# No ‘Gain’? Know Pain: Coming Federal Regulations Could Mean Less Federal Aid for Colleges and Universities

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New federal education regulations take effect this summer that could substantially reduce federal aid to community colleges and for-profit colleges whose students fail to meet certain standards for finding “gainful employment” after graduation. The regulations apply to non-degree programs at community colleges, nearly all programs and degree types at for-profit institutions, but only to certificate or non-degree credential programs at public and not-for-profit four year institutions.

Under the Higher Education Act of 1965 (HEA), an educational program that does not lead to a degree awarded by a public or non-profit post-secondary institution must lead to gainful employment in a “recognized occupation” to be eligible to participate in the Title IV student assistance programs. A recognized occupation is:

- One identified by a Standard Occupational Classification (SOC) code established by the Office of Management and Budget (OMB);
- One identified by an Occupational Network O*NET-SOC code established by the U.S. Department of Labor; or
- One determined by the Secretary of Education in consultation with the Secretary of Labor.

The regulations, which will be enforced by the Department of Education, seek to ensure that students who incur debt for higher education receive an education that enables them to secure a job with income sufficient to repay their debt. The regulations also provide transparency to prospective students when considering gainful employment programs. They take effect July 1, 2015.

Under the regulations, gainful employment programs are required to meet minimum standards measured by a ratio of the amount of debt graduates from a post-secondary program incurred compared to their earnings (debt-to-earnings). Passing programs are those whose graduates have annual loan payments less than eight percent of total earnings **or** less than 20 percent of discretionary earnings. Programs will be considered “in the zone” if annual loan payments are between eight percent and 12 percent of total earnings **or** between 20 percent and 30 percent of discretionary earnings. Programs are considered failing if annual loan payments are greater than 12 percent of total earnings **and** greater than 30 percent of discretionary earnings. Programs that either fall “in the zone” for four consecutive years or that fail twice in any three-year period will become ineligible for financial student aid.

In addition to the accountability measures, the regulations require all schools to make public disclosures about the performance and outcomes of their gainful employment programs, including costs, earnings, debt and completion rates.