percent, but less than 45 percent AND a debt-earnings ratio of more than 8 percent, but no more than 12 percent, of average annual earnings or more than 20 percent, but no more than 30 percent, of discretionary income	Restricted	Schools must (1) demonstrate employer support for the programs and (2) warn prospective and current students of potential difficulty in repaying debt, and provide the most recent debt measures for the program. The program is subject to limits on enrollment growth.

Evaluation of Measures		TG™
Criteria	Eligibility status of the program	Consequences
Loan repayment rate of less than 35 percent AND a debt-earnings ratio of more than 12 percent of average annual earnings and more than 30 percent of discretionary income.	Ineligible	No new students may receive Title IV aid. Current students may continue to receive aid for the remainder of the award year and one additional award year. While phasing out a program, schools must warn prospective and current students of potential difficulty in repaying debt, and provide the most recent debt measures for the program.

Summary and Resources

Summary



- These rules affect practically *all* programs offered by *for-profit schools*, and all non-degree (certificate or diploma) programs offered by *public and nonprofit schools*.
- Final rules for reporting and disclosure requirements are effective July 1, 2011.
- Interim final rules on new programs are also effective July 1, 2011.



Summary



- A school's first submission of historical, program-related data is due by October 1, 2011, for award years 2006-07 – 2009-10.
- A school must notify ED at least 90 days before the first day of class when it intends to offer a new program to prepare students for gainful employment.




Summary





- Other gainful employment rules regarding program outcome measures are not yet finalized. ED has stated that it will publish final rules in early 2011. The effective date for those measures is expected to be July 1, 2012.
- New program approval rules are likely to change also.




TG Resources 

- *TG Online*: Program Integrity Final Rules page
 - www.tgslc.org/policy/integrity-rules.cfm
 - Final Rules—Program Integrity
 - Final Rules—Gainful Employment: new programs
 - Proposed Rules—Program Integrity, Gainful Employment
 - One-page summaries of final rule topics
 - *Shoptalk* articles on Gainful Employment
 - New Regulations Roadmap and other helpful diagrams
- *Shoptalk*, TG's weekly e-newsletter
 - www.tgslc.org/shoptalk/



Industry Resources and Viewpoints 

- ED's Negotiated Rulemaking page:
 - www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity.html
- NCHHELP side-by-side comparison of current vs. final rules
 - www.nchelp.org
- NASFAA summary articles
 - www.nasfaa.org
- Association of Private Sector Colleges and Universities
 - www.career.org



Questions?

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