

Exceptional Performer

Submitted by Thomas J. Dalton
Excelsior College

This is meant to give institutions of higher education that are exceptional performers, regulator relief from the Gainful Employment regulations. The relief would exempt these institutions from the reporting metrics for the gainful employment programs that they administer.

Schools would be classified as an exceptional performer if their institutional 3 year cohort default rate (CDR) was 10% or below for three consecutive years. By the time the current gainful employment regulations are implemented all schools will have 3 years of cohorts established. The only exception would be new schools to Title IV eligibility. These schools would have to wait until they established 3 consecutive years of CDR's to be eligible for this exemption.

The rationale for using this metric is that it is an established and recognized metric by all and has been around for decades. Ten percent is the recommended threshold as this is already an established standard used to determine other factors with Federal Student Aid. For example, schools with an established CDR for 3 consecutive years may disburse FSA funds to students 10 days in advance of a term. Schools that don't meet this standard are subject to a 30 day delay in disbursing Federal Student Aid funds to their students.

Currently, there are just under 1,900 schools with 2 consecutive years of CDR's less than 10 percent. Of the 1,900 schools, 254 of them are for-profit institutions. By granting these schools exemptions it relieves the administrative burden for these schools and the Department of Education.

It is also recommended that schools would not be eligible for this exemption if it were determined that they manipulated their CDR by placing the majority of their borrowers in the category of "forebearance" or certain "out of school deferments". These categories should only be used for short term relief and when it is in the best interest of the students. In addition, eliminate the ability to grant back-to-back forebearances. It also should be noted that the use of the 3 year CDR versus the 2 year rate makes it a lot less likely that a school can manipulate their CDR.

The exceptional performer designation does not need to be limited to the CDR metric outlined above but could include institutions that have borrowers with extremely high repayment rates or institutions that spend a significant portion of tuition dollars on instruction.