

Gainful Employment

Webinar #6

Calculation of Debt Measures and
Implications for Institutions

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Jeff Baker, FSA

John Kolotos, OPE



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TOPICS

- Debt Measures
- Debt Measures Timeline
- Years and Averages
- Cohort Periods
- Repayment Rate
- Debt-to-Earnings Ratios
- Loan Attribution
- Performance Requirements
- Calendar



For More GE Information

- IFAP Gainful Employment Page: <http://ifap.ed.gov/GainfulEmploymentInfo/> or from IFAP Homepage
 - Regulations
 - Dear Colleague Letters and Electronic Announcements
 - Frequently Asked Questions
 - Training
 - Resources



DEBT MEASURES

GE Debt Measures Final Rule

- Final Rule published on June 13, 2011 –
 - Defines a gainful employment program to be one where a substantial number of the program's students –
 - Are repaying their Title IV loans –
 - Repayment Rate
 - Meet minimum debt burden standard–
 - Debt to Earnings Ratio

Two Debt Measures

- Repayment Rate –
 - A percentage of the Title IV loan amounts that a GE Program's former students are repaying (weighted for loan balance)
- Debt to Earnings Ratios –
 - For the GE Program's completers, the educational loan annual repayment amount as a percentage of their income



Performance Requirement

- A program must meet at least one of the three GE debt measures thresholds to be eligible for Title IV participation
 - Repayment rate of at least 35%
 - Debt-to-Earnings rate of less than
 - 12% of total earnings, or
 - 30% of discretionary income



DEBT MEASURES TIMELINE

Implementation

- First year rates are informational only
 - For the 2011 Debt Measures Year
 - Released in 2012
 - 2YP is FY 2007 and FY 2008
 - No Pre-Draft Rosters
 - No Draft Rates
 - No Challenges
 - No Sanctions
 - Rates will be made public



Debt Measures Timeline

- Fall - Institutional reporting
- Fall - Pre-Draft rosters for Debt-to Earnings Ratios sent to institutions for review
- Fall – Institutions return rosters
 - Missing students, exclusion, etc.
- Winter - ED matches debt-to-earnings cohort with SSA to get average earnings

Debt Measures Timeline

- Spring - Draft Rates with back-up data provided to institutions
- Summer - Institution Challenges
 - Accuracy of Repayment Rate list of borrowers
 - Accuracy of loan data used for both measures
- Summer – ED reviews challenges

Draft Debt Measures Challenges

- ED provides institution with draft rates and supporting information (e.g., students included, loan amounts, loan statuses)
- Institution has 45 days to submit requests for changes
- ED will determine whether to make changes before calculating final rates

Debt Measures Timeline

- Fall - ED recalculates debt measures, if necessary
- Fall - Final debt measures with back-up data provided to institutions
- Fall - Final debt measures made public

Debt Measures Timeline

(Failing Programs Only)

- Fall- Institutions with failing programs may opt to submit alternative earnings for debt-to-earnings ratios



YEARS AND AVERAGES



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Years

- Federal Fiscal Year (FY): October 1–September 30
- Award Year (AY): July 1–June 30
- Calendar year: January 1–December 31
- Debt Measures Year = FY
- Calculation and Release Year = Debt Measure Year plus 1
- Earnings Year = Calendar Year that includes Oct. 1 of the Debt Measures Year (e.g., 2010 for the FY 11 Debt Measures Year)



Averages

- Mean = total of all values divided by the number of values
- Median = middle value of all included values
- Example:
 - Values – 0, 0, 0, 200, 300, 500, 500
 - Mean = 214 (1500/7)
 - Median = 200 (middle value)



COHORT PERIODS



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Cohort Periods

- Each year ED calculates GE debt measures using the educational debt of the GE Program's former students from a GE Cohort Period
 - Repayment Rate – Students whose loans entered repayment in cohort period
 - Debt-to-Earnings – Students who completed the program in cohort period

