

## Methodology for Informational Debt-to-Earnings and Repayment Rate Calculations

To inform the discussion at the gainful employment negotiated rulemaking committee meetings, the Department has provided to the negotiators and posted on our website debt-to-earnings and repayment rate informational data for gainful employment programs. The following is a description of the methodology that was used to create that information.

Programmatic information (CIP Program Name, CIP Code, Credential Level) associated with each debt-to-earnings and repayment rate calculation has been provided in the informational data files except in cases where there were fewer than three programs that have the same CIP Code. In those instances, to protect the anonymity of the program, CIP Program Name and CIP Code are not included. Institutional identifiers (institution name, OPEID, address, state, etc.) have not been included in the data files.

\*The methodologies used for the informational data calculations depart slightly in some areas from the methodology provided in the draft regulation.

### Debt-to-Earnings Rates

$$\text{annual debt-to-earnings} = \frac{\text{annual loan payment}}{\text{annual earnings}}$$

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

- Both the annual debt-to-earnings (aDTE) and discretionary debt-to-earnings (dDTE) rates were calculated by program for two cohorts of former students: 1) Title IV aided students who completed the gainful employment program between October 1, 2006 and September 30, 2008 (the 07/08 DTE Cohort), and 2) Title IV aided students who completed the gainful employment program between October 1, 2007 and September 30, 2009 (the 08/09 DTE Cohort).
- For both Cohorts, rates were not calculated for programs having fewer than 10 students meeting the Cohort definitions provided above.
- For the 07/08 DTE Cohort\*\*, the Social Security Administration (SSA) provided, at the program level, 2010 calendar year mean and median annual earnings of the members of the Cohort. For the 08/09 DTE Cohort, the SSA provided, at the program level, the 2011 calendar year mean and median annual earnings of the members of the Cohort. For both Cohorts, the higher of the mean or median was used as the **annual earnings** component of the aDTE and dDTE calculations.

\*\*The 2010 median annual earnings (at a program level) of students who completed a gainful employment program between October 1, 2006 and September 1, 2008 were previously provided by the SSA so that the Department could calculate DTE rates when the prior gainful employment rule was in effect. For this most recent set of calculations, earnings information was requested from the SSA for the subset of the old cohort that received Title IV aid. The subset of the original group could only be resubmitted to the SSA if, at a program level, the difference in the sizes of the two groups were large enough to meet SSA protocols designed to protect the privacy of information regarding the students who were removed. Of the close to 6,000 programs that were previously submitted to SSA, over 4,000 did not meet these protocols and could not be resubmitted. These programs have been excluded from the new calculations. Additionally, there were over 5,000 programs that were not previously submitted to the SSA because the student count was fewer than the previous rule's minimum program size of 30 but now meet the new minimum of 10 students under the draft regulation. With the addition of these new programs and the exclusion of the programs that could not be resubmitted to the SSA, informational DTE rates for a total of 5,922 programs were calculated for the 07/08 DTE Cohort.

**Annual loan payment** was calculated by determining the median loan debt for both DTE Cohorts and amortizing that median debt amount over a 10-year repayment period using an annual interest rate of 6.8% (the interest rate on Direct Unsubsidized Loans at the time of the data run). 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 gainful employment program.

- In cases where students completed multiple gainful employment programs at the same institution, all loan debt was attributed to the highest credentialed program and, the student was not included in the calculation of rates for the lower credentialed programs.
- In calculating median loan debt, the loan debt associated with a student was capped at an amount equivalent to the program's tuition and fees if: 1) tuition and fees information was provided by the institution, and 2) if the amount of tuition and fees was less than the student's loan debt. This tuition and fee cap applied to approximately 17% of student records for the 07/08 DTE Cohort and 15% of student records for the 08/09 DTE Cohort.
- For the dDTE 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 figures used for the calculations are \$11,170 (2012 guidelines) for the 07/08 DTE Cohort and \$11,490 (2013 guidelines) for the 08/09 Cohort.
- Excluded from the calculations are 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.

## Repayment Rates

borrower-based repayment rate =  $\frac{\text{borrowers paid in full} + \text{borrowers actively repaying}}{\text{borrowers whose loans entered repayment}}$

dollar-based repayment rate =  $\frac{\text{loans paid in full} + \text{loans in active repayment}}{\text{original outstanding principal balance}}$

- Both the borrower-based and dollar-based repayment rates were calculated by program and use the outcomes of Title IV aided students who entered repayment between October 1, 2006 and September 30, 2008 (the 07/08 RR Cohort) on FFEL or Direct Loans received for attendance in the gainful employment program.
- For the borrower-based repayment rate, **borrowers whose loans entered repayment** is the number of students, by program, from the 07/08 RR Cohort. **Borrowers paid in full** is the subset of the borrowers whose loans entered repayment who have fully repaid all of their loans. **Borrowers actively repaying** is the subset of borrowers whose loans entered repayment who, between October 1, 2010 and September 30, 2011, made loan payments sufficient to reduce the outstanding principal balance on all of their loans by at least one-dollar.
- For the dollar-based repayment rate, the **original outstanding principal balance** is the total amount of FFEL or Direct Loans owed by students in the 07/08 RR Cohort by program on the date those loans first entered repayment. **Loans paid in full** is the original outstanding principal balance of loans by program that have never been in default and that are fully paid. **Loans in active repayment** is the original outstanding principal balance of loans by program that have never been in default and, for the period between October 1, 2010 and September 30, 2011 whose balance was lower at the end of the period than at the beginning. To account for negative amortization loans, 3% of the original outstanding principal balance in the denominator was added to the numerator.
- Excluded from the calculations are 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 have been discharged because of disability or death.