



Questions and Answers on the Proposed Gainful Employment Rule

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Q. Why is the Obama Administration proposing a definition of gainful employment?

- Federal law requires career education programs that receive federal student aid to “prepare students for gainful employment in a recognized occupation.” The proposed rule defines what this means so the law can be enforced.
- The rule is urgently needed to protect students and taxpayers from programs that routinely saddle students with debts they cannot repay and degrees they cannot use.
- The ongoing Senate oversight [hearings](#), state attorneys general investigations, and recent Government Accountability Office [investigation](#) of for-profit college practices underscore the need for action.

Q. Does the draft gainful employment regulation apply only to for-profit colleges?

- No. The *majority* of covered programs are at *public and non-profit* colleges.
- Federal law specifies which career education and training programs are required to “prepare students for gainful employment in a recognized occupation” in order to participate in federal student aid programs. The proposed regulation uses the statutory definition of career education program, which includes most for-profit programs and all public and non-profit programs of less than two years.
- Only the worst 5% of programs would lose eligibility in 2012. Schools providing quality, affordable education programs will benefit.
- For-profit schools can get up to 90% of their revenues from federal Title IV student aid and have different financial incentives than other colleges. Publicly traded for-profit colleges are legally obligated to make profitability for shareholders their overriding objective. For-profit career colleges enroll about 10% of all students but account for 25% of federal student aid and 48% of all federal student loan defaults.

Q. Why is a strong gainful employment rule needed now?

- The Department has an obligation to enforce the law, and students and taxpayers shouldn't have to wait any longer for protection from rip-off career education programs.
- Now more than ever, we cannot afford to waste taxpayer dollars on over-priced, ineffective career education programs that do not prepare students for employment.

Q. Will the proposed gainful employment rule affect student access to college?

- Defining gainful employment is one of the best ways to *increase* student access to quality, affordable education and training. That's why more than 45 organizations, including the Leadership Conference on Civil and Human Rights, NAACP, National Council of La Raza and leading college access, student, consumer and veterans organizations have [called on the Administration to issue a strong regulation](#).
- The rule has no impact on student eligibility for federal grants and loans. It affects only which *programs* are eligible, preventing rip-off programs from continuing to profit from federal aid at the expense of students and taxpayers.

Q. Are student loan default and repayment rates just a function of student demographics?

- No. The Career College Association’s own study concludes that, even after accounting for differences in student demographics, students attending for-profit colleges are *twice as likely* to default as students at other colleges.¹

Q. Should the gainful employment measures be “adjusted” for student demographics?

- No. Career education programs should prepare *all* students for gainful employment and not have different standards for different students. It is outrageous to suggest that low-income and minority students should expect lower salaries and higher debts.

Q. How are loans in forbearance, deferment and Income-Based Repayment treated in the proposed repayment rate measure?

- The repayment rate measures the extent to which former students are paying down their loan principal. Loans in forbearance or economic hardship deferment are not being paid down, so they are not counted as being repaid. Loans in the Income-Based Repayment (IBR) program whose principal is being paid down are counted as being repaid.
- Borrowers eligible for Public Service Loan Forgiveness (PSLF) are automatically counted as repaying their loans even if their payments do not reduce their principal.
- Some deferments are excluded from the calculation entirely so they don’t affect a program’s repayment rate. These include borrowers in in-school deferment or military-related deferment status.

Q. Is the draft regulation “retroactive”? Does it give colleges time to improve their programs?

- The proposed rule wouldn’t start protecting students and taxpayers until July 2012 and wouldn’t be fully effective until July 2013.
- The proposed timing gives schools ample time to improve their programs. Even after a student leaves a program, schools can raise the program’s repayment rate and lower its debt-to-income ratio by providing improved job placement, loan counseling, and default management services.

Q. Why use actual earnings data to determine student debt burden, rather than data from schools or national averages from the Labor Department?

- Some schools have been found to report inflated salaries and placement rates. Federal wage data provide an accurate, unbiased measure that cannot be gamed or manipulated.
- National averages may vastly overstate or understate actual salaries depending on the quality of the program, the local jobs market, and the local cost of living.

¹ “Report on Gainful Employment,” prepared by Charles River Associates for the Career College Association, April 2, 2010. Available at http://www.whitehouse.gov/sites/default/files/omb/assets/oir_1840/1840_04232010-h.pdf