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ARE YOU GAINFULLY EMPLOYED?

Setting Standards for For-Profit Degrees

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Education policy events in Washington, D.C., attract a familiar cast of characters: think tank representatives, members of organizations with eight-letter acronyms, and the occasional retired college professor. But an event at the New America Foundation this summer attracted a different crowd: organizations with names that ended in "markets," "capital," and "fund." The questions from the audience weren't about quality teaching or common curriculum standards; they were about income vs. earnings, access to federal databases, and student debt thresholds. Someone hearing just the audio feed might have easily mistaken the conference for the quarterly earnings call of a Fortune 500 corporation.

The subject of the event was for-profit higher education. Representatives from the financial sector had come to New America, a nonpartisan public policy institute, to hear a high-level Obama administration official talk about a regulatory controversy that could make them—or lose them—hundreds of millions of dollars. Just a few days before, the U.S. Department of Education had released a new proposal that would make it more difficult for for-profits to access billions of dollars in federal funds. At the center of the proposal is a rule called "gainful employment" that would penalize for-profit colleges and other vocational training programs for saddling students with more debt than they can pay back.

For-profits have grown by leaps and bounds in recent years, largely free of federal regulation. That freedom would be significantly curtailed if the gainful employment standard takes effect. Vocational training programs would be judged by the ratio of the debt that graduates assume relative to their current earnings and the rate at which they are able to repay it. If programs offered by for-profit colleges exceed certain thresholds on those measures, they risk losing eligibility for federal student aid. Given that many for-profit colleges receive close to 90 percent of their revenue from federal grants and loans, losing access to these dollars would be a death sentence.

With such high stakes, the proposed gainful employment standard has generated intense debate. While the owners of for-profits see a $29 billion industry that produces some of the best earnings ratios in the stock market, a group of well-funded short-sellers paints a picture of a fraudulent, over-leveraged industry that's poised for a subprime mortgage–style collapse. The institutions argue that they serve a class of students excluded from traditional higher education and that they are crucial for meeting the Obama administration's college completion goals. But many lawmakers worry that in fulfilling that mission, for-profits have relied too heavily on federal aid, forced students to borrow too much money, and produced degrees of questionable worth. Sen. Tom Harkin, the Iowa Democrat who chairs the Senate committee overseeing these schools, has warned that "even good actors in this industry are lured into the vortex of bad practices in order to compete and meet investors' expectations."[1]

Critics of the gainful employment standard, meanwhile, have claimed the proposal "will eliminate quality programs while doing little or nothing to address the issue of excessive student debt."[2] Some have even gone so far as to say it "will attack our freedom and individual liberty to make decisions that have consequences."[3]

Yet despite all the noise and controversy, important questions have been left unanswered: Which institutions are most vulnerable to the proposed rules? What types of programs are most likely to be affected? This report tries to answer these questions, using publicly available data to present, for the first time, a picture of what effect the gainful employment proposal could have at more than 12,600 vocational programs at colleges and universities across the country. This includes more than 2,350 bachelor's degree programs.

Much of the focus in Congress and in the media has been on *institutions,* particularly those that are publicly traded. But this analysis suggests that individual *programs* within those institutions may vary widely in how they perform under the proposed gainful employment standard. An institution could very well offer both programs that are unaffected and programs that become ineligible for federal student aid. This analysis also finds that the type of programs that could lose eligibility under the gainful employment standard vary significantly. For instance, there are a large number of ineligible programs for medical assistants, but these programs only exceed the proposed debt-to-income standard by a few thousand dollars, meaning they could avoid penalties if they slightly reduced their costs. Others programs, like those in culinary arts, are less likely to be ineligible, but those that miss the mark often miss by a wide margin.

Colleges are forbidden by law to make false promises of jobs or to inflate salary data, so they play on emotions, appealing to students' desires to be valued in their careers.

Out of more than 12,600 programs, about 4 percent, or just over 500 programs, would lose eligibility because of the new standard. This includes 8 percent of bachelor's degree programs, 6 percent of associate degree programs, and 1 percent of programs that are generally certificate programs of two years or less.[4]

Overall, the programs most likely to be affected are those tied to high-tech fields, such as e-commerce or graphic design, or those tied to jobs with low expected starting salaries, such as medical assistant or chef.

Although these programs cover a range of different jobs, they employ similar marketing tactics. Colleges are forbidden by law to make false promises of jobs or to inflate salary data, so they play on emotions, appealing to students' desires to be valued in their careers.[5] TESST College of Technology in Beltsville, Md., a school owned by Kaplan Higher Education, tells would-be medical assistants that they are joining a "growing field that allows [them] to assist others in need."[6] Students looking at Le Cordon Bleu Institute of Culinary Arts, owned by Career Education Corporation, are encouraged to "follow [their] passion" and "explore [their] creativity."[7] Kaplan advertises its information technology degrees as a chance for students to "be the most valued person at work."[8] And at the Art Institute of Pittsburgh's Online Division, the ads for the interior design program tell prospective students that they can have a "profound impact on people's lives."[9]

These marketing pitches also often tout the benefits of an entire industry, like health care, rather than the realities of the specific job for which the program is preparing students—jobs that are entry-level with low pay and typically have little opportunity for advancement. And as this analysis shows, many of these programs are poor investments for students.

While these at-risk programs comprise only a small minority of all programs at for-profit colleges, it would be wrong to conclude that most for-profit programs will emerge from the new federal standards unscathed. A much larger number—some 65 percent—are likely to fall in a middle ground between full eligibility and total ineligibility called "eligible with a debt warning," which requires colleges to, among other things, post prominent cigarette pack–style "debt warnings" alerting potential students to the likelihood that enrolling could be hazardous to their financial health.

The gainful employment standard would not lead to a wholesale shutdown of the for-profit sector. But it would probably force many for-profits to substantially change their pricing and approach to student debt.

