U.S. Department of Education

Press Call to Announce for Debt-to-Earnings Rates for Gainful Employment Career Training Programs

Speakers
U.S. Secretary of Education, Dr. John B. King Jr.
U.S. Under Secretary of Education, Dr. Ted Mitchell

Moderator: Kelly Leon

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Coordinator: Welcome and thank you for standing by. At this time, all participants will be in a listen-only mode until the question-and-answer session of today's conference.

At the time to ask a question, please press star followed by the 1 on your phone and record your name at the prompt. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

And now I will like to turn the call over to Ms. Kelly Leon, you may now begin.

Kelly Leon: Good afternoon everyone. Thanks, Mark. My name is Kelly Leon. I'm the Assistant Press Secretary here at the Department of Education. Again, thanks so much for joining us this afternoon.

The focus of today's press call is the Department's release of the first debt-to-earnings rates for gainful employment programs. On today's call, we have U.S. Secretary of Education Dr. John B. King Jr. and U.S. Under Secretary of Education Dr. Ted Mitchell.

Earlier this afternoon, the Department sent an embargoed copy of our press release to reporters. I want to be very clear on one point. The content of this call and the release are embargoed for reactions and release until 4:00 pm Eastern time today. If you have any questions about this point, please email us at press@ed.gov.

We'll begin with remarks from Secretary King, then turn it over to Under Secretary Mitchell, then we'll reserve time for questions-and-answers from our participants and as well as our speakers.

Without further ado, Secretary King.

Dr. John B. King Jr.: Thanks. Good afternoon everybody. I'm pleased to be joined today by Under Secretary Ted Mitchell. I appreciate everyone making time to join the call. It's going to be a busy week.

In November, as you might recall for the first time ever, the Department of Education released data on the earnings of the graduates of thousands of postsecondary career training programs across the country under our gainful employment regulations.

Our goal in releasing the earnings data to the public is to help prospective students to make informed decisions about programs and schools to apply to based on their graduate's ability to find a job, repay student loans and support a family.

The data showed among other things that the typical graduate of career training programs at public colleges and universities earned far more than the graduates of comparable programs and for-profit institutions, nearly $9,000 more on average.

Data also showed that nearly a third of students who graduate with a certificate from a for-profit institution earned less than what a full-time minimum wage worker typically earns in a year.

Today, with the earnings data, we're able to release debt-to-earnings rates for graduates of nearly 8,700 career certificate and degree programs offered by postsecondary institutions across the country.

This information sheds an important light on a graduate's ability to repay their student loan debt. And I want to be clear; taking out students loans is not necessarily a bad thing. College is still by far the best investment a person can make in his or her future. Most good jobs today require a postsecondary credential. But quality matters.

Far too many hardworking students are graduating with certificates or degrees that have little or no value in the job market. And then they're stuck with thousands of dollars of student loans with no way to repay them, because they can't find a good job.

When a student invests time and money to attend college, they need to be confident that it is a sound investment in their future, not a liability that will further defer their dreams.

By making these debt-to-earnings rates public, we're empowering students and their families with information they can use to make better decisions. And we're giving career colleges an opportunity and in some cases, a warning, to improve the quality of their programs, to support their graduates' financial future or else lose eligibility to receive federal funds.

Accountability matters. We're confident that more embedded data in postsecondary field will benefit all students, the public and the higher education sector as a whole.

With that I will turn it over to Ted.

Dr. Ted Mitchell: Thanks John and thanks everybody for joining the call today. I want to reiterate how excited we are to release these data that we think serves to promote transparency for students, accountability to taxpayers and promote continuous improvement among providers of career education.

This is the first time institutions will be held accountable for leaving students with debt they cannot repay. These rules will help them ensure better outcomes in the future. And this is the first time that schools will be required to show prospective students how much graduates make and owe before they enroll. Not only is this good for students, but it's also good for taxpayers who deserve more than to have their dollars going to programs they don't perform.

As John mentioned, the gainful employment regulations set a floor for how much debt a student can take on relative to his or her earnings, the debt-to-earnings ratio before exceeding the minimum standards.

Our program's graduates can't leave with annual loan payments that exceed 8% of total earnings or 20% of discretionary earnings. If it's higher than that, the program is at risk of losing eligibility for federal student aid. About 30% of discretionary income and 12% of total earnings, the program is considered failing.

