

Session #43

Gainful Employment Regulations

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TOPICS

- Additional Information
- Authorities and Effective Dates
- Gainful Employment Disclosures
- Gainful Employment Reporting
- Adding New Gainful Employment Programs
- Gainful Employment Metrics
- Additional Information
- Questions

ADDITIONAL GAINFUL EMPLOYMENT INFORMATION



For More GE Information

- IFAP Gainful Employment Page: <http://ifap.ed.gov/GainfulEmploymentInfo/> or from IFAP Homepage
 - Regulations
 - Dear Colleague Letters and Electronic Announcements
 - Frequently Asked Questions
 - Training
 - Resources



More Interest Sessions

- Disclosures – Session #39
- Adding New Programs – Session #24
- Reporting – Session #6
- GE Question and Answer – Session #44

AUTHORITIES AND EFFECTIVE DATES



The Law - HEA

- An educational program is Title IV eligible only if the program:
 - If offered by a public or non-profit institution, leads to a degree; or
 - If offered by any institution, “leads to gainful employment in a recognized occupation”
 - Referred to as a Gainful Employment Program or GE Program

The Law - HEA

- At proprietary institutions all programs are GE Programs except for -
 - Preparatory coursework necessary for enrollment in an eligible program
 - Programs leading to a bachelor's degree in liberal arts offered since January 2009 that have been regionally accredited since 2007



The Law - HEA

- At public institutions and not-for-profit institutions all programs are GE Programs, except for -
 - Programs that lead to a degree
 - Programs of at least two years in length that are designed to be fully transferable to a bachelor's degree program
 - Preparatory coursework necessary for enrollment in an eligible program



The Law - HEA

GE Programs include -

- Teacher certification programs leading to a certificate awarded by the institution
- ESL programs

The Law - HEA

GE Programs do not include -

- Teacher certification coursework that does not lead to a certificate awarded by the institution
- Preparatory coursework necessary for enrollment in an eligible program (Loans only)

The Law - HEA

GE Programs do not include -

- At public and private nonprofit institutions, programs of at least two academic years that are designed to be fully transferrable to a bachelor's degree program and do not lead to a credential awarded by the institution

Recognized Occupation

- One identified by a Standard Occupational Classification (SOC) code established by OMB,
- One identified by an Occupational Network O*NET-SOC code established by the U.S. Department of Labor, or
- One determined by the Secretary of Education in consultation with the Secretary of Labor

The Regulations

- Two sets of Final Rules published on October 29, 2010, with effective dates of July 1, 2011-
 - Disclosures
 - Reporting
 - Adding New Programs
- Final Rules on metrics to define gainful employment programs published on June 13, 2011



The Regulations

- A Gainful Employment program is identified by the:
 - 6-digit OPEID of the institution offering the program (8-digits for reporting)
 - 6-digit CIP Code (Classification of Instructional Program) assigned to the program by the institution
 - 2-digit Credential Level



Credential Levels

- 01 = Undergraduate certificate (or diploma programs)
- 02 = Associate's degree
- 03 = Bachelor's degree
- 04 = Post baccalaureate certificate (includes post-graduate certificate programs)

Credential Levels

- 05 = Master's degree
- 06 = Doctoral degree
- 07 = First-professional degree



GAINFUL EMPLOYMENT DISCLOSURES (EFFECTIVE JULY 1, 2011)



Helping Students Choose

- For each GE Program, institution must disclose specific information to help prospective students choose among different GE Programs
- Disclose information on each GE Program's website home page

How to Disclose

- Disclosure must –
 - Be simple and meaningful.
 - Contain direct links from any other webpage with general, academic or admission information about the program
 - Be in an open format that can be retrieved, downloaded, indexed, and searched by commonly used web search applications



How to Disclose

- Institution must use disclosure form provided by the Department, when available
 - Not available by July 1, 2011
 - Institutions must comply with the disclosure requirements independently until form is available

What to Disclose

- Disclose for each GE Program:
 - Occupations (by name and SOC code)
 - Program costs
 - Placement rate
 - On-time completion rate
 - Median loan debts

ADDING NEW GAINFUL EMPLOYMENT PROGRAMS (EFFECTIVE JULY 1, 2011)



Adding New GE Programs

- Must notify ED at least 90 days before the first day of class of a new GE Program
- If the institution does not provide the required Notice at least 90 days before the first day of class, it must wait for approval
- If the institution provided the required Notice at least 90 days before the first day of class, it need not wait for approval unless otherwise required