More broadly, it would establish a new federal perspective on higher education, involving close examination of college prices relative to graduates' future earnings, an idea that was first contemplated decades ago but is only now seeing the light of day.

An Undefined Standard

Gainful employment is not a new standard. When Congress passed the Higher Education Act in 1965, it required that non-accredited public or private not-for-profit programs provide gainful employment in a recognized occupation in order to receive federal money for student aid.[10] When for-profit colleges later became eligible for these aid programs, Congress required them to meet the same criteria.

But Congress never fully defined gainful employment or explained how colleges could meet the standard. Even when for-profits came under intense scrutiny as part of a Congressional investigation into widespread industry fraud in the early 1990s, the term remained unclear. Instead of clarifying the requirement, Congress and federal agencies turned their attention to closing schools, tracking the rate at which borrowers defaulted on their loans, and limiting the percentage of revenue for-profit colleges could receive from federal aid programs.

Today, for-profits are again in the spotlight. Enrollment at these schools grew by 160 percent in the last decade.[11] And despite enrolling only about 10 percent of all students, for-profits consume 25 percent of all Pell Grant dollars disbursed and 21 percent of all federal student loan dollars.[12] That's a large investment for a sector in which the average graduation rate is 20 percent for bachelor's degrees and just over 60 percent for programs of two years or less, and in which it's estimated that as many as 40 percent of student loans go into default.[13]

Those numbers have prompted the federal government to take a fresh look at the sector. The U.S. Senate has held multiple hearings about the quality, recruitment practices, and cost of these institutions, questioning whether the more than $26 billion in federal aid given to these schools each year is a good investment.

Likewise, the Obama administration is seeking greater control of these schools through the regulatory process. This June, the U.S. Department of Education proposed language on 15 issues that, among other things, would prevent for-profit institutions from paying recruiters based on student enrollment and provide more consumer protections against false advertising. A month later, it released a proposal to define gainful employment by relying upon measures of student borrowing, expected earnings, and student loan repayment rates. That regulation is currently going through a public comment period, and a final version will be released later in 2010. If enacted, it will go into effect on July 1, 2011. It if does, the standard would tie college quality to work-force outcomes for the first time, substantially changing the way vocational programs are judged in the process.

Categories of Eligibility

Eligible
These programs have a repayment rate of at least 45 percent, and the annual loan payment is less than or equal to 8 percent of the average annual earnings or 20 percent of discretionary income.

Ineligible
These programs have a repayment rate below 35 percent and an annual loan payment that is both above 12 percent of average annual earnings and 30 percent of discretionary income.

Eligible with a Debt Warning
These programs have either a repayment rate or debt-to-income ratio that exceeds the threshold for an eligible program, but not both. In other words, the repayment rate must be at or above 45 percent, or the debt-to-income ratio must be at or below 8 percent or 20 percent, but both cannot occur.

Restricted
These programs have a repayment rate below 45 percent and a debt-to-income ratio below 8 percent and 20 percent. They also have either a repayment ratio at or above 35 percent or a debt-to-income ratio at or below 12 percent or 30 percent, or both.

Calculating Gainful Employment

To determine whether a program meets the proposed gainful employment standard, the department will consider how much students borrow to attend that program, the annual income of program graduates, and the rate at which program graduates repay their loans. Using those first two pieces of information, the department will create a ratio of annual earnings to debt payments. Each individual program offered by a for-profit institution and all non-degree training programs at public or private, not-for-profit colleges would have to meet certain thresholds on the debt-to-earnings comparison and maintain a certain minimum repayment rate in order to remain eligible for federal student aid funds.

A program's repayment rate looks at the status of federal student loans that entered repayment in the last four years. Among those loans, it measures the dollar amount of all loans being actively repaid divided by the amount of loans that entered repayment during that time frame. The regulation defines the numerator of this equation as the original outstanding principal balance of all loans that entered repayment in the past four years and were repaid in full or had enough payments to reduce the principal owed in the last fiscal year.[14] Note that the numerator is based on the original principal value of a loan that is being repaid,

Ineligible programs have a repayment rate below 35 percent and an annual loan payment that is both above 12 percent of average annual earnings and 30 percent of discretionary income.

not the amount repaid. In other words, if the principal owed is reduced by at least $0.01, then the entire balance of the loan is counted in the numerator. For example, consider a school that had two students borrow $1,000 each. One borrower makes no payments and does not reduce the principal, the other pays enough to reduce the principal owed to $999. In this case, the repayment rate is $1,000 divided by $2,000, or 50 percent.

The repayment rate can also be thought of as the percentage of loans being repaid, weighted for the size of the loans.

The proposed gainful employment standard also judges programs based upon two ratios of students' annual debt payments to their earnings. They are calculated using the following three figures:

- **Annual loan payment:** The median borrowing amount among graduates from the past three years is used to calculate an annual loan payment based on the assumption that the debt is paid over 10 years with an interest rate equal to the standard unsubsidized Stafford loan rate.
- **Average annual earnings:** The average annual income earned by program graduates over a three-year period.[15] This data will be collected by a federal agency, most likely the Social Security Administration, and reported as a single figure to the department.
- **Discretionary income:** The average annual earnings minus 150 percent of the poverty threshold for a single individual living in the continental United States (about $16,245 in 2009).

For each program, the department calculates the annual loan payment and then compares it to both the annual average earnings and discretionary income numbers for that program.

The department's proposal establishes thresholds for repayment rates and debt-to-income ratios. Based upon their performance relative to these thresholds, programs are placed into four different categories of eligibility: "eligible," "ineligible," "eligible with a debt warning," or "restricted."

These categories rest on three types of ranges. If a program is entirely above the upper bound, then it is eligible; if it is entirely below the lower bound, then it is ineligible. All others that fall somewhere between these two thresholds are either eligible with a debt warning or restricted.

Eligible: These programs have a repayment rate of at least 45 percent, and the annual loan payment is less than or equal to 8 percent of the average annual earnings or 20 percent of discretionary income. Eligible programs are free of any restrictions.

