

Blocking Higher Standards for Schools Participating in Federal Student Aid:

Including turning off requirement that for-profit colleges tell prospective students about costs and graduation rates—after all, doesn't everybody like a surprise?

Sections 307 and 308 of the Republican bill prohibit use of funds to implement or enforce various rules issued by the Department of Education over the past two years designed to provide transparency and information to students at for-profit colleges, and to exclude schools with the very worst records in terms of student debt loads and loan repayment from participation in federal student aid programs.

These Education Department rules respond to concerns that some for-profit colleges are providing mediocre education at high costs and with high dropout rates, leaving students with heavy debt loads and poor earnings prospects. A comprehensive [study](#) just released by the Senate Committee on Health, Education, Labor and Pensions found that—

- the average cost of associate degree programs at for-profit schools was four times higher than at comparable community colleges,
- more than half of the students who enrolled during 2008-2009 in the for-profit institutions studied had left by mid-2010 without having earned a degree or certificate, and
- 96 percent of students at for-profit colleges take out student loans, compared to 13 percent at public community colleges and 48 percent at four-year public colleges.

According to the Department of Education, students at for-profit institutions represent 12 percent of all higher education students, 26 percent of all student loans, and 46 percent of all student loan dollars in default.

The high cost, high borrowing, and high dropout rates at some of these schools is of particular concern to the federal government because the schools depend heavily on guaranteed student loans, Pell Grants, veterans' education benefits and other federal programs. The Senate HELP Committee study found that among the for-profit colleges examined federal programs account for well over 80 percent of revenues.

Disclosure of Information to Prospective Students

One of the most remarkable features of the Republican bill is section 308(3), which blocks enforcement of rules issued in October 2010 requiring schools to disclose information for each program they offer, as a condition for participating in federal student aid programs. The required information—which must be displayed on the school's website and in promotional materials given to prospective students—includes the following:

- The on-time graduation rate;

- The tuition and fees charged, the typical cost of books and supplies, and the cost of room and board (if applicable);
- The placement rate for students who complete the program; and
- The median student loan debt for students who complete the program.

One might have thought that simple disclosure requirements like this would be a reform *everyone* could support, in order to provide students with the information they need to select well-performing programs and avoid the ones with high costs and bad records. Don't markets work best when participants have the necessary data to make well-informed decisions? What possible objection could anyone have to requiring schools to tell the students they are recruiting what the costs are likely to be and what their graduation and placement rates have been?

Evidently the House Republicans managed to find something to object to in these commonsense requirements, since their bill would block any further implementation or enforcement of the disclosure regulation (which took effect on July 1, 2011).

Other New Standards

The Republican bill also prohibits implementation and enforcement of other rules designed to tighten standards a bit for schools where guaranteed student loans and other federal aid are available. Provisions blocked by the Republican bill include those that would—

- Define what is needed to meet the requirement that colleges and universities participating in federal student aid programs be authorized by the states in which they operate;
- Tighten the definition of what constitutes a “credit hour” for purposes of computing how much federal aid a student is eligible for; and
- Establish minimum standards for participation by for-profit schools and non-degree career training programs, in order to eventually exclude programs with the worst records of preparing students for careers as measured by loan repayment rates and debt-to-income ratios of graduates (the so-called “gainful employment” rules).

Operation of much of the “gainful employment” rules was recently suspended by a federal district court. The court held that the Department *did* have authority to issue regulations on this subject, but that it had not provided sufficient explanation and justification for one part of the new test and that several other parts of the rules were so intertwined with that provision that they should be suspended as well. The Republican bill not only blocks enforcement of the rules now in place, but also prohibits use of funds to issue revised rules on the subject—thereby making it impossible for the Department to respond to the court's decision.