Adding New GE Programs

- NPRM published on September 27, 2011
 - Comment period ended November 14, 2011
 - Proposes to change rules for adding new GE Programs
 - If finalized, effective some time after July 1, 2013



GAINFUL EMPLOYMENT REPORTING



Gainful Employment Reporting

- Must report information on each student who was enrolled in a GE Program
- First reporting was due by November 15, 2011
- 2011-2012 award year reporting date will be announced in early 2012

Gainful Employment Reporting

- Must inform ED if data will not be provided. Email to: GE-Missing-Data@ed.gov
 - Programs
 - Award Years
 - Students
 - Full Data
 - Approval is very rare
- Should send e-mail if no GE Programs

GAINFUL EMPLOYMENT METRICS



GAINFUL EMPLOYMENT METRICS

GENERAL

GE Metrics Final Rule

- Final Rule published on June 13, 2011 –
 - Defines a gainful employment program to be one where a substantial number of the program's students –
 - Are repaying their Title IV loans –
 - Repayment Rate
 - Have a reasonable debt burden –
 - Debt-to-Earnings Ratio

Two Metrics

- Repayment Rate –
 - A percentage of the Title IV loan amounts that a GE Program's former students are repaying (weighted for loan balance)
- Debt-to-Earnings Ratios –
 - For the GE Program's completers, the educational loan annual repayment amount as a percentage of the borrowers' income

Performance Requirements

- A program must meet at least one of the three GE metric thresholds to be a program that leads to “Gainful Employment Program in a Recognized Occupation” and, therefore eligible for Title IV participation
 - Repayment rate of at least 35%
 - Debt-to-Earnings rate of less than
 - 12% of total earnings, or
 - 30% of discretionary income



Cohort Period

- ED calculates GE metrics using information on the educational debt of a cohort of the GE Program's former students
- Generally, the cohort are students who left the program during the two Federal fiscal years that are the third and fourth years prior to the most recently completed Federal fiscal year (the "GE Calculation Year")

Cohort Period

- Regs establish five different cohorts –
 - 2YP Cohort Period is the third and fourth Federal FYs preceding the GE Calculation Year
 - Example: the GE metrics that will be calculated after September 30, 2012 for the 2012 the GE Calculation Year will include the GE Program's former students from FY2008 and FY2009 (between October 1, 2007 and September 30, 2009)

Cohort Period

- Other Cohorts –
 - 2YP-A Cohort Period –
 - First and second FYs preceding the GE Calculation Year
 - Used only for the 2012, 2013, and 2014 calculations
 - Used only for the Repayment Rate calculation
 - To acknowledge immediate improvement of the GE Program



Cohort Period

- Other Cohorts –
 - 4YP Cohort Period –
 - Third, fourth, fifth, and sixth FYs preceding the GE Calculation Year
 - Used when the number of the GE Program's former students in the 2YP is 30 or fewer



Cohort Period

- Other Cohorts –
 - 2YP-R Cohort Period –
 - Sixth and seventh FYs preceding the GE Calculation Year
 - Used for medical and dental degree GE Programs where students are required to complete an internship or residency (e.g., MD, DDS)
 - Not until the 2013 GE Calculation Year



Cohort Period

- Other Cohorts –
 - 4YP-R Cohort Period –
 - Sixth, seventh, eighth, and ninth FYs preceding the GE Calculation Year
 - Used when the number of students medical and dental students in the 2YP-R cohort are 30 or fewer



Averages

- Mean = total of all values divided by the number of values
- Median = middle value of all included values
- Example:
 - Values – 0, 0, 0, 200, 300, 500, 500.
 - Mean = 214 (1500/7)
 - Median = 200 (middle value)

GAINFUL EMPLOYMENT METRICS

REPAYMENT RATE

Repayment Rate

- Repayment Rate is a percentage of the Title IV loan amounts that a GE Program's former students are repaying (weighted for loan balance)
- ED calculates a GE Program's Repayment Rate using the program's former students whose Title IV loans entered repayment during the applicable cohort period (e.g., 2YP)

Repayment Rate

Loan repayment rate for a program calculated using the following ratio:

OOPB of LPF plus OOPB of PML

OOPB

- OOPB = Original Outstanding Principal Balance of the loans when the loans first entered repayment.
- LPF = Loans Paid in Full
- PML = Payments-Made Loans

Repayment Rate

- A loan is successfully being repaid if:
 - The loan has been paid in full
 - The loan's balance is reduced by at least \$1.00 over the most recently completed Federal fiscal year