Ineligible: These programs have a repayment rate below 35 percent and an annual loan payment that is both above 12 percent of average annual earnings

Table 1. How to Determine If a Program Meets the Gainful Employment Standard

Annual loan payment is...				Repayment rate is...		
Share of annual earnings	OR	Share of discretionary income	AND	≥ 45%	< 45% and ≥ 35%	< 35%
≤ 8%		≤ 20%		Eligible	Debt warning	Debt warning
≤ 8%		> 20%		Eligible	Debt warning	Debt warning
> 8%		≤ 20%		Eligible	Debt warning	Debt warning
> 8% and ≤ 12%		> 20% and ≤ 30%		Debt warning	Restricted	Restricted
> 8% and ≤ 12%		> 30%		Debt warning	Restricted	Restricted
> 12%		> 20% and ≤ 30%		Debt warning	Restricted	Restricted
> 12%		> 30%		Debt warning	Restricted	INELIGIBLE

and 30 percent of discretionary income. These programs will lose federal student aid eligibility. Ineligible programs may not provide federal student aid to any new students and must warn existing enrollees of debt dangers, in addition to all the other disclosures described below.

Eligible with a debt warning: These programs have either a repayment rate or debt-to-income ratio that exceeds the threshold for an eligible program, but not both. In other words, the repayment rate must be at or above 45 percent, or the debt-to-income ratio must be at or below 8 percent or 20 percent, but both cannot occur.[16] These programs may still participate in the federal student aid programs, but they must include in all materials and online a prominent warning saying that students may have difficulty repaying their loans. The school must also disclose its recent loan repayment and debt-to-income rates.

Restricted: These programs do not meet any of the requirements for an eligible program, but exceed some of the benchmarks for an ineligible program. They occupy a middle ground. These programs have a repayment rate below 45 percent and a debt-to-income ratio below 8 percent and 20 percent. They also have either a repayment ratio at or above 35 percent or a debt-to-income ratio at or below 12 percent or 30 percent, or both. Programs marked as restricted by the department will have their enrollment capped at the average of the past three years, must provide warnings to consumers about debt levels, and must get statements from area employers about why the program should continue.

These last two categories are opposites. A program that is eligible with a debt warning is good enough on one measure to meet the eligible threshold, but falls short in the other. A restricted program doesn't meet any of the eligible standards, but has at least one calculation that is above the ineligible threshold. (See Table 1.)

Other Important Considerations

In addition to the new set of standards and measurements, the proposed gainful employment rule contains a few other provisions worth mentioning.

The bottom 5 percent: The gainful employment standard will go into effect in the 2012–13 academic year, but penalties will be administered differently that first year. Rather than preventing all ineligible programs from receiving federal student aid, those with low repayment and debt-to-income rates will be broken down by the type of degree or credential (associate, bachelor's, certificate, etc.) awarded. In each category, the programs will be sorted by repayment rate. The programs with the lowest rates will lose their eligibility for aid until the enrollment of all the ineligible programs equals 5 percent of the enrollment of all programs in that category. The remaining programs will face the same penalties as restricted programs.

New programs: Traditionally, new programs have been able to gain access to federal student aid dollars as long as they are offered at an accredited institution.

Methodology

It is possible to estimate potential income levels for individual programs because all institutions are required to report an instructional program code for each of their offerings.[1] Each code corresponds to specific professions and their earnings data—information that is kept by the U.S. Bureau of Labor Statistics.[2] Because one code can be linked to multiple professions, the salary estimate reflects the average annual 25th percentile earnings for each instructional code. For codes tied to multiple jobs, the earnings are weighted by the number of people employed in each job.

Multiplying the salary amount by 8 percent and 12 percent produced income thresholds for the average annual earnings. Calculating discretionary income required subtracting 150 percent of the poverty threshold for a single individual and then multiplying the remaining amount by 20 percent and 30 percent. Under the proposed gainful employment calculation, the income thresholds will be compared to the annual payment on debt owed by a program's students. Because actual earnings data are not available, this analysis instead calculated how much debt a student could take on if his or her annual loan payments were equal to the income thresholds determined earlier. Loan amounts were calculated by dividing the average annual earnings and the discretionary income levels by 12 to determine a monthly payment. The resulting figure was then used to calculate the original amount a student would have borrowed if he was making that payment each month for 10 years and had a fixed interest rate of 6.8 percent.[3] These loan terms are identical to those on an unsubsidized federal Stafford loan.

The resulting original loan balance amounts represent the maximum debt load a student could take on. Students with higher debt burdens would be devoting a larger percentage of their income to making annual loan payments than what is allowed under the proposed standard.

While the U.S. Department of Education did release estimated federal student loan borrowing levels by institution, these figures did not include average private loan borrowing by school—additional debt that is also included in the proposed gainful employment calculations. Private student loans can be a significant source of additional debt. Moreover, the borrowing information was not reported uniformly—some institutional data reflected both graduate and undergraduate borrowers, while some offered separate figures for the two. The lack of private student loan borrowing is especially problematic because it is a significant source of additional debt.[4] Unfortunately, there is no central repository of reliable information on private student loan borrowing at the institutional level.

So instead of relying on reported borrowing information, this analysis approximates students' debt levels by looking at the cost of their program, minus federal grant aid received. Where available, program costs were calculated using actual pricing information for tuition, fees, books, and supplies reported by institutions.[5] This information is available for 1,890 schools in the department's Integrated Postsecondary Education Data System, or IPEDS, that also had repayment rate information available. For programs that take more than a year to complete, the total cost figure encompasses all charges that may be spread out across several years. If an institution did not specifically report costs by program, its cost estimate per program is based on the school's published figures for tuition and fees and books and supplies. Bachelor's degree programs reflect the past four years of cost information; associate degree programs reflect the past two.

