

Fact Sheet: Holding Colleges Accountable for Delivering Financial Value for Students

Proposed rules would establish a strong Gainful Employment framework and improve transparency for all postsecondary students

The Biden-Harris Administration understands that the education and training provided by the nation's colleges and universities play a crucial role in building the skills needed for tomorrow's jobs and in promoting upward mobility. However, too many postsecondary programs are saddling students with more debt than they can afford to repay or are leaving their graduates in low-wage jobs. That's why the Department of Education (Department) is proposing a package of regulations that would establish the strongest framework ever for protecting students and taxpayers. These changes are part of the Administration's ongoing commitment to fixing a broken student loan system and to delivering on the Administration's promise to ensure quality and accountability in postsecondary education.

The Department's proposed gainful employment (GE) rule would cut off Federal aid to career training programs that consistently leave graduates with unaffordable debts or low earnings. The proposal would also require institutions of higher education (institutions) to provide warnings to students attending programs that are at risk of losing access to aid due to failing GE metrics.

The Department's proposal would drive improvements in value at career training programs, annually benefitting hundreds of thousands of students. Each year, over 700,000 federally-aided students enroll in one of the 1,800 career training programs where the typical graduate leaves with unaffordable debt or earns less than a high school graduate in the same State. But these students do not need to settle for programs with sub-standard outcomes: Colleges can reform those programs to deliver better value to students, and if they cannot, the vast majority of students who enroll in a failing GE program already have better options available to them in a similar field nearby or, in many cases, at the same institution. On average, these alternative options leave graduates with 43% higher earnings and 21% less debt.

The proposed rules would also increase transparency on student debt, college costs, and post-graduation earnings for students attending all types of undergraduate and graduate programs. The draft rules would require students to acknowledge they have seen key borrowing and earnings information before receiving Federal funds to enroll in programs that typically leave graduates with unaffordable debt.

This fact sheet covers the provisions related to GE and greater transparency for all programs that are part of a larger of Notice of Proposed Rule Making (NPRM). A separate fact sheet covering the parts of the NPRM related to financial responsibility, administrative capability, certification procedures, and ability to benefit can be found [here](#).

Gainful Employment

Protecting students and taxpayers by stopping Federal student aid from flowing to career training programs that lead to unaffordable debts or low earnings

For most students, postsecondary education is a transformative and worthwhile investment that can lead to higher rates of employment, better wages, and meaningful careers. Career training programs (i.e., non-degree programs at all institutions and degree programs at for-profit colleges) play an important role in the postsecondary education system, serving many first-generation and lower income students and providing ladders to upward economic mobility. However, many other career training programs consistently leave graduates with high debt compared to their earnings or with wages that are no greater than what they could have expected if they had not enrolled in postsecondary education at all. The proposed regulations would specify that these poorly performing career training programs do not satisfy the statutory eligibility requirements in the Higher Education Act (HEA) that require such programs to prepare students for gainful employment in a recognized occupation.

The proposed GE rule would protect students by establishing two independent metrics that determine whether a career training program meets the statutory requirement to prepare students for gainful employment in a recognized occupation:

- A **debt-to-earnings ratio** that compares the median earnings of graduates who received Federal financial aid to the median annual payments on loan debt borrowed for the program. To pass, a program must either show that debt payments are no more than 8% of annual earnings or 20% of discretionary earnings, which is defined as annual earnings minus 150% of the Federal poverty guideline for a single individual (about \$21,870 in 2023). Programs that do not meet the debt-to-earnings standards are considered “high-debt-burden.”
- A new **earnings premium test** that measures whether the typical graduate from a program that received Federal aid is earning at least as much as a typical high school graduate in the labor force (i.e., either working or unemployed) in their State between the ages of 25 and 34. This is equal to roughly \$25,000 nationally but varies across States. Programs that have typical earnings lower than the median high school graduate are considered “low-earnings.”

Programs that fail either or both metrics in a single year would be required to provide warnings to students that the programs could be at risk of losing eligibility for Federal aid in subsequent years. Programs that fail the same metric in two of three consecutive years would have their eligibility to participate in Federal aid programs revoked.

The GE protections are critical. Borrowers who attended programs with high debt burdens are 25% more likely to default and struggle to repay their loans. This damages students’ financial health and leaves taxpayers on the hook.