With that in mind, I'd like to walk through some of the highlights of the data we're releasing this afternoon. Overall for-profit programs represent 66% of the GE programs that received rates, but they account for 98% of the failures. In absolute terms, 803 programs, 9% of programs that received rates fail, 98% of them as I said are for-profit programs, while the remaining 2% are non-degree programs at private nonprofit institutions. Zero community colleges fail the accountability metrics.

Programs that fail twice within three consecutive years will lose eligibility for federal aid. One step above from failing is the zone, 1,239 programs, 14% of programs that received rates fall into the zone, which is where a program isn't passing but isn't failing either. 94% of these programs are at for-profit institutions while just over 5% are at private non-profit institutions.

Zone programs have four years to improve before they lose eligibility. And then finally institutions that have GE rates, the remaining 6,595 programs--76% of the programs received rates that meet or exceed our standards.

It's clear that low performance is concentrated in the for-profit sector. Many of these programs leave graduates with a substantial debt and very low earnings. On the other hand, it's clear that nearly all programs with community colleges provide an exceptional value for students to put them on the path to success. As I said before zero community colleges failed the accountability metrics.

These data will have immediate consequences. Failing programs have 30 days to notify their students that they're at risk for losing eligibility for federal student aid. Institutions will also need to tell their students whether they have options to transfer their credits elsewhere and whether they will be eligible for a refund.

We want to make sure that every student is informed and that no student is left in the lurch. You can find the template for the new disclosure on our website alongside other materials.

You know, the final debt-to-earnings rates and the new disclosure template are only a part of the work we've done to root out programs that don't serve students well.

So let me take a step back and point out other ways this regulation has helped reshape the industry since it was published in 2014. First, as a result of the gainful employment rules, institutions must meet state licensure requirements for the field in which students are being prepared.

In other words, if an institution says it's going to train you to be a welder, then the program must meet all state requirements to ensure that students can be a welder in that state or satisfy any requirements for the graduates to sit for a licensure exam for welding. Believe it or not, it wasn't a requirement until we put this rule in place.

Second, as a result of the rule, institutions must disclose important information about earnings, debt, and graduation rates to prospective students before these students make important enrollment decisions. In the past, students may have never known how much graduates earn or whether they even graduate.

Third, as a result of the rule, some institutions have preemptively closed poor performing programs to focus on programs with better outcomes for students. This is the right thing to do. When we published the regulation, we estimated that there were 38,000 GE programs in existence. Today there are fewer than 29,000.

And finally as a result of the rule, institutions have improved their existing programs making them shorter, making them better so that students complete faster, accumulate less debt, and leave with a quality certificate. All of this reduces cost and improves quality. We look forward to seeing continued improvement across all career college programs in the future.

And with that, let me turn it back over to Kelly Leon and again thank you for joining us today.

Kelly Leon: Thank you Under Secretary Mitchell, thank you Secretary King. We'll now move into the question-and-answer portion of the call. Operator, would you please inform our participants how to ask questions.

Coordinator: Thank you. We will now begin the question-and-answer session. And to ask a question, please press star followed by the 1 on your phone and record your name when prompted. You may also cancel your request by pressing Star followed by the 2. One moment please as we wait for questions.

First question is from Aaron Schechter. Your line is now open.

Dr. John B. King Jr.: Aaron?

Dr. Ted Mitchell: Aaron you may be on mute.

Coordinator: I apologize. Further question we now have Mr. Josh Mitchell.

Kelly Leon: And operator, just before your begin your question, operator please announce the outlet that the speaker is from as they ask their question please, thank you.

Coordinator: Understood. Josh Mitchell is from Wall Street Journal.

Josh Mitchell: Yes, hi. Thanks for the opportunity to ask a question. So just one clarification and then one question. When you say the number of programs have gone from 38,000 to 29,000 since the rule was published, when was the rule published? Are you talking about - because there was like several different versions of this rule, are you referring to what was it, 2013 or…

Dr. Ted Mitchell: Josh, Ted here. 2014.

Josh Mitchell: Okay. So it's from 2014 to now the number of programs have gone from 38,000 to 29,000, okay. And then my next question is, you know, what is the flexibility of the incoming administration to just not enforce these rules? Can you address that big question that is hanging over not just this regulations, but all regulations which is okay, you guys are saying this the plan here that, you know, 800 programs are in danger of losing the federal for funds. Can the new administration just come in and say we're not going to enforce this? Help us understand what the possibility is.

Dr. John B. King Jr.: Well, we're not going to speculate on the priorities of the next administration, but these rules are in regulation. We followed the regulatory process in developing the rule and finalizing the rule. You know, a future administration could certainly revisit the regulatory process. But we're confident that this rule reflects the best interest of students and taxpayers.