While students at proprietary colleges and universities do take on large levels of debt, they also receive significant amounts of federal grant aid. To account for this, each program's cost estimate was reduced by the average amount of federal grant aid received by students at that institution, data that are also reported to IPEDS. Bachelor's degree programs had their costs reduced by the average federal grant aid received over the past four years; associate degree programs had their costs reduced by the average grant aid over the past two years.

Programs' eligibility under the proposed gainful employment standard was then determined by taking the cost estimates and subtracting from them the borrowing thresholds established using the Bureau of Labor Statistics data. If a program's cost minus the borrowing thresholds yielded a positive number, a student was likely to borrow more than the income estimates would allow. If the subtraction produced a negative number, students were likely to borrow less than the maximum allowable amount. This information was paired with the institutional repayment rates reported by the department to determine whether a school would be affected by the proposed standard. While there is no guarantee that such programs would actually be sanctioned under the new standard, this analysis does suggest which types of programs and institutions may need to consider reining in their borrowing over the next few years.

There are several limitations to this approach. Students may borrow less than the full amount to cover program costs, or they may borrow more than the full amount. The assumption that students will borrow the full cost of their education, minus available federal grants, is supported by a number of statistics on student debt and the revenue structure of for-profit colleges. An analysis of data from the National Postsecondary Student Aid Survey published

Methodology, cont.

by Education Sector last year shows that over 92 percent of students at for-profit colleges take out a loan to finance their education.[6] And the debt levels these students assume are quite high. The department estimates that the median debt level of for-profit students ranges from $18,415 for an associate degree to over $31,000 for a bachelor's degree.[7] Similarly, the College Board found that over 53 percent of bachelor's degree recipients at for-profit institutions graduated owing over $30,500.[8] And while it is reasonable to expect that not every student would borrow at such a high level, for-profit colleges and their defenders note that they cannot control how much students borrow and that some take out too much debt. That over-borrowing could balance out statistics for students who take out a lesser amount in loans.

The revenue structure of for-profit colleges also bolsters the assumptions about student borrowing used in this report. For-profit institutions may not take in more than 90 percent of their revenue from the federal student aid programs, and many, especially the large publicly traded companies are close to this threshold.[9] After subtracting federal grant dollars, the remaining loan money represents a very significant portion of a school's revenue. And there is evidence that the revenue that does not come from federal aid programs still comes in the form of loans. For example, Corinthian Colleges Inc., a large publicly traded company, reported that 89 percent of its revenue comes from federal aid programs and only about 1 to 2 percent comes from cash payments from students.[10] That leaves private student loans as the most likely other source of financing.

Students' actual earnings could also be higher than the Bureau of Labor Statistics figures. Estimates of federal grant aid may also be too generous, because they reflect awards given to first-time, full-time students. These amounts are going to be higher than what the large number of part-time students would receive.

While this approach could incorrectly identify programs as at-risk for violating the gainful employment standard when they are not, it is also possible for the opposite to occur. Some programs may produce graduates with even lower earnings than the national figures, further lowering the income threshold. This analysis is meant to provide an overall estimate of how the proposed federal rules will change the for-profit higher education sector as a whole and how different program types are likely to be affected. It is not a fool-proof predictor of which individual institutions or programs will meet the standards.

Notes

1. These institutions are known as program reporters and must break down cost by program because their offerings start at multiple times throughout the year and do not follow the standard academic calendar.
2. Each student aid–eligible offering is assigned a six digit Classification of Instructional Programs (CIP) code that identifies the content area covered by a program. For example, a program in cosmetology may be assigned the code 12.0401, which corresponds to "Cosmetology/ Cosmetologist, General." Using information from the National Crosswalk Service Center, institutions can then link a program's CIP code to the corresponding Bureau of Labor Statistics codes. To continue the example, a program with a CIP code of 12.0401 has four corresponding codes in the bureau's database: 39-5012 (hairdressers, hairstylists, and cosmetologists), 39-5091 (makeup artists, theatrical and performance), 39-5092 (manicurists and pedicurists), 39-5094 (skin care specialists). For each profession, the SOC database provides information on the number of people employed in an occupation and their earnings at the 10th, 25th, 50th, 75th, and 90th percentiles.
3. Stan Brown, "Loan or Investment Formulas," Oak Road Systems, February 19, 2010, http://oakroadsystems.com/math/loan.htm#LoanAmount (accessed September 7, 2010).
4. Sandy Baum and Patricia Steele, "Who Borrows Most? Bachelor's Degree Recipients with High Levels of Student Debt," *College Board,* April 2010, http://advocacy.collegeboard.org/sites/default/files/Trends-Who-Borrows-Most-Brief.pdf (accessed September 7, 2010), 3.
5. Program reporters must provide the total cost for a program. Thus, if a two-year program is listed, the expense figure that goes with it covers both years of enrollment.
6. Kevin Carey and Erin Dillon, "Drowning in Debt," (Washington, DC: Education Sector, July 9, 2009) http://www.educationsector.org/analysis/analysis_show.htm?doc_id=964333 (accessed September 7, 2010).
7. "Program Integrity: Gainful Employment (Notice of Proposed Rulemaking)," Federal Register Page 43647.
8. Sandy Baum and Patricia Steele, "Who Borrows Most? Bachelor's Degree Recipients with High Levels of Student Debt," 1.
9. "Emerging Risk: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," U.S. Senate Health, Education, Labor, and Pensions Committee, June 24, 2010, http://harkin.senate.gov/documents/pdf/4c23515814dca.pdf (accessed September 10, 2010), 4.
10. "COCO – Q2 2010 Corinthian Colleges Earnings Conference Call," Final Transcript, Thomson StreetEvents, February 2, 2010, http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9Mzc3NjM4fENoaWxkSUQ9Mzc2NTI4fFR5cGU9MQ==&t=1, (accessed September 7, 2010), 10.

