



## Q&A on Gainful Employment

May 2010

Q. *Will defining gainful employment hurt good schools offering quality programs?*

A. No! Schools that provide meaningful education and training that students can afford will benefit, while schools that do not will have to improve their programs or lower their prices in order to remain eligible to participate in federal aid programs.

Q. *Will it hurt minority and low-income students by reducing their access to college?*

A. No! To the contrary, defining gainful employment will *help* poor and minority students by not subsidizing unscrupulous schools offering programs that leave students deep in debt with no ability to repay. For example, one major for-profit school is making private loans directly to its students while telling investors it expects nearly 60% to default.

The for-profit sector made the same claim about college access when Congress first proposed limiting federal aid for schools with high student-loan default rates. In fact, the cohort default rules did *not* reduce student access but *did* reduce students loan defaults. Similarly, defining gainful employment will protect students and taxpayers from being ripped off while prompting some schools to improve their programs and/or charge less if they want to continue receiving federal aid.

Q. *Why not give the industry and Department more time to study the issue and jointly develop a proposal?*

A. The Department repeatedly solicited input during the three month long negotiated rulemaking process, and the for-profit sector *never offered a single proposal* for defining gainful employment. Instead, it focused its efforts on arguing that the Department did not have the statutory authority to define gainful employment. Existing law has long required certain programs to prepare students for gainful employment, but without a definition, the Department cannot enforce the law.

Q. *Does federal law require only for-profit programs “to prepare students for gainful employment”?*

A. No, the law also applies to *any vocational program of less than two years* offered by nonprofit and public colleges. Most community colleges offer such programs, *but have nothing to worry about*. This is because fewer community college students borrow, and those who do, borrow much less than students in other sectors. As a result, most community college programs would easily meet the gainful employment tests currently under consideration. By contrast, students attending for-profits have the highest average debt levels of any sector and are the most likely to default on their student loans.

Q. *Would improving consumer disclosures be a better solution?*

A. Without a definition of gainful employment, the Department cannot enforce the law or protect students and taxpayers. With students attending for-profits now accounting for such a large and rapidly growing share of federal student aid, enforcing this statutory requirement is more important than ever before.