Cohort Periods

- Five possible cohort periods –
 - 2YP Cohort Period is the third and fourth FYs preceding the Debt Measures Year
 - Most likely cohort to be used
- Example: Cohort for the 2011 informational Debt Measure Year will include students from FY2007 and FY2008 (between October 1, 2006 and September 30, 2008)



Cohort Periods

- Other Cohorts –
 - 2YP-A Cohort Period –
 - To acknowledge immediate improvement in performance of GE Program
 - First and second FYs preceding the Debt Measures Year
 - Only for 2012, 2013, and 2014 Repayment Rate

Cohort Periods

- Other Cohorts –
 - 4YP Cohort Period –
 - When the number of students in the 2YP is 30 or fewer
 - Third, fourth, fifth, and sixth FYs preceding the Debt Measures Year
 - If 4YP cohort fewer 30 or fewer students there will be no calculation of the impacted metric

Cohort Periods

- Other Cohorts –
 - 2YP-R Cohort Period –
 - For medical and dental degree programs where students are required to complete an internship or residency (e.g., MD, DDS)
 - Sixth and seventh FYs preceding the Debt Measures Year

Cohort Periods

- Other Cohorts –
 - 4YP-R Cohort Period –
 - When the number of students in the 2YP-R cohort is 30 or fewer
 - Sixth, seventh, eighth, and ninth FYs preceding Debt Measures Year
 - If 4YP cohort fewer than 30 students there will be no calculation of the impacted metric



REPAYMENT RATE



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Repayment Rate

- Repayment Rate is a percentage of the Title IV loan amounts that a GE Program's former students are repaying (weighted for loan balance)
- ED calculates a GE Program's Repayment Rate using the program's former students whose Title IV loans entered repayment during the applicable cohort period (e.g., 2YP)

Repayment Rate

- Cohort – GE Program’s former students whose FFEL and DL loans entered repayment during the cohort period
- Rate Components
 - OOPB = Original Outstanding Principal Balance of the loans when the loans first entered repayment
 - LPF = Loans Paid in Full
 - PML = Payments-Made Loans

Repayment Rate

Repayment Rate for a GE Program
calculated using the following fraction:

OOPB of LPF plus OOPB of PML

OOPB



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Repayment Rate

- A loan is a Payments Made Loan (PML) if during the most recently completed Federal fiscal year:
 - The loan's balance is reduced
 - Payments were made under an interest-only or income-based repayment plan (even if the loan balance was not reduced)
 - Limited to no more than 3% of the OOPB

Repayment Rate

- A loan is a Payments Made Loan (PML) if during the most recently completed Federal fiscal year:
 - It is on track to being forgiven under the Direct Loan Public Service Loan forgiveness program –
 - Qualifying employment
 - Qualifying loan payments

Repayment Rate

- Example:

<u>Former Students</u>	<u>OOPB</u>
Student A	\$ 2,000
Student B	3,000
Student C	5,000
Student D	10,000
Total OOPB =	\$20,000

Only student D is successfully paying
Repayment Rate = $\$10,000 / \$20,000$
= 50% and not 25%



Repayment Rate

- Repayment Rate calculation excludes loans if, at any time during the most recently completed Federal fiscal year, the loans-
 - Were an in-school deferment
 - Were in a military-related deferment
 - Had been discharged or are pending discharge, for death or total and permanent disability

Repayment Rate

- Defaulted Loans –
 - Are part of OOPB denominator
 - Are never included in numerator
 - Even if rehabbed or consolidated
- Consolidated Loans –
 - ED will use appropriate underlying loans
 - Repayment activity (LPF) and (PML) of the consolidated loan is used



DEBT-TO-EARNINGS RATIOS

Debt-to-Earnings

- Cohort is the GE Program's former students who completed the GE Program during the applicable cohort period (e.g., 2YP)
- For the GE Program's completers, the median educational loan annual repayment amount as a percentage of the average (mean or median) completers' income