Under the proposed gainful employment standard, new programs will also have to be approved by the department. They will have to file an application with the department and include enrollment projections along with comments from unaffiliated employers about the need for such a program and the availability of related jobs. The department will then determine whether to grant the program eligibility.

Longer time frames: Programs that prepare people for careers in which income levels increase substantially after a few years (such as doctors or social workers) can have their data calculated over the fourth, fifth, and sixth years after their students leave school. To stay eligible, programs that use the longer time frame must show that their students' annual loan payment is no more than 20 percent of discretionary income or no more than 8 percent of average annual earnings.

The ineligible programs in culinary arts have an average repayment rate of 27 percent and have costs more than $29,000 above the borrowing limits.

Overall Results

Under the gainful employment proposal, the department estimates that about 5 percent of programs would be deemed ineligible and 8 percent would be restricted.[17] Another 48 percent would be eligible with a debt warning, and 39 percent would be fully eligible.[18] Among for-profit institutions, the department expects about 1,658 programs to be declared ineligible, but it did not say how many for-profit programs it considered overall.[19] It provided no details on which institutions or program types are likely to fall into this category.

It is impossible to independently verify the department's estimates because student income data are protected by federal privacy laws. This analysis estimates how many and what kind of programs are at risk under the proposed standards by comparing program costs to the potential income levels of program graduates and by looking at the repayment rate for the institution overall. In other words, if a student borrowed to cover the entire cost of his or her program, after receiving available federal grant aid, would that amount, coupled with the institution's repayment rate, put that program in danger of losing eligibility? (See "Methodology" sidebar on page 6 for a complete explanation of these estimates.)

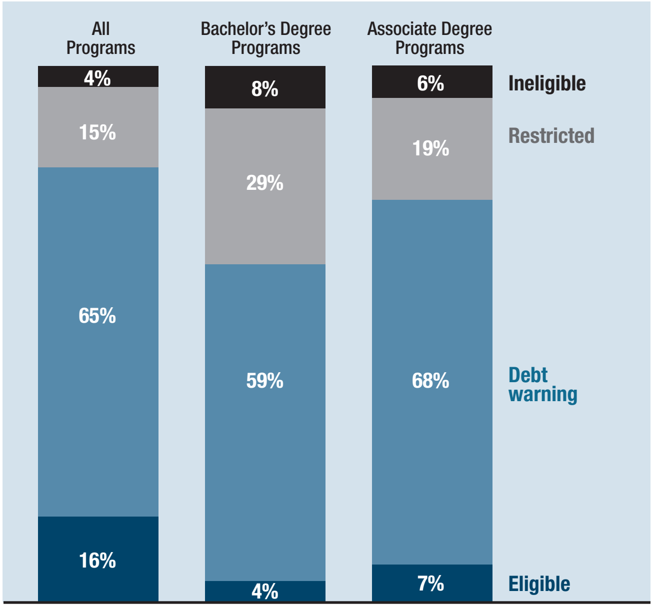
This analysis examined 12,662 programs offered by 2,667 colleges or universities. It encompasses three different types of programs, all of which are classified by an instructional code known as a CIP. First, the analysis looked at institutions that report the total cost of specific programs.[20] This group includes 793 programs offered at public or private, not-for-profit institutions, only two of which would be negatively affected by the standard. These 6,140 programs at 1,890 institutions report students' exact cost to attend that program. The analysis also included any program offered at a for-profit institution that produced at least one bachelor's or associate degree last year. This includes 2,351 bachelor's degree programs at 431 schools and 4,171 associate degree programs at 721 schools. In every case, only institutions with repayment rate information were included.

Of this sample of more than 12,600 programs, 504—or about 4 percent—would be ineligible for federal student aid funds based upon this analysis. That percentage is a bit lower than the department's estimates. Of the remaining programs, 16 percent would be eligible, 65 percent would be eligible with a debt warning, and 15 percent would be restricted.[21] (See Figure 1.)

Ineligible Programs

The 504 programs with high cost-to-income ratios and low repayment rates are offered at 222 different colleges or universities. Of those, 102 colleges had more than one ineligible program. But 196 of the institutions with an ineligible program had at least one other program that would retain its eligibility. This means that even if that program lost student aid eligibility, the school could continue offering other

Figure 1. Eligibility Status Under Gainful Employment



programs, so, it would not be put out of business entirely.

These 504 programs represent 87 different instructional codes. The instructional type with the largest number of ineligible programs is medical/clinical assistant, which represented 74 of the 504 violations. Other common types were programs for culinary arts/chef training (34), e-commerce (31), and accounting technology/technician and bookkeeping (26).

Though medical/clinical assistant offerings were among the most common program types to violate the borrowing standards, the average amount by which they exceeded these thresholds was much lower than that for other program types—particularly those in the food services. On average, medical/clinical assistant exceeded the borrowing threshold for 12 percent of average annual income by just over $7,900. Similarly, other health-related programs like health information and medical records, medical insurance coding, and medical office assistant all had several programs in violation, but these exceeded the 12 percent threshold by an average of between $7,000 and $9,000. Since many of these programs are offered at the associate or bachelor's degree levels, that works out to only a few thousand dollars over each year.

Other program types are nowhere near meeting the gainful employment standard. The ineligible programs in culinary arts have an average repayment rate of 27 percent and have costs more than $29,000 above the borrowing limits. The 12 ineligible programs in baking and pastry arts also fare poorly with an average repayment rate of 25 percent and costs more than $22,000 above the limits.

Others have already raised concerns about student debt at culinary institutions. In March, the *New York Times* ran a front-page article on student debt at for-profit colleges, featuring a picture of students in chefs' uniforms. Inside, it discussed the story of Andrew Newburg, who paid $41,000 for a program at Le Cordon Bleu with the promise of a $38,000 line cook job, only to find out classmates were taking $8-an-hour dishwashing jobs.[22] Thirteen programs at Le Cordon Bleu show up on the list of ineligible schools, and 18 are on the list of restricted schools.

