

Fact Sheet: Biden-Harris Administration Announces Landmark Regulations on Accountability, Transparency & Financial Value for Postsecondary Students

The Biden-Harris Administration is announcing final regulations on financial value accountability and transparency that will provide students with the most effective set of protections against programs that leave them with unaffordable debt or no improvement to their earnings. The rules include a revitalized and strengthened Gainful Employment (GE) rule, that will protect approximately 700,000 students a year from career training programs that leave graduates with unaffordable loan payments or earnings no better than what someone with a high school diploma (who never pursued a college credential) earns in their State. In addition, the rules contain a new Financial Value Transparency (FVT) framework will give all students the most detailed information ever available about the cost of postsecondary programs, and the financial outcomes they can expect. It will also help prospective students understand the potential risks involved in their program choices by requiring them to acknowledge viewing this information before enrolling in certificate or graduate programs whose graduates have been determined to face unaffordable debt levels.

Gainful Employment

The GE program accountability framework will improve the options available to students planning to enroll in certificate programs at all institutions as well as degree programs at private for-profit colleges. Collectively, there are 32,000 such programs that enroll about 2.9 million students who receive title IV, HEA aid (e.g., Direct Loans or Pell grants) each year.¹ The GE programs represent about 20% of the more than 155,000 title IV eligible programs, and about 15% of approximately 19.3 million title IV, HEA supported students each year. They account for 45% of all title IV enrollment in programs with unaffordable debt or low earnings.

GE Accountability Metrics

Under the GE program accountability framework, the Department assesses whether career programs meet the statutory requirement of preparing students for gainful employment in a recognized occupation using two separate and independent metrics:

- A **debt-to-earnings rate** that compares the median annual payments on loan debt borrowed for the program to the median earnings of its Federally aided graduates. For a program to pass, its graduates' debt payments must be 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).
- A new **earnings premium test** that measures whether the typical graduate from a program who 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

¹ The statistics cited in the factsheet are generally based on data described in detail in the Regulatory Impact Analysis of the rule, which focuses on program level performance data for completers and total enrollment between the 2015 to 2017 award years.

the ages of 25 and 34. This is equal to roughly \$25,000 nationally but varies across States.

The debt-to-earnings rates (D/E) measure loan affordability: the share of borrowers’ annual earnings that need to be devoted to making student loan payments. Past research has shown that when D/E rates exceed the thresholds described above, debt is unaffordable. The Department estimates that borrowers in programs with unaffordable debt are 25% more likely to default on their student loans compared to borrowers in programs with passing D/E rates.

The D/E rates also help identify programs where taxpayers are likely to bear the costs of Federal loans. Since borrowers can repay their loans as a fraction of their discretionary earnings for a fixed number of years under income driven repayment plans (IDR), when debt is high relative to earnings borrowers will be less likely to repay their full balances: borrowers in programs with failing D/E are predicted to repay less than half the share of their loans that borrowers in programs that pass D/E will repay under the new Saving on a Valuable Education (SAVE) IDR plan.

The D/E rates establish reasonable levels of earnings that a borrower must have to sustain a given debt level. The table below shows how much debt a program could have depending on different levels of earnings for a typical graduate. The amount of debt at a given earnings level varies by credential level because of differences in the interest rates charged to undergraduate versus graduate borrowers and different periods used to calculate how long a borrower would take to pay down their loans.

	Maximum Allowable Median Debt			
Median Earnings	Undergraduate Certificate or Associate	Bachelor’s	Master’s	Doctoral/Professional
\$25,000	\$16,300	\$22,100	\$20,000	\$23,600
\$50,000	\$50,800	UG Max	\$62,500	\$73,800
\$75,000	UG Max	UG Max	\$112,400	\$132,800
\$100,000	UG Max	UG Max	\$162,400	\$191,800

