



Department of Education Gainful Employment Regulations

The Department of Education released the details of the Gainful Employment rules today. In order to receive federal student aid under the Higher Education Act of 1965, most for-profit programs and most non-degree programs at non-profit and public institutions, including community colleges, must prepare students for “gainful employment in a recognized occupation.”



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- The regulations are intended to eliminate programs that do not provide adequate earning prospects for students to repay their education debt.
- The Department data indicates that most of the existing programs will pass the earnings metrics; however, the Department also estimates that about 840,000 students are currently enrolled in programs that would not pass and claims that 99% of these students are at for-profit institutions.
- Under the regulation, institutions must publicly disclose how programs are performing under the debt measures established in these final regulations.
- The regulations will be applied against 2016 results to provide time for schools to implement internal procedures to meet the new regulations.
- The first year of collecting data is expected to start one year prior to enforcement on July 1, 2015. Therefore, FYE 2018 is the first year programs will be ineligible if they fail the metrics in FYE 2016 and FYE 2017.
- Since the new regulations only address students that graduate educational programs, the rules do not influence the issue of students that do not graduate and default on their debt.
- School operators typically have four choices to address at risk programs:
 1. Discontinue the program which reduces revenue.
 2. Work to improve the student outcomes through investment in placement services.
 3. Reduce the net cost to the student by lowering tuition or offering scholarships and discounts.
 4. Shorten the length of the program in order to decrease the tuition and debt.

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Accountability

Certifications:

Institutions must certify that each of their gainful employment programs meet state and federal licensure, certification, and accreditation requirements.

Metric:

To maintain Title IV eligibility, gainful employment programs will be required to meet minimum standards for the debt vs earnings of their graduates.

Pass

Programs whose graduates have annual loan payments less than 8% of total earnings OR less than 20% of discretionary earnings.

Zone

Programs whose graduates have annual loan payments between 8% and 12% of total earnings OR between 20% and 30% of discretionary earnings.

Fail

Programs whose graduates have annual loan payments greater than 12% of total earnings AND greater than 30% of discretionary earnings.

Ineligible

Programs that fail in 2 out of any 3 consecutive years OR are in the zone for 4 consecutive years.

Transparency

Disclosures:

Institutions will be required to make public disclosures regarding the performance and outcomes of their gainful employment programs. The disclosures will include information such as costs, earnings, debt and completion rates.