Restricted Programs

According to the analysis, 1,899 programs, or 15 percent, would be restricted under the proposed gainful employment standard. These offerings all had repayment rates that were too low or cost-to-income ratios that were too high, but not both. The programs are offered by 807 different institutions. Cosmetology programs were the most common type of offering to

Table 2. Most Common Types of Ineligible Programs

Instructional category	Ineligible programs
Medical/Clinical Assistant	74
Culinary Arts/Chef Training	34
E-Commerce/Electronic Commerce	31
Accounting Technology/Technician and Bookkeeping	26
Graphic Design	22
Health Information/Medical Records Technology/Technician	21
Interior Design	20
Administrative Assistant and Secretarial Science, General	13
Baking and Pastry Arts/Baker/Pastry Chef	12
Design and Visual Communications, General	11
Medical Insurance Coding Specialist/Coder	11
Fashion Merchandising	11

end up in this category, with 210 programs restricted. Other program types that show up in large numbers include medical/clinical assistant (142 instances), animation, interactive technology, video graphics, and special effects (83), and electrical, electronic and communications engineering technology (70). Forty-five culinary arts programs are categorized as restricted, while 15 baker/pastry chef programs fell into this category.

Many of these restricted programs could be in further trouble if their graduates' earnings end up being lower than the estimates. Over 800 of the restricted programs had a repayment rate below 35 percent, and 163 of these had a repayment rate below 20 percent. If these programs end up violating the debt-to-income ratio they will become ineligible.

Bachelor's and Associate Degree Programs

One particular concern raised by critics of the gainful employment standard is that it would "preclude for-profit colleges from offering bachelor's degree programs," and eliminate many associate degree programs, all due to their high cost.[23] To test these assertions, the analysis separated out all programs offered by for-profit colleges in these two degree types. This was done by using completion data from IPEDS, which each year reports the type of program and degree level for every credential conferred by a college or university. A program's total cost was estimated using the figures for tuition, fees, books, and supplies for the total number of years it would take to complete a program. This means summing the cost over four years for bachelor's degrees and over two years for associate degrees.[24]

This methodology has a few additional limitations. Unlike the programs in which the institutions report specific costs, exact tuition charges are not available for these bachelor's degrees. Instead, the analysis assumes that the tuition is the same for each offering at a school. Recent research indicates price variability is less pronounced at four-year institutions than at two-year colleges. According to a research paper published in May 2010 by a fellow at the Association for Institutional Research and the National Center for Education Statistics, only about 13.3 percent of for-profit four-year institutions vary their tuition by program, and 6.7 percent vary their fees by program.[25] Second, it is possible that a student may take longer to complete a degree. In that case, the cost would be even higher than the estimate.

Table 3. Most Common Types of Restricted Programs

Instructional category	Restricted programs
Cosmetology/Cosmetologist, General	210
Medical/Clinical Assistant	142
Animation, Interactive Technology, Video Graphics and Special Effects	83
Electrical, Electronic and Communications Engineering Technology/Technician	70
CAD/CADD Drafting and/or Design Technology/Technician	68
Corrections and Criminal Justice, Other	66
Legal Assistant/Paralegal	55
Administrative Assistant and Secretarial Science, General	53
Graphic Design	47
Interior Design	45
Culinary Arts/Chef Training	45

Bachelor's Degree Results

The bachelor's degree subset includes 2,351 programs offered at 431 institutions. Out of all the bachelor's degree programs considered, 62 percent would be either eligible or eligible with a debt warning under the proposed gainful employment standard. An additional 29 percent would be restricted, and 8 percent—or 193 programs—would be ineligible. (See Figure 1.)

Ineligible Programs

The 193 programs that would be ineligible are offered at 78 colleges and universities. This includes programs at branches of the Art Institutes, the International Academy of Design and Technology, ITT Technical Institute, and Westwood College. Of the ineligible programs, 31 are in e-commerce—the most of any program type. Other program types with large numbers of ineligible programs include interior design (19) and graphic design (16). On average, all of these

Table 4. Most Common Types of Ineligible Programs, Bachelor's Degrees

Instructional category	Ineligible programs
E-Commerce/Electronic Commerce	31
Interior Design	19
Graphic Design	16
Fashion Merchandising	9
Animation, Interactive Technology, Video Graphics and Special Effects	8
Web Page, Digital/Multimedia and Information Resources Design	8
Accounting Technology/Technician and Bookkeeping	8
Computer Graphics	7
Design and Visual Communications, General	7
Fashion/Apparel Design	7
Cinematography and Film/Video Production	7

Table 5. Most Common Types of Restricted Programs, Bachelor's Degrees

Instructional category	Restricted programs
Animation, Interactive Technology, Video Graphics and Special Effects	79
Electrical, Electronic and Communications Engineering Technology/Technician	70
Corrections and Criminal Justice, Other	45
Interior Design	36
Legal Assistant/Paralegal	32
Accounting	31
Web Page, Digital/Multimedia and Information Resources Design	24
Graphic Design	23
Psychology, General	21
Computer and Information Systems Security	21

programs are well below the minimum repayment rate of 35 percent and are more than $20,000 away from meeting the debt-to-income standard.

These results indicate that programs connected to greater work-force needs are less likely to be ineligible. Only a handful of programs in accounting and one program each in business management, legal assistant/paralegal, and nursing would be ineligible. By contrast, most ineligible programs are in "dream job" areas: they provide training in cutting-edge fields like online businesses and graphic design, or in luxury occupations like interior design or fashion merchandising. These areas are associated with relatively high borrowing levels, but do not offer large numbers of jobs.

Restricted Programs

About 29 percent of bachelor's degree programs would be restricted—meaning they would not be able to offer federal financial aid to new students and would have to demonstrate a continued need for their program from the local business community. The most common types of programs in this category are in animation, interactive technology, video graphics and special effects (79 programs), followed by electrical, electronic and communications engineering technology (70), corrections and criminal justice (45), and interior design (36). Programs in legal assistant/paralegal, accounting, web page, digital/multimedia and information resources design, and graphic design also appeared numerous times.