Kelly Leon: Thanks so much Josh. Operator, we'll take next question please.

Coordinator: Thank you. And for next question is from Michael Stratford of Politico. Your line is now open.

Michael Stratford: My question is, could you be more precise in the number of students who're enrolled in the failed zone and passing programs? You say hundreds of thousands in the press release, but I was wondering if we can get a more precise number since the program could have, you know, 30 students or 1,000 students.

And then secondly, similar to Josh's question, I understand you're not going to speculate on the priorities of the next administration. But can you say what your administration has provided in terms of information or guidance or briefing to the Trump transition team specifically about the gainful employment rule?

Dr. John B. King Jr.: As a general matter - this is Secretary King, as a general matter we've worked to ensure a smooth transition. We've provided information to the transition landing team on all of the initiatives under way of the department. And I'll let Ted comment on the student numbers.

Dr. Ted Mitchell: Great and thanks Michael. So in the passing category, 834,009 students and these are completers, not enrollment.

Michael Stratford: Okay.

Dr. Ted Mitchell: All the way through. So in the failing category, 115,985 and again that's completers. And finally in the zone, 243,145.

Michael Stratford: Thanks.

Kelly Leon: Thanks Michael. Operator, we'll take next question please.

Coordinator: Your next question is from Donna Rosado. Your line is now open.

Donna Rosado: Hi, I'm with Consumer Reports. You say schools identified as failing under this - with this data have 30 days to inform students. How could they? Could schools or their students lose their funding and what should students do if they're in a school like this now?

Dr. Ted Mitchell: Thanks Donna, Ted here. So they have 30 days to notify. The rates will come out again next year and an institution would need to fail twice in a row for students to lose that eligibility or - yes, twice in a row. So next year will be the first time that there will be a loss of eligibility for the institution. The disclosure template that you'll find on our web site talks about all of the things that an institution needs to articulate to students during this process.

Donna Rosado: Okay. And so what should students do if they're in a school and if they get this notice, so this warning in the next 30 days, what should students do if they're in a school like this now, what kind of advice do you have for them?

Dr. Ted Mitchell: Well I can't give particular advice, but I think that as in all cases like this, we see this as a warning sign and would encourage students to look hard and ask hard questions about what their institution is going to do to improve those outcomes.

Kelly Leon: Thank you Donna. Operator, we'll take next question please.

Coordinator: Thank you. Next question is from Emily Wilkins of CQ. Your line is now open.

Emily Wilkins: Hey, thanks so much for taking my question. I just want to go back a little bit to what are the responsibilities of the next administration will be under this regulation? What does the regulation require as far as collecting information and paying attention to it? I mean what does the regulation require the next administration to do? And is there anyway the next administration might be able to at least ignore the data or just not follow through on revoking federal aid?

Dr. John B. King Jr.: Again, we're not going to speculate on the priorities of the next administration. But the regulation requires annual reporting of the debt-to-earnings rates. As Ted indicated, if a school that is failing or to fail twice within three consecutive years, they would lose their eligibility for federal aid.

But ultimately, accountability in higher education isn't a partisan issue. This is about showing that the students get value from their higher education investment.

Emily Wilkins: Thank you.

Kelly Leon: Thank you. Thanks Emily. Operator, we'll go ahead and take next question please.

Coordinator: Thank you. For the next question, we will have Kim Clark. Your line is now open and Kim is from Money Magazine.

Kim Clark: Hi everybody, thanks and hi to Ted and John. One clarification and one question. Ted, you mentioned in terms of the numbers, you said completers. Could you just - is it completers in 2015 or completers over a certain period?

Dr. Ted Mitchell: So it's a good question. So it's - we construct these as cohorts of completers and so it's cohorts of completers between in '10 and '11 and '11 and '12.

Kim Clark: So it's a two-year completion period? Is that correct?

Dr. Ted Mitchell: It's a little muddier than that, but that's the right way to think about it.

Kim Clark: Okay. So was it a 20 - just help me out, a 24-month period or what is it?

Dr. Ted Mitchell: So it's the cohort that entered and completed within that period. So these are programs of different duration…

Kim Clark: But they either graduated between 2010 and 2012?

Dr. Ted Mitchell: Yes. So yes and for some programs you know that we have an n-size and so for some of those programs we've actually extended our gaze back in order to be able to get a group of students or cohort of students around whom we can do the right analysis.

Kim Clark: Well, I don't know if maybe there is something these guys could send around just to make sure we all get this distinction correct.

