

FACT SHEET ON FINAL GAINFUL EMPLOYMENT REGULATIONS

Details of the final regulations and its impact

The final regulations, which will publish in tomorrow’s Federal Register, apply to all sectors of higher education as required by the Higher Education Act of 1965 (as amended). In order to receive federal student aid, the law requires that most for-profit programs, regardless of credential level, and most non-degree programs at non-profit and public institutions, including community colleges, prepare students for “gainful employment in a recognized occupation.” These regulations set the standards for “gainful employment” programs to remain eligible to accept federal student aid grants and loans.

The framework of the final regulations has two components: accountability and transparency. The accountability component distinguishes programs that provide affordable training that leads to well-paying jobs from those programs that leave students with poor earnings prospects and high amounts of debt, while the transparency element requires institutions to provide key information for consumers.

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 <u>OR</u> less than 20% of discretionary earnings.
Zone	Programs whose graduates have annual loan payments between 8% and 12% of total earnings <u>OR</u> between 20% and 30% of discretionary earnings.
Fail	Programs whose graduates have annual loan payments greater than 12% of total earnings <u>AND</u> greater than 30% of discretionary earnings.
Ineligible	Programs that fail in 2 out of any 3 consecutive years <u>OR</u> 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.

EMBARGOED UNTIL 12:01 AM ET ON THURSDAY, OCT. 30, 2014

Based on public feedback, the Department made one key change in the final regulations compared to the proposed regulations published in March by removing the program cohort default rate as an accountability metric, creating more streamlined regulations.

The regulations announced today will become effective on July 1, 2015. Institutions will have the opportunity to make immediate changes to make lasting improvements to their programs and avoid ineligibility. The first several years will include a transition period that will take into account any immediate steps by institutions to reduce costs and debt.

Available data indicate the vast majority of gainful employment programs captured by the rule – including those at for-profit institutions – will pass the accountability metric, but about 1,400 would not. The Department estimates that about 840,000 students are currently enrolled in programs that would not pass – and of those students, 99 percent of them are in programs at for-profit institutions. These programs are likely leaving students with debt they cannot afford to repay.