The new earnings premium tests whether career training programs are meeting a minimal expectation that students' investment of time and money will help them achieve their goals. The overwhelming majority of students say that getting a better job and improving their earnings are among the most important reasons for pursuing postsecondary credentials. Similarly, the HEA lays out the expectation that postsecondary education should be providing opportunities beyond those available to high school graduates by generally requiring that students must already have a high school diploma or its recognized equivalent to access Federal aid. The earnings premium metric recognizes that programs are not meeting these goals if they are producing graduates whose earnings are below those of a typical high school graduate in their State who never went to college. The Department understands the benefits of an education are multifaceted and cannot be boiled down only to what graduates earn. For career training programs, however, setting a minimum level of performance on post-graduation earnings ensures programs are not negatively affecting students' economic wellbeing.

Estimated effects of the proposed GE rule

Out of approximately 32,000 GE programs in total, about 1,800 are projected to fail at least one of the two financial-value metrics.¹ The Department estimates that this proposed rule would protect more than 703,000 students per year from attending these failing career training programs. These students constitute about 24% of those receiving federal student aid to enroll in GE programs annually. Of those attending failing programs:

- about 278,000 attend GE programs that have high debt burdens but typical earnings above those of high school graduates;
- about 308,000 students attend programs that lead to low earnings but do not produce high debt burdens; and
- about 118,000 are in GE programs that result in high debt burdens and low earnings.

Programs that generate unaffordable debts or low earnings are concentrated among career training programs. These GE programs enroll only 15% of all Federally-aided students, but account for 45% of all enrollment in programs with unaffordable debt or low earnings.

The share of enrollment in programs that fail one or both of the GE metrics is higher at for-profit institutions, where virtually all programs are covered by the accountability provisions. More than half (58%) of for-profit institutions have at least one program that does not meet one of these standards. By contrast, the Department estimates that 93% of public institutions

¹ With data currently available, the Department is not able to compute metrics for many programs due to data limitations described in the Regulatory Impact Analysis and privacy disclosure rules. We estimate that 83% of GE enrollment would be in programs that have sufficient numbers of completers to have metrics computed using either a two-year or four-year cohort, as described in the NPRM.

and 97% of private, non-profit institutions have no high-debt-burden or low-earning GE programs, despite the fact that two-thirds of these institutions offer at least one GE program.

Protecting at-risk students

The proposed GE rule is essential for protecting underserved students who stand to gain the most from a postsecondary credential. These students rely heavily on Pell Grants and student loans and are often targeted by institutions with subpar student outcomes. In some instances, institutions offering poorly performing programs have blamed their outcomes on the demographics of the students they enroll. However, an analysis included as part of the proposed rule shows that differences across institutions and field of study account for a large proportion of the differences in outcomes across programs, and once these factors are controlled for, student demographics explain relatively little of whether a program passes or fails a GE measure.

For example, data included as part of the proposed rule show that cosmetology and massage certificate programs fail the GE metrics at relatively high rates, but a number of other programs such as practical nursing and dental support enroll women and minority students at similar rates but have much better outcomes. And among these are many programs enrolling students that come from the lowest income families that produce consistently better debt and earnings outcomes. The Department estimates that institutions with better outcomes, including Historically Black Colleges and Universities and community colleges, are likely to gain enrollment because of the proposed rule, as they will attract students that otherwise would have attended failing programs.

Increased Transparency for Students and Families

Providing improved transparency about the financial value of postsecondary programs across all sectors

The proposed rule also includes provisions that would create a new disclosure website hosted by the Department to provide students and families with better information about the financial value of undergraduate and graduate programs across all sectors of higher education. This would include new information on program costs (including tuition and fees, books, and supplies), non-Federal grant aid, loan burden (including both private and Federal loans), earnings of completers, any applicable occupational and licensing requirements, and licensure success exam passage rates (where relevant). This reporting will, for the first time, allow the Department to give students and families a personalized estimate of what they'll pay out-of-pocket to earn credentials in specific postsecondary programs, along with key information on the debt and earnings outcomes of program graduates.

While providing accurate information is fundamental, it will only be helpful to the extent that students and their families see it. The proposed rule requires institutions to provide a link to the disclosure website described above, and also requires that students acknowledge having seen this information prior to Federal financial aid being disbursed if they are enrolled in or planning to enroll in a program that consistently leaves students with unaffordable debt.