Dr. Ted Mitchell: Yes. I mean I think that's fair, but roughly these are people who completed between July 1, 2010 and June 30, 2012 depending on the duration of their program. And while we're talking about the data and the numbers, it's important to recognize that this is something that we do in collaboration with the institutions. And we have already done our first data collection for next year's report and we will be working with institutions over the next several months, so…

Kim Clark: Okay. And my question was you talked about the number of programs that have declined. Is there anything you can say about, you know, does it tend to be a certain - is there any, you know, kind of program? I mean does it tend to be, you know, beauty schools? Or is anything coming out in terms of the trends of the programs that is either closed or in trouble?

Kelly Leon: Thanks Kim for your question. We'll have Under Secretary address this one and then we'll move on to another participant to ask a question.

Dr. Ted Mitchell: Yes. So we don't know the answer to that yet. We've been working on getting these rates out, but it's the kind of analysis that we hope to do.

Kim Clark: Oh okay.

Kelly Leon: Thanks so much Kim. Operator, we'll take next question please.

Coordinator: Thank you. And the next question is from Shahien Nasiripour from Bloomberg. Your line is now open.

Shahien Nasiripour: Okay. Thanks for taking my question. Secretary King, since we're talking about for-profit colleges, Bloomberg reported last month that your department has program level information indicating which former Corinthian Colleges students, the department reckons are eligible to have their loans cancelled under the departments own criteria.

Yet the department through its contractors continues to send these former students monthly bills and wage garnishment threats without disclosing to them that the department has reason to believe they're eligible to have their debts cancelled.

Former and current regulators along with student advocates started disclosing this information on monthly bills that demand payment as a commonsense measure. It seems that the regulators require the private sector to do this, yet the department refuses to do so. Why?

Dr. John B. King Jr.: Well as you discussed with the department previously, we have identified ways to communicate with the Corinthian borrowers. We have notified the Corinthian borrowers repeatedly about the possibility of borrower defense.

For the borrowers who are in collection, we do not know, which borrowers attended which programs for which there are findings with certainty. Therefore, borrowers as you know have a process by which they can submit a form that identifies which program they've participated in and allows them to seek borrower defense.

We continue to work through the borrower defense claims that we have received. As you know, we stood up the Enforcement Unit and significantly invested in expanding the capacity of our units to review borrower defense claims. And we continue to work with state attorneys to identify ways to strengthen communication with borrowers and to identify specific borrowers who maybe eligible for release.

Dr. Ted Mitchell: And Shahien, this is Ted. I think it's important to note that all of those solutions are sort of backend solutions. The GE regulation and the release of these data are about trying to address problems of underperformance on the front end so that students have access to information about the outcomes of their programs so that institutions have the opportunity to improve their program and so the taxpayers have some sense of holding institutions that are accountable. I'm very pleased that the release of these data today will help us move upstream in addressing persistent problems of quality.

Kelly Leon: Thanks Shahien for the questions. Operator, we'll go to next question please and this will be the last question.

Coordinator: Thank you. Next question is from Mikhail Zinshteyn of Education Writers Association. Your line is now open.

Mikhail Zinshteyn: Hey everyone. Thanks for taking this call. Thinking backing on what others have asked, so I understand you're not able to comment on what the Trump administration will and will not do. But from a regulatory perspective, what duration is needed to from a purely regulatory perspective to override or make for not these regulations? Is it several months? Is it several years?

Dr. John B. King Jr.: Again, we're not going to speculate on the policy priorities or actions that will be taken by our future administration. Again what I would emphasize is this is fundamentally about what is in the interest of students and taxpayers and ensuring that students make an investment in higher education, actually get a certificate or a degree that allows them to succeed.

And what we've done today is made more transparent for students, for taxpayers, for institutions how well students are being served. Information should inform consumer choices. The regulations also establish a system of meaningful accountability for those programs that are failing students.

Those aren't partisan issues. That's fundamentally what higher education exists to do, to help students get opportunity. And when they're not doing that, there must be meaningful accountability.

Kelly Leon: It's a great point to end on. Thank you so much Secretary King, thank you so much Under Secretary Mitchell. Again participants I want to underscore the point I made earlier that the contents of this call as well as the press release issued earlier are under embargo until 4:00 pm Eastern today. The debt-to-earnings rates will be published on FSA, Federal Student Aid's Data Center at 4:00 pm Eastern today.

If you have any additional questions, please reach out to us at press@ed.gov and that concludes today's call. Thank you so much.

Coordinator: And that concludes today's conference. Thank you all for your participation. You may now disconnect.

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