To: Gainful Employment Negotiators

From: Rory O'Sullivan, Young Invincibles

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Re: Proposal to include program-level CDRs in the gainful employment rule

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At the September negotiations, the Department raised a question about including program level cohort default rates (pCDRs) in the assessment of gainful employment programs' eligibility for federal aid. I participated in the workgroup on this topic and wanted to share my own proposal, as outlined below.

1. **For each gainful employment program, the Department should calculate a pCDR.** These pCDRs would be calculated under the same formula as the institutional CDRs the Department already calculates, and the same appeal and challenge provisions would apply.

2. **pCDRs would be a "standalone" metric and not used as a substitute for debt-to-earnings ratios or any other assessments.** Currently institutions that exceed institutional CDR thresholds (currently, one year above 40 percent or three years at or above 30 percent) lose eligibility for aid. Implementing a similar metric at the program level as an alternative to debt-to-earnings ratios would render the draft rule meaningless. The predatory programs that we are concerned with already meet institutional CRD thresholds, in many cases by pushing students into forbearance to the benefit of the institution rather than the borrower. Except for a few outliers, most programs at these schools would survive a pCDR test, effectively giving them a pass on whether their graduates actually earn enough to finance the cost of the program.

3. **To ensure the integrity of program-level CDRs, the Department must strengthen regulations to prevent CDR manipulation.** As the Department has themselves found, some unscrupulous schools are pushing students into forbearance to serve the schools' needs, not the students'. The department should explore ways to limit CDR manipulation. This should include identifying scenarios where significant numbers of borrowers from a particular institution choose forbearance to their detriment and preventing schools from engaging in this kind of manipulation. The Department should also explore avenues for preventing schools from encouraging forbearance when choosing Income Based Repayment, Pay as Your Earn, or Income Contingent Repayment would be a better option.

4. **Finally, in our working group discussions it became clear that we need more information to adequately evaluate pCDR proposals. Answers to the following questions would be helpful:**

a. What is the relationship between pCDRs and other program level metrics such as debt-to-earnings rations and repayment rates?
b. Can NCES do a similar analysis on the accuracy of pCDR thresholds by program size as it did for debt-to-earnings metrics? Are pCDRs similarly accurate down to the N=10 level or is there more variability among pCDRs?