Gainful Employment: An Important Update and Overview

Important Gainful Employment Update

On June 30, 2012, a District Court vacated most of the Gainful Employment (GE) regulations. The Court’s decision was based on the Department of Education’s (ED) rationale for setting the Repayment Rate failure threshold. Because of the interrelationship of the GE requirements, the Court vacated most of the GE regulations – GE Metrics, GE Reporting, and Adding new GE Programs. The Court left in place the GE Disclosure requirements. The Court ruling indicated that the Debt Measure (DM) metrics are unenforceable and institutions are not required to report to the ED the information listed in the reporting regulations. ED released the Informational Rates for DM prior to the Court’s decision. They were always intended to be used only for informational purposes, never carried any potential sanctions, and that remains true following the Court’s decision. Therefore, institutions are not required to submit GE reports for the just ended 2011-2012 award year.

Background

In order to be eligible for funding under Title IV (Student Assistance) of the Higher Education Act of 1965 (HEA), an educational program must lead to a degree (Associate’s, Bachelor’s, Graduate, or Professional) or prepare students for "gainful employment in a recognized occupation" (GE Programs).

The ED published final regulations on October 29, 2010 related to GE Program institutional reporting requirements, disclosure requirements, and the requirements that an institution must meet if it wishes to add an additional GE Program to its listing of approved Title IV eligible educational programs. Those regulations went into effect on July 1, 2011. On June 13, 2011, ED published its final rule on the DM that will be used to determine if an educational program leads to gainful employment. The effective date for the DM regulations was to be July 1, 2012 (see Update above). According to this rule on DM, an eligible GE Program is one where a defined cohort of the program’s former students: 1) Are repaying their Title IV loans (i.e., Repayment Rate); and 2) Meet a minimum debt burden standard (i.e., Debt-to-Earnings Ratios).

What is a Gainful Employment Program?

Under the HEA, to be eligible to participate in the Title IV student assistance programs, an educational program that does not lead to a degree awarded by a public or non-profit postsecondary institution must lead to gainful employment in a recognized occupation.

For all public and non-profit institutions, all educational programs are GE Programs except for:

- Programs that lead to a degree – associate’s, bachelor’s, master’s, doctoral, professional;
- Programs of at least two years in length that are designed to be fully transferable to a bachelor’s degree;
- Teacher certification course work that does not lead to a certificate awarded by the institution; and
- Preparatory course work necessary for enrollment in an eligible program.

Thus, any non-degree program for which an institution awards a certificate or diploma is a GE Program.

2http://ifap.ed.gov/presentations/attachments/NASFAA2012GEReportingDisclosureRequirementsandAddingNewProgramsUPDATED.ppt
Gainful Employment Reporting and Disclosure Requirements

Reporting
In Fall 2011, institutions reported data to the federal government identifying the students who began, completed, or remained enrolled in GE programs during the 2006-07, 2007-08, 2008-09, 2009-10, and 2010-11 academic years, data on the specific occupations for which the programs provide training, financial aid data for students who complete these programs, and data on whether the students who complete these programs go on to enroll in higher-level programs at the same or another school. The intention was for institutions to submit these data on a yearly basis.

Disclosure
Beginning in Summer 2011, the ED also required that all public, nonprofit, and for-profit higher education institutions disclose two types of information (Financial Data and Student Outcomes Data) to students on their websites and in their promotional materials. The disclosure requirements include the total cost of attendance for students completing programs within the normal timeframe, the median loan debt incurred by students completing programs, job placement rates for students completing programs, and on-time graduation rates. The information is to be displayed in an "open format" that can be retrieved, downloaded, indexed, and searched by commonly-used Web search applications. Institutions must also provide a Web link or other access to the program cost information they make available to prospective and enrolled students under current regulatory requirements found in §668.43(a). The ED intends to develop a disclosure template for this purpose in the near future.

Informational Rates for Debt Measures
In Summer 2012, the ED released GE Informational DM for the purpose of providing institutions with preliminary information to be used to assess GE Programs. The FY 2011 GE Informational DM were informational only and, as such, did not invoke any regulatory requirements, sanctions, or other adverse action. They were not intended to form a basis for making any determinations about specific GE Programs, or in making projections about future year’s rates. The GE Calculation Year was FY 2011 and the cohort years were FY2007 and FY2008 (October 1, 2006 through September 30, 2008).

The cohort used to calculate the Repayment Rate was the GE Program’s former students who entered repayment on their Title IV loans during the cohort period. The repayment rate is a percentage of the GE Program’s former students who are repaying their Title IV student loans each year (weighted for loan amount). Repayment is defined as a reduction in the outstanding principal balance over a one year period.

The cohort used to calculate the Debt-to-Earnings Ratio was the GE Program’s former students who completed the program during the cohort period. The median educational loan annual repayment amount of students who completed a GE Program was determined as a proportion of those former student’s average annual earnings two years after completing the GE program.

According to the original regulations, a GE Program needed to pass at least one of the following three thresholds in two consecutive years to continue to be eligible for Title IV participation: 1) a Repayment Rate of at least 35%; 2) an annual Debt-to-Earnings Ratio of 12% or less of average income; or 3) a discretionary Debt-to-Earnings Ratio of 30% or less of average income. (Discretionary Income is defined as the annual earnings less 150% of the poverty level for a single person.)

NOVA Summary: Informational Rates
The Repayment Rate is calculated with the GE Program’s former students whose FFEL (Federal Family Education Loan) and DL (Direct Loan) loans entered repayment during the cohort period: FY2007 and FY2008. As stated in Electronic Announcement #37, the 2011 GE Informational DM were not calculated for a GE Program if the program had 30 or fewer former students in the relevant two-year period. In this cohort period, there were no more than 30 students in any one NOVA GE Program. Therefore, for each NOVA GE Program, this value was N/A.

For each NOVA GE Program, the Annual Debt-to-Earnings Ratio and the Discretionary Debt-to-Earnings Ratio are both zero because the median student does not have debt. There are some borrowers in GE programs, but lower than 50% in all GE programs. Consequently, the median student has $0 debt. Currently, none of the GE programs at NOVA carry a median loan debt.

In summary, as of Summer 2012, all of the NOVA GE programs passed all three Debt Measures.

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4http://ifap.ed.gov/presentations/attachments/GainfulEmployment/Webinar8withNotes.pptx