

## Fact Sheet: Increasing College Accountability

President Biden has called for a higher education system that's not only more affordable, but more accountable to students, families, and taxpayers. That starts with making sure that colleges and universities offer programs that provide real financial value to students and do not leave them with debt they cannot afford. This Administration is committed to holding colleges accountable when they fail to live up to those goals. Today, the Department is announcing the first step to identify the lowest-financial-value programs. These efforts will complement the Department's existing work to protect students and taxpayers when institutions of higher education fail to live up to their side of the bargain.

### Identifying the lowest-financial-value programs

In his August speech announcing debt relief, President Biden made clear that the Administration will hold colleges accountable for charging high prices without delivering corresponding financial value to students. This includes publishing a list of the programs that provide the least financial value in the country. Today, as the first step in this process, the Department is formally requesting public comments on how to best construct this list, including comments on which metrics and methodology should be used to determine which programs should come with warnings. The Secretary will request improvement plans from institutions with programs on the list after it is published later this year. The request for information will be open for public comment for 30 days on Regulations.gov.

### Protecting Students and delivering value through greater accountability

The Biden-Harris Administration will propose new regulations that will significantly curtail the predatory and abusive practices of bad actors in higher education. These forthcoming proposed regulations, as put forward by the Department during negotiated rulemaking sessions this past spring, would do the following:

- **Re-establishing a strong gainful employment rule to cut off federal aid to career training programs that leave students with unaffordable debts or poor job prospects.** Later this year, the Department will publish regulations that aim to protect students and their families from programs that leave borrowers with unaffordable debt or fail to provide sufficient earnings for graduates. This includes essentially all programs offered by private for-profit colleges and certificate programs offered by all other colleges. Prior versions of this regulation caused colleges across the country to improve the financial value they offered students and to shutter programs that could not meet minimum standards. This regulation will be subject to public comment before being finalized.
- **Warning students before they receive federal aid to attend low-financial-value programs.** The list of low-financial-value programs described above will be critical for drawing public attention to programs that consistently leave students with too much debt compared to their expected earnings. The Department recognizes that some postsecondary programs promote goals other than financial returns for students. However, a misalignment of prices charged to financial benefits received may cause particularly acute harm for student loan borrowers who may struggle to repay their debts after discovering too late that their postsecondary programs did not adequately prepare them for the workforce. To address these concerns the Department will also bolster existing disclosure requirements with a regulatory change so that students will have

to acknowledge a warning before receiving federal aid to attend a program that consistently leaves graduates overindebted or with very low earnings. Warnings would be required regardless of whether the program is subject to the gainful employment accountability requirements.

- **Improving taxpayer protection:** Too often, colleges engaged in bad behavior have closed with no warning, leaving students with debt, no degree, and nowhere to go. When that happens, the Department rarely has sufficient financial protection from the institution (e.g., a letter of credit) to cover the costs of student loan discharges resulting from the institution's closure or wrongdoing. Based upon proposals discussed during negotiated rulemaking, the Department plans to expand the circumstances in which the Department requires financial protection from an institution to ensure taxpayers are not left on the hook for colleges' shady dealings.
- **Strengthening rules for approving and renewing colleges' participation in the federal financial aid programs:** Institutions must be certified to participate in federal financial aid programs at least once every 5 years. Proposed new rules would make it easier to attach additional conditions to an institution's ongoing participation if it is exhibiting signs of distress or concerning behavior. This would give the Department more opportunities to quickly address concerns.

### **Increasing collaboration with accreditors**

The Department will partner with accrediting agencies to explore the potential to provide enhanced federal data to drive continuous improvement and more equitable outcomes. The Department is working with college accrediting agencies to explore the potential to enhance federal data and provide tailored, customizable, disaggregated data for agencies to incorporate into their reviews and regular ongoing monitoring of institutions. This partnership reflects a shared interest in improving outcomes, quality, and value with a particular focus on equity.

### **Building on a record of action**

From Day One, the Biden-Harris Administration has taken significant steps to hold institutions accountable and close loopholes that allow bad actors to flourish. Within its first 18 months, this Administration has taken several actions to strengthen college oversight and protect borrowers and taxpayers from poor behavior. These include:

- **Closing loopholes that encouraged institutions to aggressively target and recruit veterans and their families.** Final rules published in November will ensure private for-profit colleges derive at least 10 percent of their revenue from non-federal sources, as required under the 90/10 rule. These rules implement a change made by Congress in the American Rescue Plan Act that prevents these colleges from counting benefits received by military-connected students toward the non-federal revenue requirement.

- **Restoring enforcement.** Last year, the Department restored the Office of Enforcement within Federal Student Aid. This office conducts in-depth investigations into college wrongdoing and administers the borrower defense program, which provides relief to borrowers who are taken advantage of by their institutions. That has included, for the first time, initiating a process to recoup taxpayer dollars for loan discharges associated with an institution's wrongdoing. The borrower defense regulations, published in November, also expanded the types of institutional conduct that can lead to oversight actions, including a new category of aggressive and deceptive recruitment.
- **Protecting the right of borrowers to have their day in court.** As part of regulations released in November, the Department also prohibited colleges from requiring prospective students to sign forced arbitration agreements and class action waivers that insulate bad actors from accountability in our justice system.
- **Putting college owners on the financial hook when they close or harm students.** The Department implemented a new policy that requires the companies and other entities that profit from colleges to agree to be financially liable if the college closes or is found to have taken advantage of students.
- **Increasing scrutiny of college ownership deals.** New regulations strengthen Department review of changes in institutional ownership to prevent both sweetheart deals with the former owners, who can demand a cut of ongoing revenues, and sales at inflated values, which leave institutions too indebted to serve students well.
- **Holding accreditation agencies accountable when they fail to ensure the quality of their colleges.** The Department terminated federal recognition of the Accrediting Council for Independent Colleges and Schools, the agency that oversaw ITT Technical Institute and parts of Corinthian Colleges while they ripped off students and taxpayers. Accreditation agencies must do a strong job of overseeing institutions and the Department will take action when its reviews find that is not the case.