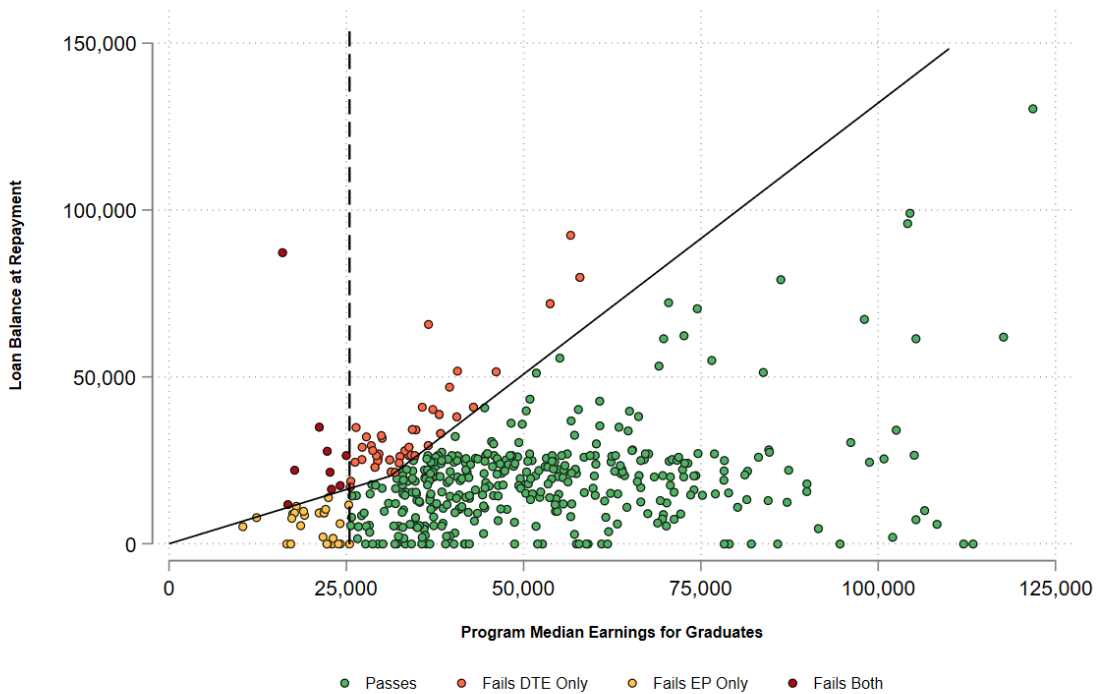
Note: Maximum debt levels are rounded to the nearest \$100. The undergraduate (UG) maximum is \$57,500 for an independent student and \$31,000 for undergraduate students.

The earnings premium (EP) captures the extent to which postsecondary programs enhance a student’s earnings potential relative to not pursuing a college credential at all. The vast majority of students cite improved earnings or job prospects as among the most important reasons they choose whether and where to attend college, and the earnings premium measures whether programs are meeting that basic expectation. In the GE framework, it provides added protection to students, including those who take on small amounts of loans but who have earnings so low that even low levels of debt payments are unaffordable. Among individuals

with at least some college experience, rates of material hardship (e.g., experiencing food insecurity or being behind on bills) are more than double for individuals with annual income below that of the median high school graduate in their State compared to those with income above that threshold. Given that these necessities are unaffordable at such low earnings levels, it is not surprising that even small amounts of debt are also unaffordable. The default rates among students in programs that pass the debt-to-earnings ratio thresholds but fail the earnings premium are very high: across all GE programs, default rates are higher among programs that only fail the earnings premium test than programs that only fail the debt-to-earnings ratio.

Figure 1 illustrates the role these metrics play in the accountability framework to assess whether programs prepare students for gainful employment. Each dot in the figure represents a program, with the median earnings of its graduates on the horizontal axis and the median debt on the vertical axis. The solid line shows the boundary between programs that pass and fail the debt-to-earnings measure—programs with higher debt levels above the line (shown in dark red) fail. The vertical dashed line shows the level of earnings of a typical high school graduate, so programs to the left of that dashed line fail the earnings premium test.

