

**Methodology for 2012 GE Informational Rates and
2012 GE Informational Rates Variations Calculations**

To inform the Notice of Proposed Rulemaking (NPRM) for Gainful Employment, published in the Federal Register on March 25, 2014 (Vol. 79, No. 57), the U.S. Department of Education has posted on its website¹ two data files containing informational debt-to-earnings rates (D/E rates) and program cohort default rates (pCDR) for gainful employment (GE) programs:

1. 2012 GE Informational Rates
2. 2012 GE Informational Rates Variations

Column Field Names Glossary

The following definitions are applicable to the column field names in both data files.

FIELD NAME	DEFINITION
OPEID	Identification number issued by the U.S. Department of Education that identifies each postsecondary educational institution (institution) that participates in the Federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended.
Institution	The name of the institution.
City	City where the main campus of the institution is located.
State	State (or "FC" for a foreign country) where the main campus of the institution is located.
ZIP Code	ZIP code where the main campus of the institution is located.
Sector and Institution Type	Type of institution and its sector category, according to the Department's official records: Private, Not-For-Profit - less than 2 years Private, Not-For-Profit - 2 to 3 years Private, Not-For-Profit - 4 or more years Proprietary - less than 2 years Proprietary - 2 to 3 years

¹ See <https://www2.ed.gov/policy/highered/reg/hearulemaking/2012/gainfulemployment.html>

	<p>Proprietary - 4 or more years</p> <p>Public - less than 2 years</p> <p>Public - 2 to 3 years</p> <p>Public - 4 or more years</p>
CIP Code	<p>The <i>Classification of Instructional Program Code</i> is a taxonomy of instructional program classifications and descriptions developed by the Department's National Center for Educational Statistics. The data files include a six digit CIP Code for each program (<i>ex.: 010103 for six digit CIP Code 01.0103-Agricultural Economics</i>).</p>
CIP Name	<p>The official CIP Name for the program's CIP Code. Note that the CIP Name may not be the same as the name assigned to the GE program by the institution (<i>ex.: An institution offers a "Blood Technician" undergraduate certificate program with CIP Code 511009. The official CIP Name for that CIP Code is, "Phlebotomy Technician/Phlebotomist."</i>).</p>
Credential Level	<p>As reported by the institution, the level of degree/certificate/credential for the GE program:</p> <p>01 - Undergraduate certificate (includes diploma)</p> <p>02 - Associate's degree</p> <p>03 - Bachelor's degree</p> <p>04 - Post baccalaureate certificate (includes post-graduate certificate)</p> <p>05 - Master's degree</p> <p>06 - Doctoral degree</p> <p>07 - First professional degree, at the graduate level (e.g., M.D., D.D.S, J.D.)</p>
Debt-to-Earnings Rates Calculations	
D/E Completer Count	<p>Number of students in the 08/09 2012 D/E rates cohort (students receiving title IV, HEA program funds who completed a GE program between October 1, 2007, and September 30, 2009) for the program.</p>
Annual Debt-to-Earnings Rate Calculation	
Annual Earnings Rate	<p>The program's <i>Annual Loan Payment</i> divided by its <i>Annual Earnings</i>.</p>

Annual Loan Payment (Numerator)	The median annual loan payment of the students in the 08/09 2012 D/E rates cohort for the program.
Annual Earnings (Denominator)	The higher of the mean or median earnings of the students in the 08/09 2012 D/E rates cohort for the program.
Discretionary Debt-to-Earnings Rate Calculation	
Discretionary Income Rate	The program's <i>Annual Loan Payment</i> divided by its <i>Discretionary Earnings</i> .
Annual Loan Payment (Numerator)	The median annual loan payment of the students in the 08/09 2012 D/E rates cohort for the program.
Discretionary Earnings (Denominator)	The higher of the mean or median earnings of the students in the 08/09 2012 D/E rates cohort for the program minus 150 percent of the Poverty Guideline for a single person residing in the continental United States as published by the U.S. Department of Health and Human Services.
Program Cohort Default Rate Calculation	
pCDR Numerator	Number of borrowers in the 09 2012 pCDR cohort (borrowers whose FFEL or Direct Loans entered repayment between October 1, 2008 and September 30, 2009) for the program who defaulted on their loans prior to October 1, 2011.
pCDR Denominator	The number of borrowers in the 09 2012 pCDR cohort for the program.
Program Cohort Default Rate	The program's <i>pCDR Numerator</i> divided by its <i>pCDR Denominator</i> .