Repayment Rate

- A loan is successfully being repaid if during the most recently completed Federal fiscal year:
 - It is on track to being forgiven due to public service employment –
 - Qualifying employment
 - Qualifying loan payments

Repayment Rate

- A loan is successfully being repaid if during the most recently completed Federal fiscal year:
 - Borrower is making payments under an interest-only or income-based repayment plan
 - Limited to no more than 3% of the OOPB

Repayment Rate

- Example:

Former Students

OOPB

Student A

\$ 2,000

Student B

3,000

Student C

5,000

Student D

10,000

Total OOPB =

\$20,000

Only student D is successful paying

Repayment Rate = $\$10,000 / \$20,000$

= 50% and not 25%



Repayment Rate

- Repayment Rate calculation excludes loans if, at any time during the most recently completed federal fiscal year, the loans-
 - Were an in-school deferment.
 - Were in a military-related deferment
 - Had been discharged, or are pending discharge, for –
 - Death
 - Total and permanent disability



GAINFUL EMPLOYMENT METRICS

DEBT-TO-EARNINGS RATIOS



Debt-to-Earnings

- Cohort is the GE Program's former students who completed the GE Program during the applicable cohort period (e.g., 2YP)
- For the GE Program's completers, the median educational loan annual repayment amount as a percentage of the average (mean or median) completers' income

Debt-to-Earnings Ratio

Annual Income

**Calculated annual loan payment
based on median loan debt**

**Higher of the mean or median
annual earnings**



Debt-to-Earnings Ratio

Discretionary Income

**Calculated annual loan payment
based on median loan debt**

**Higher of the mean or median annual
earnings less 150% of HHS Poverty
Guidelines for one person**



Debt-to-Earnings

- SSA will provide the median and mean earnings of the GE Program's completers from the calendar year preceding the GE Calculation Year (e.g., calendar 2011 for the 2012 GE Calculation Year)
- ED will use the higher of the two averages

Debt-to-Earnings

- Institutions can verify the lists of its GE Program's completers before ED sends them to SSA
 - Add students
 - Delete students
 - Correct identifiers
- Earnings data will be subject to SSA's strict protections on individual privacy

Debt-to-Earnings

- Annual loan payment—
 - The program's completers' median loan debt –
 - Amortized at 6.8% over –
 - 10 years for a certificate or associate degree
 - 15 years for a baccalaureate or master's program
 - 20 years for a doctoral or professional degree program



Debt-to-Earnings Ratios

- If reported, ED will use for a borrower's loan debt, the lower of the tuition and fees charged the student for the program or the student's total loan debt incurred for program

Debt-to-Earnings

- Calculation excludes a student if, -
 - At any time during the SSA Earnings Year –
 - The student was enrolled in a Title IV eligible program
 - The student has a loan that was in a military-related deferment
 - Has a loan that has been discharged, or is pending discharge, for death or total and permanent disability



Debt-to-Earnings Ratio Examples

	Case 1	Case 2
Median Debt	\$20,000	\$30,000
Annual Repayment (@ 6.8% Interest; 10 yrs)	\$2,762	\$4,143
Average Annual Earnings	\$25,000	\$32,000
D2E Ratio - Discretionary Income (150% of PL = \$16,335)	\$8,665	\$15,665
D2E Ratio – Annual Income	11.0%	12.9%
D2DI Ratio – Discretionary Income	31.9%	26.4%

MAXIMUM MEDIAN DEBT LEVELS

ANNUAL EARNINGS	DEBT UNDER 12% OF ANNUAL EARNINGS	MONTHLY PAYMENT FOR 12% OF ANNUAL EARNINGS	ANNUAL EARNINGS	DEBT UNDER 30% OF DISC. EARNINGS	MONTHLY PAYMENT FOR 30% OF DISC. EARNINGS	MAXIMUM MEDIAN DEBT (HIGHER OF TWO)
\$10,000	\$8,690	\$100	\$10,000	\$0	\$-	\$8,690
\$20,000	\$17,379	\$200	\$20,000	\$8,157	\$94	\$17,379
\$30,000	\$26,069	\$300	\$30,000	\$29,881	\$344	\$29,881
\$40,000	\$34,758	\$400	\$40,000	\$51,605	\$594	\$51,605
\$50,000	\$43,448	\$500	\$50,000	\$73,329	\$844	\$73,329

Notes: Levels are the maximum median debt for a particular program; up to half the students could have higher debts. Based upon a 10-year repayment plan, the standard used for certificate and two-year degree programs. Using 2010 HHS Poverty Guidelines. Programs leading to a four-year, graduate, or professional degree could remain eligible for student aid funds with higher median debt levels.



