

Issue Paper 2
Session 3: March 12-15, 2018

Issue: D/E Rates

Statutory cites: 20 U.S.C. § 1221e-3; 20 U.S.C. § 3474; 20 U.S.C. § 1231a; 20 U.S.C. §§ 1001(b)(1), 1002(b)(1)(A)(i), (c)(1)(A); 20 U.S.C. § 1088(b); 20 U.S.C. § 1082; 20 U.S.C. § 1092; 20 U.S.C. §1094

Regulatory cites: 34 CFR §668.403

Summary of

Changes: Summary of Changes Since Session 2: We propose to add a loan repayment rate into the framework for undergraduate educational programs. We also propose to refer to a program as one that “meets benchmarks” if it meets the established standards and a program as one that “does not meet benchmarks” if it does not meet established standards.

Summary of Changes Provided Before Session 2: We propose to amend section 668.403 so that programs are no longer considered to be “passing” or failing” based on their debt-to-earnings rates. Instead, we propose to refer to programs as “acceptable” if they meet the established standards, and “low-performing” if they do not meet the established standards. We also propose to remove the concept of a “zone” from the regulations. Finally, we propose to remove the provision that a program is no longer eligible to participate in the title IV, HEA programs based on poor debt-to-earnings rates. We also propose that if the Secretary does not calculate or issue D/E rates for an award year, an educational program would disclose the program’s D/E rates for the previous year.

Notes: The Department is interested in feedback in using D/E rates as a comparison tool among institutions of similar size and scope and that serve a demographically matched student population, which could include, socioeconomic status, percentage of Pell recipients, and percentage of students over the age of 25.

The Department also seeks feedback on an option that would evaluate outcomes based only on the top 50% of students completing a program. The rationale here is that while a “C” student meets the Department’s requirements for Satisfactory Academic Progress and may complete the program, employers may be more reluctant to hire these students and they may be less successful on the job. The top 50% of students will demonstrate the capacity (or not) of the program to adequately prepare students for success whereas the outcomes of 100% of completers may inappropriately hold institutions accountable for low-performing students who can’t be expected to enjoy the same outcomes as “A” or “B” students.

[§668.403—Gainful employment program framework.](#)

~~(a) General.~~ A program provides training that prepares students for gainful employment in a recognized occupation if the program—

~~(1) Satisfies the applicable certification requirements in §668.414; and~~

~~(2) Is not an ineligible program under the D/E rates measure.~~

~~(b) Undergraduate educational program~~ Debt-to-earnings rate framework.

~~(a) Debt-to-earnings rates (D/E rates) and loan repayment rates.~~ For each award year and for each eligible ~~GE~~ undergraduate educational program offered by an institution, the Secretary calculates—

~~(1) Two D/E rates, the discretionary income rate and the annual earnings rate, using the procedures in §§668.404 through and 668.406-405 and;~~

~~(2) A loan repayment rate, using the procedures in §668.406-405.~~

~~(e) Outcomes of~~ Comparison threshold Benchmarks for the D/E rates measure.—(1) A ~~GE~~ Except as provided in (iii), An undergraduate educational program meets benchmarks is “passing” the considered to have an acceptable—under the D/E rates measure if—

(i) Its discretionary income rate is less than or equal to 20 percent; or

(ii) Its annual earnings rate is less than or equal to eight percent.

~~(2) A GE~~ Except as provided in paragraph b (3iii), An undergraduate educational program does not meet benchmarks is “failing” deemed to be a “low performing” program under the D/E rates measure if—

(i) Its discretionary income rate is greater than ~~30~~ 20 percent or the income for the denominator of the rate (discretionary earnings) is negative or zero; and

(ii) Its annual earnings rate is greater than ~~12~~8 percent or the denominator of the rate (annual earnings) is zero.

~~(3)(ii)~~ An undergraduate educational program is considered to meet benchmarks under the D/E rates measure if the institution demonstrates to the Secretary that the program meets the standards for economically disadvantaged appeals in 34 CFR 668.213, or that each program meets the standards appeals in 34 CFR 668.216 for programs with thirty-or-fewer borrowers.

~~(43) A GE program is “in the zone” for the purpose of the D/E rates measure if it is not a passing GE program and its—~~

~~(i) Discretionary income rate is greater than 20 percent but less than or equal to 30 percent;~~
or

~~(ii) Annual earnings rate is greater than eight percent but less than or equal to 12 percent.~~

~~(4) For the purpose of the D/E rates measure, subject to paragraph (c)(5) of this section, a GE program becomes ineligible if the program either—~~

~~(i) Is failing the D/E rates measure in two out of any three consecutive award years for which the program's D/E rates are calculated; or~~

~~(ii) Has a combination of zone and failing D/E rates for four consecutive award years for which the program's D/E rates are calculated.~~

~~(5) If award year that the Secretary does not calculate or issue D/E rates for a program for an award year, the undergraduate educational program receives no result under the D/E rates~~

measure for that an award year and remains in pursuant to §668.404(f), the same status under institution discloses the program's D/E rates measure as for the previous award year; provided that if the Secretary does not calculate D/E rates for the program for four or more consecutive award years, the Secretary disregards the program's D/E rates for any award year prior to the four year period in determining the program's eligibility, if available. If the Secretary does not calculate or issue D/E rates for additional award years, the program would list N/A for their D/E rates.

(c) Benchmark for the loan repayment rate measure. (1) An undergraduate educational program is considered to "meet benchmarks" under the loan repayment rate measure if the loan repayment rate is greater than or equal to ***.

(2) An undergraduate educational program "does not meet benchmarks" under the loan repayment rate measure if the loan repayment rate is less than ***.

(3) For any award year that the Secretary does not calculate or issue a loan repayment rate for a program for an undergraduate educational program for a measurement period, pursuant to §668.406, the institution discloses the program's loan repayment rate for the previous measurement period, if available. If the Secretary does not calculate or issue repayment rates for additional measurement periods, the program would list N/A for their repayment rate.

(Authority: 20 U.S.C. 1001, 1002, 1088)
