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OBAMA ADMINISTRATION ANNOUNCES FINAL RULES TO PROTECT STUDENTS FROM POOR-PERFORMING CAREER COLLEGE PROGRAMS

New regulations put tough standards in place for career training programs to help protect students from being saddled with debt they cannot repay

To protect students at career colleges from becoming burdened by student loan debt they cannot repay, today the U.S. Department of Education is announcing regulations to ensure that these institutions improve their outcomes for students – or risk losing access to federal student aid. These regulations will hold career training programs accountable for putting their students on the path to success, and they complement action across the Administration to protect consumers and prevent and investigate fraud, waste and abuse, particularly at for-profit colleges.

“Career colleges must be a stepping stone to the middle class. But too many hard-working students find themselves buried in debt with little to show for it. That is simply unacceptable,” U.S. Secretary of Education Arne Duncan said. “These regulations are a necessary step to ensure that colleges accepting federal funds protect students, cut costs and improve outcomes. We will continue to take action as needed.”

To qualify for federal student aid, the law requires that most for-profit programs and certificate programs at private non-profit and public institutions prepare students for “gainful employment in a recognized occupation.” Under the regulations finalized today, a program would be considered to lead to gainful employment if the estimated annual loan payment of a typical graduate does not exceed 20 percent of his or her discretionary income or 8 percent of his or her total earnings. Programs that exceed these levels would be at risk of losing their ability to participate in taxpayer-funded federal student aid programs.

The final gainful employment regulations follow an extensive rulemaking process involving public hearings, negotiations and about 95,000 public comments. The regulations, which will go into effect on July 1, 2015, reflect the feedback the Department received, and aim to protect Americans from poor career training programs by targeting

those programs that leave students buried in debt with few opportunities to repay it. Highlights of the rule include:

- **Preventing students from being buried in debt:** Based on available data, the Department estimates that about 1,400 programs serving 840,000 students – of whom 99 percent are at for-profit institutions – would not pass the accountability standards. All programs will have the opportunity to make immediate changes that could help them avoid sanctions, but if these programs do not improve, they will ultimately become ineligible for federal student aid – which often makes up nearly 90 percent of the revenue at for-profit institutions.
- **More rigorous accountability than previous regulations:** The new regulations are tougher than the Department’s 2011 rules because they set a higher passing requirement and lay out a shorter path to ineligibility for the poorest-performing programs. In 2012, the Department estimated that 193 programs would not have passed the previous regulations; with respect to these new regulations, based on available data, the Department estimates that about 1,400 programs would not pass the accountability metric.
- **Providing transparency about student success:** The rule also provides useful information for all students and consumers by requiring institutions to provide important information about their programs, like what their former students are earning, their success at graduating, and the amount of debt they accumulated.
- **Improving student outcomes:** The regulations build on momentum toward increased accountability in higher education by setting standards for career training programs, including programs offered by for-profit institutions, to ensure they are serving students well. While the Department has seen encouraging changes in the past five years, it believes all career training programs can and should meet higher expectations.

Today, the Department is also taking new steps to formalize partnerships with several federal agencies to enhance cooperation and ensure proper oversight of for-profit institutions of higher education through an interagency task force.

Background on the Administration’s efforts to protect students from poor-performing career colleges

Too often, students at career colleges—including thousands of veterans—are charged excessive costs, but don’t get the education they paid for. Instead, students in such programs are provided with poor quality training, often for low-wage jobs or in occupations where there are simply no job opportunities. They find themselves with large amounts of debt and, too often, end up in default. In many cases, students are drawn into these programs with confusing or misleading information.

The situation for students at for-profit institutions is particularly troubling. On average, attending a two-year for-profit institution costs a student four times as much as attending a community college. More than 80 percent of students at for-profits borrow, while less than half of students at public institutions do. Ultimately, students at for-profit colleges

represent only about 11 percent of the total higher education population but 44 percent of all federal student loan defaults.

In response to these concerns, in 2009, the Department began extensive conversations with the higher education community about the role of career colleges, particularly on how they could be held accountable for the outcomes of their students. Following a 2012 court decision, which affirmed the U.S. Department of Education's authority to regulate in this area in order to protect students and taxpayers, the Department undertook new efforts to make sure career training programs provide affordable pathways to good jobs.

The Department believes many institutions have already started to take steps to improve. Some of the largest institutions have instituted trial periods for programs before students have to commit, so students can decide if that program is right for them. There are reports that institutions have decreased program lengths. Some are reducing costs. And a few institutions have closed some locations and programs they judge to be performing poorly.

But the Department also believes there is still potential for improvement in many of these programs – public, private non-profit and for-profit – so it is taking action to spur more change.

The gainful employment regulations are a central part of the Administration's work to ensure that student debt is affordable and that for-profit colleges serve students well. These regulations complement other efforts taken by the Administration to protect students by addressing problems at poor performing institutions, particularly in the for-profit sector. These efforts include:

- **Formalizing an interagency oversight task force**

The Department will lead an effort to formalize an interagency task force to help ensure proper oversight of for-profit institutions of higher education. In particular, the Department and other federal and state agencies will coordinate their activities and promote information sharing to protect students from unfair, deceptive, and abusive policies and practices. The task force will build on efforts already underway among various federal agencies, and in addition, state attorneys general will also be invited to continue their participation in this collaboration. Given the important responsibilities each of these federal agencies has, and the vital role that states play, the agencies will leverage their resources and expertise to assist one another, thereby making the best use of scarce resources and better protecting the interests of students and taxpayers. This task force will formalize and strengthen a working group that has been working together over the past year and that has coordinated efforts in several reviews and investigatory work. The task force will meet as needed, but at least once each quarter.

- **Keeping student debt affordable**

The Department is helping more students manage their student debt through flexible repayment options like the Pay As You Earn plan, which caps student loan payments at 10 percent of a borrower's discretionary income. In addition, the

Administration continues targeted outreach to help borrowers who may be struggling to repay their loans, ensuring that they have the information they need to select the best repayment option for them and avoid future default.

- **Developing a college ratings system**

The Department is also working on a new college ratings system, which will showcase colleges and universities that are effective in improving student success; incentivize institutions to work toward the most important goals, like graduating low-income students and holding down costs; and help students and families choose their school based on the value it provides for their investment.

- **Strengthening oversight of the programs on which our nation's service members and veterans rely**

Through Executive Order 13607, the Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members, the Administration has worked to protect our nation's military families by ensuring that federal military and veterans educational benefits programs are providing service members, veterans, spouses, and other family members with the information, support, and protections they deserve. This includes: establishing a centralized complaint system; new, risk-based program reviews informed by students complaints to focus enforcement efforts at the Departments of Veterans Affairs, Defense, Education and Justice, the Consumer Financial Protection Bureau, and the Federal Trade Commission; and key tools and resources like the online GI Bill[®] Comparison Tool, which has made it easier for over 450,000 veterans, service members and their dependents to select education and training programs that provide a good value and meet their needs.

More information about today's announcement, including a copy of the final regulations, can be found on the Department's website: <http://www2.ed.gov/policy/highered/reg/hearulemaking/2012/gainfulemployment.html>.

Additional information about the final gainful employment regulations is attached.