GAINFUL EMPLOYMENT METRICS

PERFORMANCE REQUIREMENTS



Performance Requirements

- A program that does not pass at least one of the three GE metrics is a “failing program”
 - Repayment rate of at least 35%
 - Debt-to-Earnings rate of less than
 - 12% of total earnings
 - 30% of discretionary income



Performance Requirements

- Upon one year's failure, institution must provide warnings to students and prospective students that provide –
 - Notice of the program's failure and the amount by which the program failed
 - Any plans the institution has for improving the program
- Must establish a three-day waiting period after the warnings are provided before students can enroll

Performance Requirements

- Upon failing two years out of three, institution must, in addition to the one-year warnings, also tell students and prospective students that —
 - Their debts may be unaffordable
 - The program may lose Title IV eligibility
 - What transfer options exist

Performance Requirements

- Upon being a failing program for three out of four years, the educational program **loses eligibility for Federal student aid**
- Initial targeting of the worst programs by capping loss of Title IV eligibility for FY 2014 rates only at 5 percent each of public, nonprofit, and for-profit programs

GAINFUL EMPLOYMENT METRICS

CHALLENGES AND USE OF ALTERNATIVE EARNINGS

Challenges

- Draft Rates –
 - ED will provide institution with draft rates and supporting information (e.g., students included for Repayment Rate, loan amounts, loan statuses)
 - Institution has 45 days to submit requests for changes
 - ED will determine whether to make changes before calculating final rates

Use of Alternative Earnings

- Final Rates –
 - Institutions with a failing program may demonstrate that re-calculated Debt-to-Earnings Ratios, using alternative earnings (not SSA) would result in the program not failing -
 - State data
 - Survey data
 - BLS data (only for first three years)



GAINFUL EMPLOYMENT METRICS CALENDAR

Calendar

YEAR	ACTIONS AND CHALLENGES
2011	<ul style="list-style-type: none"> •Enhanced disclosure and reporting begin under October final rules.
2012	<ul style="list-style-type: none"> •The informational rates (FY 2011) are released.
2013	<ul style="list-style-type: none"> •First final debt measures (FY 2012) are released. •Failing programs must provide first-year debt warnings.
2014	<ul style="list-style-type: none"> •Second final debt measures (FY 2013) are released. •Failing programs must provide first- or second-year debt warnings.
2015	<ul style="list-style-type: none"> •Third final debt measures (FY 2014) are released. •First eligibility losses for programs that failed three consecutive times.
2016	<ul style="list-style-type: none"> •Fourth debt measures (FY 2015) are released. •The regulations are fully effective. No cap on eligibility losses.

Calendar

TIMELINE FOR THE DEVELOPMENT OF THE FY 2012 MEASURES

Released by the Department:	2013
<u>Repayment Rates</u>	
Borrowers Who Entered Repayment During:	FY 2008 and 2009
Programs with Small Numbers of Students:	FY 2006, 2007, 2008, 2009
Measures Repayment Activity During:	FY 2012
<u>Debt-to-Earnings Ratios</u>	
Students Who Completed During:	FY 2008, 2009
Programs with Small Numbers of Students:	FY 2006, 2007, 2008, 2009
Measures Earnings During:	Calendar 2011

GE Calendar

- Fall - School reporting
- Winter - pre-Draft rosters for Debt-to-Earnings Ratios
- Late Winter - ED matches with SSA
- Late Winter - Draft rates calculated by ED
- Early Spring - Draft Rates and detail data released to schools

GE Calendar

- Spring - School Challenges
 - Accuracy of Repayment Rate list of borrowers
 - Accuracy of loan data used for both measures
- Summer - ED releases final measures

GE Calendar

- First year rates are informational only
 - For the 2011 Calculation Year (Released in 2012)
 - 2YP is FY 2007 and FY 2008
 - No Pre-Draft Rosters
 - No Draft Rates
 - No Challenges
 - 2012 Calculation Year rates calculated are first official rates (Released in 2013)
 - Possible failing programs and sanctions



ADDITIONAL GAINFUL EMPLOYMENT INFORMATION



GE Information

- IFAP Page URL:
 - <http://ifap.ed.gov/GainfulEmploymentInfo/index.html>
 - Or link from IFAP home page
- E-mail GE policy questions to -
 - ge-questions@ed.gov
- E-mail GE reporting questions to –
 - nslds@ed.gov



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Questions



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