Associate Degree Results

The associate degree subset includes 4,171 different programs offered by 721 institutions.[26] Of these programs, 6 percent, or 267 programs, would be ineligible under the gainful employment standard. Another 75 percent of programs would be fully eligible or eligible with a debt warning, while the remaining 19 percent would be restricted. (See Figure 1.)

Ineligible Programs

The 267 ineligible programs are offered by 142 different colleges or universities. This includes programs offered by well-known college chains like the Art Institutes, Everest (college, university, and institute), ITT Technical Institute, and Kaplan (college and university).

Fifty-seven different types of programs fall into the ineligible category. Medical/clinical assistant programs are the most common type of offering to be ineligible, with 67 programs falling into this category. Programs in culinary arts/chef training (22) and health information/medical records technology (21) also

Table 6. Most Common Types of Ineligible Programs, Associate Degrees

Program instructional category	Number ineligible
Medical/Clinical Assistant	67
Culinary Arts/Chef Training	22
Health Information/Medical Records Technology/Technician	21
Accounting Technology/Technician and Bookkeeping	18
Administrative Assistant and Secretarial Science, General	13
Medical Office Management/Administration	10
Baking and Pastry Arts/Baker/Pastry Chef	10
Medical Insurance Coding Specialist/Coder	10
Medical Office Assistant/Specialist	9
Cosmetology/Cosmetologist, General	6
Graphic Design	6

Table 7. Most Common Types of Restricted Programs, Associate Degrees

Program instructional category	Number restricted
Medical/Clinical Assistant	108
CAD/CADD Drafting and/or Design Technology/Technician	68
Administrative Assistant and Secretarial Science, General	53
Health Information/Medical Records Technology/Technician	39
Medical Administrative/Executive Assistant and Medical Secretary	34
Medical Insurance Coding Specialist/Coder	27
Allied Health and Medical Assisting Services/Other	27
Medical Office Management/Administration	26
Graphic Design	23
Accounting Technology/Technician and Bookkeeping	21
Pharmacy Technician/Assistant	21
Culinary Arts/Chef Training	21

appear frequently on the list of ineligible program types. On average, none of the most common types of ineligible programs is close to meeting the repayment rate standard, but many are less than $10,000 above the borrowing threshold. These programs would have to either significantly reduce costs or raise their repayment rates to avoid losing eligibility.

One interesting trend that emerges from the data for associate programs is the large number of medical-related programs that would be ineligible under the proposed standard. In addition to the medical-related categories already mentioned, medical programs in insurance coding, office assistant, office management, and secretary all appear in high numbers on the list of ineligible programs. All of these professions have low starting salaries. As a result, many would not be able to justify the price tag of as much as $28,000 for some of these programs.

Restricted Programs

The 787 restricted programs are offered at 375 different colleges and universities. This includes multiple branches of Argosy University, the Art Institutes, Brown Mackie College, Bryant and Stratton College, DeVry University, Everest (college, institute, and university), ITT Technical Institute, and Le Cordon Bleu. The most common program types on this list varied somewhat from those on the list of ineligible programs. Medical/clinical assistant programs again showed up on the top with 108 restricted programs. They are followed by programs in computer aided design and drafting (68), administrative assistant and secretarial science (53), and health information/medical records technology (39).

In aggregate, data on associate and bachelor's degree programs suggest that a larger percentage of these programs might be in danger of losing eligibility than the overall sample that also included certificate programs. For bachelor's degrees, the programs at greatest risk appear to be in fields that are related to high-tech jobs or luxury professions that may not be in high demand; for associate degrees, the concerns arise around expensive programs associated with low-salary professions. The data suggests that degree programs that provide training for well-paying, high-demand jobs should not be affected too severely.

Publicly Traded Companies

Several programs at publicly traded companies show up on the lists of either ineligible or restricted programs. The Art Institutes, Everest University, ITT

Technical Institute, and Westwood College would all have both ineligible and restricted programs. While the University of Phoenix, Strayer University, DeVry Inc., and American InterContinental University would not have any ineligible programs, they all show up on the list of restricted programs. Table 8 shows estimates of the percentage of programs at colleges owned by publicly traded companies that would be eligible, eligible with a debt warning, restricted, or ineligible. It includes programs of all levels from certificate to bachelor's degree.

An Important Step Forward

The proposed gainful employment regulation is a significant departure from existing laissez-faire policy on federal student aid, policy that requires little accountability for the use of funds or outcomes for students. Formally acknowledging the link between training and earnings is an important codification of the promises about jobs and salaries that for-profit institutions highlight in their marketing materials. The standard also represents a first step in better engaging employers in discussions about higher education. It means that before an institution can offer a new program it must provide assurance from local companies that the curricula are aligned with needed skills and that sufficient job demand exists. Restricted programs must provide the same information. Local companies hire area graduates and can recognize a quality training program. Seeking their feedback recognizes the valuable role they can play in helping to ensure that students are entering a program that is likely to produce jobs.

The gainful employment standard is also a gain for students as consumers. Publishing repayment rates, debt ratios, and cost warnings gives potential enrollees information that, using a set formula, can be compared across all institutions. This information is more useful than job placement data, which can be calculated in different ways and is not easily verifiable. It is also more helpful than graduation rate information, which doesn't give an accurate picture of student success at schools with large numbers of non-traditional or part-time students. But perhaps the greatest consumer benefit is providing this information on a program-by-program basis, rather than aggregating it across an institution. For-profit colleges offer a wide variety of training programs in completely unrelated fields, so breaking apart the information by program ensures that a nursing student, for example, can see how his or her program actually performed without getting results conflated with business programs that serve students seeking very different careers.