Debt-to-Earnings Ratio

Annual Income

**Annual Loan Payment based on
median loan debt**

**Higher of the mean or median
annual earnings**



Debt-to-Earnings Ratio

Discretionary Income

**Annual Loan Payment based on
median loan debt**

**Higher of the mean or median annual
earnings less 150% of HHS Poverty
Guidelines for one person**

Debt-to-Earnings

- For the completers in the cohort, SSA will provide the median and mean earnings from the calendar year preceding the Debt Measures Year (e.g., calendar 2011 for the 2012 Debt Measures)
- ED will use the higher of the two averages
- If fewer than ten match SSA there will be no calculation

Debt-to-Earnings

- Institutions can verify the lists of its GE Program's completers before ED sends them to SSA
 - Add students
 - Delete students
 - Correct identifiers
- Earnings data will be subject to SSA's strict protections on individual privacy

Debt-to-Earnings

- Annual loan payment—
 - The program's completers' median loan debt –
 - Amortized at 6.8% over –
 - 10 years for a certificate or associate degree
 - 15 years for a baccalaureate or master's program
 - 20 years for a doctoral or professional degree program



Debt-to-Earnings Ratios

- Tuition and Fees -
If reported by institution for a borrower, ED will use the lower of the borrower's educational loan debt or the amount of tuition and fees charged the student for the program

Debt-to-Earnings

- Calculation excludes a student if, -
 - Any time during the Earnings Year -
 - The student was enrolled in a Title IV eligible program
 - The student has a loan that was in a military-related deferment
 - Has a loan that has been discharged, or is pending discharge, for death or total and permanent disability



Debt-to-Earnings Ratio Examples

	Case 1	Case 2
Median Debt for students in cohort	\$20,000	\$30,000
Annual Repayment Amount (6.8% over 10 years)	\$2,762	\$4,143
Average Annual Earnings	\$25,000	\$32,000
Discretionary Income (150% of PL = \$16,335)	\$8,665	\$15,665
D2E Ratio – Annual Income	11.0%	12.9%
D2E Ratio – Discretionary Income	31.9%	26.4%



LOAN ATTRIBUTION



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ONE ACADEMIC PROGRAM FOR ONE LOAN PERIOD

<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>
31	31	30	31	30	31	31	28	31	30	31	30
THE LOAN PERIOD											
LOAN AMOUNT= \$5000 ; 200 days											
\$25 per day											
GE Program A Enrollment=200 days											
200 days x \$25 per day											
\$5,000 attributed to GE Program A											



TWO ACADEMIC PROGRAM ENROLLMENTS FOR ONE LOAN PERIOD

<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>
31	31	30	31	30	31	31	28	31	30	31	30
THE LOAN PERIOD											
LOAN AMOUNT= \$5000 ; 200 days											
\$25 per day											
		GE Program B Enrollment=90 days					GE Program C Enrollment=110 days				
		90 days x \$25 per day					110 days x \$25 per day				
		\$2,250 attributed to GE Program B					\$2,750 attributed to GE Program C				



SAME ACADEMIC PROGRAM WITH TWO LOANS

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
31	31	30	31	30	31	31	28	31	30	31	30
THE LOAN PERIOD											
LOAN 1 AMOUNT= \$5000 ; 200 days ; \$25 per day											
AWARD YEAR 2007-2008											
GE Program D Enrollment=200 days											
200 days x \$25 per day											
\$5,000 attributed to GE Program D											

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
31	31	30	31	30	31	31	28	31	30	31	30
THE LOAN PERIOD											
LOAN 2 AMOUNT= \$3000 ; 150 days ; \$20 per day											
AWARD YEAR 2008-2009											
GE Program D Enrollment=150 days											
150 days x \$20 per day											
\$3,000 attributed to GE Program D											
Amount from 07-08				Amount from 08-09				Amount attributed to GE Program D			
\$5,000				\$3,000				\$8,000			



