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**OBAMA ADMINISTRATION ANNOUNCES NEW STEPS TO PROTECT  
STUDENTS FROM INEFFECTIVE CAREER COLLEGE PROGRAMS**

*Gives Programs Every Chance to Improve While Holding Them Accountable*

Today, the Obama Administration released final regulations requiring career college programs to better prepare students for "gainful employment" or risk losing access to Federal student aid. While many career college programs are helping to prepare America's workforce for the jobs of the future, far too many students at these schools are taking on unsustainable debt in exchange for degrees and certificates that fail to help them get the jobs they need or were promised. These regulations are designed to ramp up over the next four years, giving colleges time to reform while protecting students and their families from exploitative programs.

"These new regulations will help ensure that students at these schools are getting what they pay for: solid preparation for a good job," Secretary of Education Arne Duncan said. "We're giving career colleges every opportunity to reform themselves but we're not letting them off the hook, because too many vulnerable students are being hurt," Duncan continued.

To qualify for Federal aid, the law requires that most for-profit programs and certificate programs at nonprofit and public institutions prepare students for gainful employment in a recognized occupation. Under the regulations introduced today, a program would be considered to lead to gainful employment if it meets at least one of the following three metrics: at least 35 percent of former students are repaying their loans (defined as reducing the loan balance by at least \$1); the estimated annual loan payment of a typical graduate does not exceed 30 percent of his or her discretionary income; or the estimated annual loan payment of a typical graduate does not exceed 12 percent of his or her total earnings. While the regulations apply to occupational training programs at all types of institutions, for-profit programs are most likely to leave their students with unaffordable debts and poor employment prospects.

**The Need for and History of Reform**

Students at for-profit institutions represent 12 percent of all higher education students, 26 percent of all student loans and 46 percent of all student loan dollars in default. The median Federal student loan debt carried by students earning associate degrees at for-profit institutions was \$14,000, while the majority of students at community colleges do not borrow. More than a quarter of for-profit institutions receive 80 percent of their revenues from taxpayer-financed Federal student aid.

"While for-profit schools have profited and prospered thanks to Federal dollars, some of their students have not. This is a disservice to students and taxpayers, and undermines the valuable work being done by the for-profit education industry as a whole," Duncan continued.

Efforts to regulate abuse by for-profit institutions date back to the Reagan administration, under the leadership of then Secretary of Education William Bennett. However, regulations were weakened during the previous administration leading to the rapid growth of enrollment and default rates at for-profit institutions seen in recent years.

These problems and wide-spread evidence of waste, fraud and abuse prompted the Obama administration to embark on an 18-month negotiation with the higher education community over new regulations. During the negotiation, the Department worked with stakeholders to develop a set of proposals around 14 specific issues that strengthen the integrity of the Federal student aid program and ensure that taxpayer funds are used appropriately. The final gainful employment regulations published today follow that two-year process and will go into effect on July 1, 2012.

### **Important Changes to the Regulation**

Based on thoughtful consideration of public comments and concerns, the new regulations improve upon the Department's previously released draft proposal. The rules issued today, which reflect the principles outlined in the President's recent Executive Order on improving regulations, provide students and consumers with the information they need to make good educational choices and give failing programs ample opportunity to make needed improvements. Institutions will now be required to disclose their total program costs, loan repayment rates, graduates' debt-to-earnings ratio and other critical consumer information to help students better choose the gainful employment program that's right for them. And poor performing programs must fail the debt measures three times in a four-year period before losing eligibility to participate in Federal student aid programs, rather than losing eligibility immediately.

The first time a program fails to meet the debt measure it must disclose to students why the measurement was missed and how the issue will be addressed. After missing the debt measure for the second time in four years, programs must inform students that their debts may be unaffordable after graduation, that the program is at risk of losing eligibility to participate in Federal student aid programs, and what their existing transfer options are. After a third failure in four years, the program loses eligibility to participate in Federal student aid programs and cannot reapply for eligibility for at least three years. Under this

framework, the first year a program could become ineligible would be 2015, based on its performance in FY 2012-2014.

“We’re asking companies that get up to 90 percent of their profits from taxpayer dollars to be at least 35 percent effective,” Duncan said. “This is a perfectly reasonable bar and one that every for-profit program should be able to reach. We’re also giving poor performing for-profit programs every chance to improve. But if you get three strikes in four years, you’re out,” Duncan said.

With the emphasis on program improvement under the final regulation, the Department estimates that fewer programs will ultimately lose eligibility for participation in Federal student aid programs than under the original proposal. Failure rates at for-profit programs are expected to be somewhat higher than for other institutions under the final regulation. The Department estimates that 18 percent of for-profit programs are expected to fail the thresholds at some point, with 5 percent of them failing to improve and ultimately losing eligibility. Among programs at all institutions, approximately 8 percent may fail the thresholds at some point, with only 2 percent of them failing to improve and losing Federal student aid eligibility.

The regulations were adopted after the most extensive public input in the Department’s history, including three rounds of public hearings and discussions, over 90,000 written comments, and nearly 100 additional meetings with interested parties. Based on public input, the Department amended the rules to give programs the opportunity to self-correct before losing eligibility.

“The Department listened carefully to the feedback and thoughtful concerns coming from people on all sides of the issue,” Duncan said. “We worked hard to ensure that the final regulation does the best job of protecting students and taxpayers by targeting the worst-performing schools and supporting schools that do a good job of preparing graduates for success in the workplace,” Duncan continued.

Also today, the Department announced that it intends to propose steps to streamline its procedures for reviewing new gainful employment programs. In October, when the Department established a temporary process for institutions to establish the student aid eligibility of new programs, it announced that it intended to revise those procedures once the debt measures were finalized. In the near future, the Department will propose steps to reduce the burden on institutions and focus the reviews based on past performance.

The full regulation may be found at: <http://www.ed.gov/news/press-releases/gainful-employment-regulations>.

Additional information on the Department's negotiated rulemaking efforts may be found on the Web at: <http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/negreg-summerfall.html>.

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