Methodology for 2012 GE Informational Rates Data File Calculations²

2012 GE Informational D/E Rates

$$\text{annual earnings rate} = \frac{\text{annual loan payment}}{\text{annual earnings}}$$

$$\text{discretionary income rate} = \frac{\text{annual loan payment}}{\text{annual earnings} - 1.5 * \text{Poverty Guideline}}$$

- Both the **annual earnings rates** and **discretionary income rates** (the D/E rates) were calculated by program for students receiving title IV, HEA program funds who completed the program between October 1, 2007 and September 30, 2009 (the 08/09 2012 D/E rates cohort). D/E rates for programs with fewer than 30 completers in the 08/09 2012 D/E rates cohort are not included in the 2012 GE Informational Rates Data File. The annual earnings rate and discretionary income rate ratios are provided as percentages truncated two digits after the decimal place.
- The Social Security Administration (SSA) provided, at the program level, the 2011 calendar year mean and median annual earnings of the 08/09 2012 D/E rates cohort. Annual earnings include wages, salaries, tips, and self-employment income. The higher of the mean or median 2011 earnings was used as the **annual earnings** component of the annual earnings rate and discretionary income rate calculations.
- **Annual loan payment** was initially calculated by determining the median loan debt, by program, for the 08/09 2012 D/E rates cohort and amortizing that median debt amount over a 10-year period for undergraduate certificate, associate's degree, and post baccalaureate certificate programs, 15-year period for bachelor's and master's degree programs, and 20-year period for doctoral and first professional degree programs using an annual interest rate of 6.8%. Using the initial calculation, the annual loan payment was recalculated with an interest rate of 5.42% which represents the average undergraduate and graduate unsubsidized interest rate on Federal Direct Unsubsidized Loans for the six years prior to the end of the applicable cohort period (October 1, 2007 to September 30, 2009). The annual loan payment was truncated with no digits after the decimal place.
- Loan debt includes both FFEL and Direct Loans (except PLUS Loans made to parents or Direct Unsubsidized loans that were converted from TEACH grants), private loans, and institutional loans that a student received for attendance in the GE program.

² The methodology used for the 2012 GE Informational Rates calculations departs slightly from the provisions of the proposed regulations as provided in the gainful employment NPRM.

- In cases where students completed multiple gainful employment programs at the same institution, all loan debt was attributed to the highest credentialed program that the student completed, and the student was not included in the calculation of rates for the lower credentialed programs.
- In calculating median annual loan payment, the loan debt associated with a student was capped at an amount equivalent to the amount the student paid for tuition and fees if: 1) tuition and fees information was provided by the institution, and 2) the amount of tuition and fees was less than the student's loan debt. This tuition and fee cap applied to approximately 15% of student records for the 08/09 2012 D/E rates cohort.
- For the discretionary income rate calculations, the Poverty Guideline is the Federal Poverty Guidelines for an individual person in the continental United States as issued by the U.S. Department of Health and Human Services. The 2013 Poverty Guideline was used for the D/E rates calculations (\$11,490).
- Excluded from the calculations were students whose loans were in military deferment or who were enrolled at an institution of higher education for any amount of time in the calendar year for which earnings were retrieved or whose loans were discharged because of disability or death.

2012 GE Informational pCDR

program cohort default rate = $\frac{\text{borrowers whose loans are in default}}{\text{borrowers whose loans entered repayment}}$

- The pCDR was calculated by program for students who entered repayment between October 1, 2008 and September 30, 2009 (09 2012 pCDR cohort) on FFEL or Direct Loans received for enrollment in the GE program. pCDRs are provided as percentages truncated to two digits after the decimal point.
- **Borrowers whose loans entered repayment** is the number of students, by program, in the 09 2012 pCDR cohort.
- **Borrowers whose loans are in default** is the number of students, by program, in the 09 2012 pCDR cohort who defaulted on their FFEL or Direct Loans at any time within the first three fiscal years of repayment. For the 09 2012 pCDR cohort, this is the period between October 1, 2008 and September 30, 2011.
- For programs with less than 30 students in the 09 2012 pCDR cohort:
 - **Borrowers whose loans entered repayment** also includes students who entered repayment between October 1, 2006 and September 30, 2007 (the 2007 pCDR

- cohort) and October 1, 2007 and September 30, 2008 (the 2008 pCDR cohort) on FFEL or Direct Loans received for enrollment in the GE program; and,
- **Borrowers whose loans are in default** also includes the number of students, by program, in the 2007 and 2008 pCDR cohorts who defaulted on their FFEL or Direct Loans at any time within the first three fiscal years of repayment. For the 2007 pCDR cohort, this is the period between October 1, 2006 and September 30, 2009. For the 2008 pCDR cohort, this is the period between October 1, 2007 and September 30, 2010.
 - pCDR rates were not calculated for programs with less than 30 total borrowers in the 07, 08, and 09 pCDR cohorts.

Methodology for 2012 GE Informational Rates Variations Data File Calculations

The 2012 GE Informational Rates Variations Data File provides four variations of the 2012 GE Informational D/E Rates. These alternative D/E rates were calculated using the same methodology that was used to calculate the 2012 GE Informational D/E Rates, with the following exceptions:

Worksheet	D/E Rates minimum program completer count (n-size) in 08/09 D/E rates cohort	D/E Rates Amortization Schedule
1	30	10-years for all credential levels
2	30	20-years for all credential levels
3	10	10-, 15-, 20-years depending on credential level
4	15	10-, 15-, 20-years depending on credential level