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RETRIEVING ALL LOANS

Debt Measure Year: 2014
 2YP: FY 10, FY 11
 Aggregate loan amounts from
 AY 07-08 thru AY 10-11

Debt Measure Year: 2015
 2YP: FY 11, FY 12
 Aggregate loan amounts from
 AY 07-08 thru AY 10-11

←←← SAME GE PROGRAM →→→				
<u>AY 07-08</u>	<u>AY 08-09</u>	<u>AY 09-10</u>	<u>AY 10-11</u>	<u>AY 11-12</u>
STUDENT ENROLLED	STUDENT ENROLLED	STUDENT ENROLLED	STUDENT COMPLETED	...
STUDENT REC'D T4 LOANS	STUDENT REC'D T4 LOANS	STUDENT REC'D T4 LOANS	(no T4 aid rec'd)	...



PERFORMANCE REQUIREMENTS



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Performance Requirements

- An educational program that does not pass at least one of the three GE metrics is a “failing program”
 - Repayment rate of at least 35%
 - Debt-to-Earnings rate of less than
 - 12% of total earnings
 - 30% of discretionary income

FAILING PROGRAM

- Upon first year as a failing program institution must —
 - Disclose to students and prospective students the amount by which the program did not meet the minimum standards and any plans for improvement;
 - Establish a three-day waiting period after disclosures have been provided before students can enroll



Failing Program

- Upon being a failing program for two years out of three, institution must tell students that -
 - Their debts may be unaffordable;
 - The program may lose eligibility; and
 - What transfer options exist

INELIGIBLE PROGRAM

- Upon being a failing program for three out of four years, the educational program **loses eligibility for Federal student aid**
- Initial targeting of the worst programs by capping loss of Title IV eligibility for FY 2014 rates only at 5 percent each of public, nonprofit, and for-profit programs



Use of Alternative Earnings

- For failing programs only, the institution may demonstrate that re-calculated debt-to-earnings ratios, using alternative earnings (not SSA) would result in the program not failing:
 - State data
 - Survey data meeting NCES survey standards
 - BLS data (only for FY 2012, 2013, and 2014 calculations)



CALENDAR



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Calendar

TIMELINE FOR THE DEVELOPMENT OF THE FY 2012 MEASURES

Released by the Department:	2013
<u>Repayment Rates</u>	
Borrowers Who Entered Repayment During:	FY 2008 and 2009
Programs with Small Numbers of Students:	FY 2006, 2007, 2008, 2009
Measures Repayment Activity During:	FY 2012
<u>Debt-to-Earnings Ratios</u>	
Students Who Completed During:	FY 2008, 2009
Programs with Small Numbers of Students:	FY 2006, 2007, 2008, 2009
Measures Earnings During:	Calendar 2011

Calendar

YEAR	ACTIONS AND CHALLENGES
2011	<ul style="list-style-type: none"> •Enhanced disclosure and reporting begin under October final rules.
2012	<ul style="list-style-type: none"> •The informational rates (FY 2011) are released.
2013	<ul style="list-style-type: none"> •First final debt measures (FY 2012) are released. •Failing programs must provide first-year debt warnings.
2014	<ul style="list-style-type: none"> •Second final debt measures (FY 2013) are released. •Failing programs must provide first- or second-year debt warnings.
2015	<ul style="list-style-type: none"> •Third final debt measures (FY 2014) are released. •First eligibility losses for programs that failed three consecutive times.
2016	<ul style="list-style-type: none"> •Fourth debt measures (FY 2015) are released. •The regulations are fully effective. No cap on eligibility losses.

GE Information

- IFAP Page URL:
 - <http://ifap.ed.gov/GainfulEmploymentInfo/index.html>
 - Or link from IFAP home page
- Email GE policy questions to -
 - ge-questions@ed.gov
- Email GE reporting questions to –
 - nslds@ed.gov



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