**Figure 1: Illustration of the GE Accountability Framework
Program Performance based by Median Debt and Median Earnings**



Impact of GE Accountability

Programs that fail either metric in a single year will be required to provide warnings to current and prospective students that the programs could be at risk of ineligibility for the title IV, HEA Federal student aid programs in subsequent years. Programs that fail the same metric in two of three consecutive years will not be eligible to participate in Federal student aid programs.

The Department projects that about 1,700 programs that enroll nearly 700,000 students per year will fail at least one of the two metrics in a single year—about one-quarter of all enrollment in GE programs. These programs have a disproportionate share of their total enrollment in failing programs, accounting for nearly half of all enrollment in high-debt-burden or low-earning programs.

Nearly 90% of students in failing GE programs attend for-profit institutions. Among certificate programs, where all programs offered by all institutions are covered by the rule, about 80% of the enrollment in failing programs is in the for-profit sector. About 55% of for-profit institutions have at least one program that does not meet one of these standards. While more than two-thirds of public and private nonprofit colleges offer at least one GE program, the Department estimates that 92% of public institutions and 97% of private, non-profit institutions have no high-debt-burden or low-earning GE programs.

Of the students attending failing programs:

- about 274,000 attend GE programs that have high debt burdens but typical earnings above those of high school graduates;
- about 306,000 attend GE programs that lead to low earnings but do not produce high debt burdens; and
- about 115,000 are in GE programs that result in high debt burdens and low earnings.

Failing programs leave borrowers with poor financial outcomes. For instance, the median annual earnings for graduates is less than \$15,000 at undergraduate certificate programs that fail the debt-to-earnings test.² At least half of completers in failing undergraduate certificate programs have annual loan payments greater than (i.e., over 100% of) their discretionary earnings. Graduate GE programs that fail the D/E rates, meanwhile, have typical earnings of \$42,000 compared to debt of over \$79,000.

Driving program improvement and better options for students

The Department projects that the rules will lead to program improvements that will benefit students and institutions. To improve the D/E rates of their programs, institutions can reduce prices and increase institutional aid offers to students, since loan debt for the debt-to-earnings rates calculations are capped at the net direct costs charged to a student.

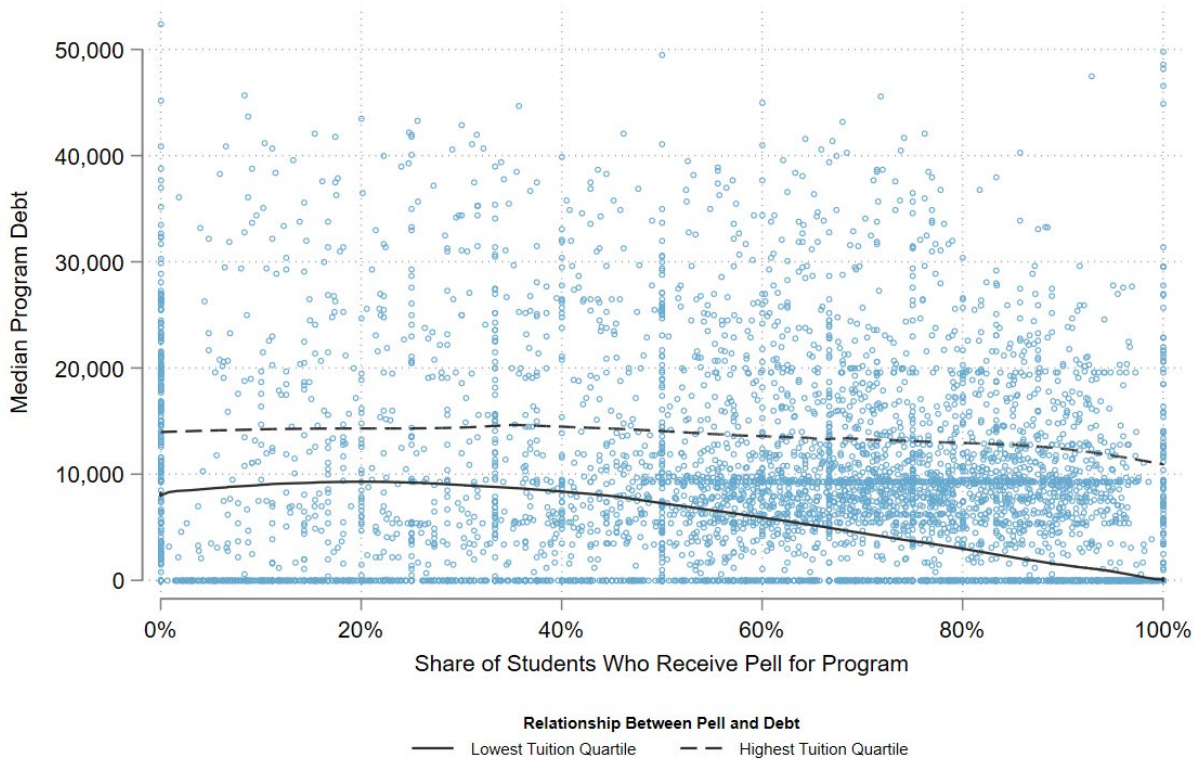
Students do not need to settle for programs with sub-standard outcomes if their programs cannot improve. The Department projects that the vast majority of students in failing GE programs have better options available to them at passing programs in a similar field nearby or, in some cases, even at the same institution. We estimate the typical student at a failing GE program has at least five other programs available in a similar field in the students' local area.

