Analysis of the Effect of Capping Total Loan Debt at Tuition, Fees, Books and Supplies

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Under the 2014 Gainful Employment (GE) regulations, institutions reported the total amount charged to each student in tuition, fees, books and supplies and this amount was used to cap each student's total loan amount before computing the median and mean debt levels of students in a program. Here we briefly describe the influence this cap on student loans had on measured median debt levels, and on whether programs were ultimately deemed to be passing the debt-to-earnings metrics in the rule.

This analysis uses the original student-level data used to compute the official debt to earnings metrics, released in early 2017 (the so-called 2015 GE rates). The data released contained debt-to-earnings (DTE) metrics for 8,650 programs, of which 6,422 were deemed to "pass" the DTE metrics, and 2,228 either "failed" or were in the "zone." DTE metrics were re-estimated without applying the cap on student borrowing, and compared to the official DTE metrics estimated with the cap.

Of the 8,650 programs in the data, in 5,838 programs (67.5 percent) the median cumulative debt of completers was identical (unchanged) whether the loan cap was used or not. The table below shows the fraction of programs where applying the cap leads to a lower measured median debt for completers generally rises with the credential level: about 25 percent of undergraduate certificate programs have higher debt when the cap is not applied, whereas more than 97 percent of graduate programs have higher debt when the cap is not applied.

Credential Level	Total Number of Programs	Fraction where applying the cap reduces median total loan debt
Undergraduate Certificate	6,093	25.2
Associate	1,464	35.9
Bachelor's	598	47.5
Post-Bacc. Certificate	49	73.5
Master's	267	97.8

Doctoral	47	100
Professional	17	94.1
Graduate Certificate	115	94.8

For the 2,812 programs (32.5 percent) where calculating median total debt levels without the cap results in higher median debt, the change in measured median debt levels varies considerably. For 25 percent of these programs, the change is less than $285; the median increase is $1,161; and 25 percent of programs see increases of more than $3,882. Further, 10 percent (of the 2,812 with changes) see changes of over $10,348, and 94 programs have increases in measured median debt of over $20,000 (88 of which are graduate programs).

Recalculating the 2015 GE rates without applying the cap would result in 148 programs being reclassified from “passing” (i.e., 2.3 percent of the 6,422 programs deemed “passing” under the 2014 methodology) the rule to either “failing” or being in the “zone.”