² Earnings expressed in 2019 dollars, based on the 2022 Program Performance Data released during Negotiated Rulemaking.

On average, these alternative options serve students better: their graduates have 43% higher earnings and 22% less debt. The Department also estimates that institutions with programs that have better outcomes, including Historically Black Colleges and Universities and community colleges, are likely to gain enrollment because of the rule, as they offer better performing programs that compete for students with institutions that will have more enrollment in failing programs.

The Department has taken care to design the rule in a way that is fair and not counterproductive to the crucial work being done by institutions that provide access to valuable career training programs for underserved students. As Figure 2 shows (for all undergraduate GE programs) median debt levels across programs bear almost no relationship to the share of a program’s students who receive a Pell Grant (i.e., the fit lines, showing the average debt levels for programs in high- and low-tuition institutions, in the figure are flat). Measures of program debt do not therefore reflect income differences of students across programs. but rather differences in costs. The Figure makes it clear that differences in tuition have a large impact on student debt levels: institutions in the top 25% in terms of their tuition levels have programs that leave students with about \$5,000 more in debt than institutions in the bottom 25% of tuition levels—a difference that is about the same regardless of the share of Pell students at the program.³

Figure 2: Program Debt Levels and the Share of Students Receiving a Pell Grant Among Undergraduate GE Programs



³ Similar patterns hold if the analysis is limited to programs with the same credential level.

The GE program accountability framework will help protect students from entering programs that do not prepare students for gainful employment, which will ultimately improve the odds their educational investments pay off. Evidence from prior research and an analysis included in the final rule show that, while underserved students enroll in failing programs at high rates, program and institution quality play a critical role in determining student outcomes, more so than student demographics. Steering these students towards better performing programs will advance equity and economic mobility by improving their financial outcomes.

Changes from the draft rule

The Department has made some modifications to the final GE program accountability framework in response to public comments on the proposed rule. The changes include:

- We exempt institutions from all reporting requirements and coverage of the rule with no programs large enough to calculate the metrics underlying the GE program accountability framework. This will alleviate reporting burdens for nearly 700 small institutions (accounting for less than 1% of all Federally aided students), including many small Tribally Controlled Colleges and Universities, proprietary, private non-profit, and foreign institutions.
- We exempt institutions in Puerto Rico and other Territories and Freely Associated States from the accountability provisions of the rule, but still require reporting under the Financial Value Transparency framework. Data used to calculate both high school earnings and discretionary earnings (i.e., the federal poverty line) are not currently available, so the Department will not sanction programs based on their debt and earnings outcomes relative to the thresholds described in the rule.
- We establish a data-driven process to identify fields where measuring earnings over a longer time horizon is necessary, potentially including graduate programs focused on mental health, due to lengthy post-graduate training requirements that limit graduates' early career earnings potential.

The GE program accountability framework will go into effect on July 1, 2024, with the first official metrics published in early 2025. The first year that programs may become ineligible is 2026.

Financial Value Transparency

The Higher Education Act acknowledges there are differences across programs and colleges, and this means we have different tools available to promote these goals in different contexts. The final rule therefore creates a Financial Value Transparency (FVT) Framework that will provide information to all students in all programs on the typical earnings outcomes, borrowing amounts, cost of attendance, and sources of financial aid to help students make more informed choices.

In advancing this FVT framework, the Department is not dismissing the myriad non-financial benefits generated by a postsecondary education, including better health, job satisfaction, overall happiness, increased civic participation, and innumerable intangible benefits that elude

quantification. For many students, financial considerations would, appropriately, be just one of many factors used in deciding whether and where to enroll. However, with college tuition at historically high levels and the growing need for student loans to finance these costs, it is critical for students, families, and taxpayers alike to have accurate and transparent information about the possible financial consequences of their postsecondary program options when choosing where to enroll.

The Department will help students be better informed by hosting a new program information website that provides standardized information about program costs (including tuition and fees, books, and supplies), non-Federal grant aid, loan burden (including both private and Federal loans), earnings of completers, and applicable occupational and licensing requirements. This website will 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.

Past research has underscored the importance of ensuring information is proactively delivered to borrowers at salient moments in their decision-making. In situations where students may face higher risks of poor financial outcomes, the FVT provides added protections for prospective students. The framework requires that such students acknowledge having seen the financial information on the website, including a plain language description of the fact that the program leaves its graduates with high debt burdens, before the student can enroll in the program. These requirements will apply to prospective students at certificate and graduate degree programs. The Department chose to exclude undergraduate degree programs from this provision in the final rule to better target the acknowledgment requirements to programs to which students tend to directly apply. In addition, our empirical analysis shows that high-debt-burden programs are relatively rare among undergraduate degree programs outside the proprietary sector.

Some commenters on the rule expressed concern that programs that produce important societal benefits, but may lead to less remunerative careers, might be negatively affected by being disproportionately labeled high-debt-burden or low-earning. It is rarely the case, however, that such programs fail to meet the minimum standards outlined in the rule. For example, education training programs are less likely to fail the D/E rates or EP measure than other programs. Indeed, data from the National Education Association's Teacher Salary Benchmark Report indicate that even States with the lowest salaries have average starting salaries at least \$5,000 higher than the State's EP threshold. Similarly, healthcare professions fail at low rates—about 8.2% and 2.0% of GE and non-GE programs did not pass the D/E rates or the EP measure. Finally, arts programs do fail at a slightly higher rate than the average program, but the overall failure rate is low and the difference is small (3.7% vs. 1.2% for non-GE programs, with a smaller difference among GE programs (5.5% vs. 5.3%)).

The reporting requirements for these transparency provisions will start July 1, 2024, but the new website will be built and launched afterwards with the first acknowledgment requirements starting in 2026.

Fixing a Broken System

This rule builds on and complements the Department's previous efforts to enhance accountability and transparency in higher education, as well as the historic steps already taken by the Biden-Harris Administration to fix a broken student loan system. The new SAVE plan protects individual borrowers from unaffordable loan payments, providing insurance to prospective students to take risks investing in their future. The Financial Value Transparency and GE rules are proactively aimed at preventing students from ending up with unaffordable debts to begin with and stopping taxpayer dollars from flowing to career training programs that predictably and persistently fail their students. The final rule helps to ensure the education that SAVE helps borrowers afford is truly valuable.