Table 8. How Publicly Traded Companies Would Fare Under the Gainful Employment Standard

Company	Eligible (%)	Debt warning (%)	Restricted (%)	Ineligible (%)	Programs
All publicly traded companies	**4**	**64**	**21**	**6**	**3,991**
American Public Education	85	15	0	0	52
Bridgepoint Education	43	57	0	0	30
Capella Education Co.	0	62	38	0	13
Career Education Corp.	0	61	23	16	430
Corinthian Colleges Inc.	5	80	11	4	626
DeVry Inc.	1	73	26	0	244
Education Management Corp.	1	40	46	13	718
Grand Canyon Education Inc.	22	78	0	0	46
ITT Educational Services Inc.	2	66	25	7	825
Kaplan Higher Education	5	77	12	5	316
Lincoln Educational Services	7	66	18	9	139
Strayer Education Inc.	0	84	16	0	19
Universal Technical Institute Inc.	4	96	0	0	46
University of Phoenix	0	90	10	0	487

The gainful employment standard also explicitly introduces *value* as one way of judging quality and cost at the same time. Current college rankings, especially those compiled by *U.S. News & World Report,* already list "best value" colleges that offer good quality for their cost. But the opposite can also be true; at a certain price point, the quality of a college becomes irrelevant. A student could get the best clinical/medical assistant training in the world, but if it costs $35,000 or more, and if the average annual income for these positions is just $29,000, then the student is going to have trouble paying off the debt. The inclusion of debt-to-income ratios by the gainful employment standard is a worthwhile attempt to capture this idea with easily understandable data.

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But the proposed standard isn't perfect. It applies to all for-profit programs (except those in the liberal arts), but only to non-degree certificate programs at public and private not-for-profit colleges. Thus, a for-profit institution and a neighboring community college could offer the exact same program, but only one of them would have to meet the gainful employment standard. If the offerings and instructional program codes are the same, then the same standards should be applied to all institutions. Programs in the liberal arts should continue to be excluded because they do not carry an implicit promise of a job in a specific profession. But strictly vocational offerings should be subject to the gainful employment standard regardless of the college's tax status.

The calculation of the repayment rate also presents some difficulties. Loans are counted as being repaid if there has been any reduction in the principal owed. But this standard fails to consider whether borrowers are actually on track to pay off the debt on time or whether they are just making a few minimum installments. For example, a borrower with a $1,000 loan who makes enough payments to reduce the principal by $1 a year for four years is considered to be in repayment even though, at that rate, he or she wouldn't be able to pay down the debt in 10 years.

Including both federal and alternative, or private, student loans in the borrowing figures also makes the debt-to-income ratio harder to determine. Much of private borrowing is direct to the student. There is no central repository of information on private student borrowing information, and schools may have no way of capturing all the private loans taken out by their students. Also, assuming a low fixed rate will make the annual payment on private loans seem cheaper than it actually is. The loan also may have a 20- or 30-year repayment time frame, rather than the assumed length of 10 years. In either case, exact costs are misstated. Private student loans also don't fit the rationale of why gainful employment needs to be defined in the first place. From a taxpayer's point of view, poor usage of federal student aid dollars is a waste of scarce resources. There is no similar taxpayer investment with private loans.

Another concern with the proposed standard's debt-to-income ratio is that it only considers program completers. While this makes sense from the standpoint of wanting to make sure graduates are gainfully employed, it is also important to remember the large numbers of borrowers who drop out. Students who fail to graduate are frequently left with significant amounts of debt but none of the economic benefits associated with a college degree or certificate. One 2005 study found that students who borrowed and did not complete their program were "twice as likely to be unemployed as borrowers who received a degree, and more than 10 times as likely to default on their loan."[27] A program that fails to graduate large numbers of its students should also be seen as not providing gainful employment.

The debt-to-income ratio also fails to recognize that federal student loan regulations allow students to borrow beyond the total cost of their program. Students who take out far more in loans than necessary can inflate borrowing totals, which can lead to a school being penalized for something largely out of its control.[28] One way around this problem would be to compare the average borrowing amounts relative to program costs. Those that seem fairly close should be judged according to the debt figures, while programs with a large discrepancy should be subject to further investigation. If an investigation shows that increased borrowing is solely due to student decisions, then the school should be judged only on a portion of that borrowing.

A common critique of the new gainful employment proposal is that it holds institutions accountable for other outcomes beyond their control. More specifically, it judges programs based on their graduates' earnings several years after they have left school. This issue recalls the rhetoric around cohort default rates, in which colleges argue that student characteristics, not program quality, play the largest role in assessing whether a student is likely to default. But this argument contradicts the schools' marketing claims that their programs can improve students' lives and lead to better jobs. Either programs lead to better jobs and higher earnings—in which case those results should be measured using a standard like gainful employment—or they don't, in which case their institutions should not be making these claims.

Gaining From Gainful Employment

The gainful employment standard is just one part of a larger movement to regulate for-profit colleges. Other regulations released in June propose to eliminate exemptions that previously allowed schools to tie part of recruiters' compensation to getting students to enroll. The regulations would also crack down on so-called ability-to-benefit tests—exams given to students without a high school degree to determine their ability to handle college-level work. A U.S. Government Accountability Office report in September 2009 found that colleges were coaching ill-prepared students through these tests so they could receive federal student aid.[29]

Establishing clear connections between employers, jobs, wages, and training-oriented programs is a welcome new way of thinking about education not just in terms of quality, but also in terms of value.

Congress could also take legislative action in this area. The Senate's Health, Education, Labor, and Pensions Committee has already held two hearings on for-profit colleges and promises to convene more in the fall. The hearings could prompt legislation to further limit the percentage of revenue that proprietary colleges can receive from federal aid programs. Such legislation might also prevent these colleges from using money from these aid programs to pay for marketing.

America's higher education system is among the most diverse in the world in terms of the types of colleges and variety of programs it provides. But, to date, federal student aid programs have done little to formally acknowledge that diversity. The gainful employment standard is an important first step in addressing that flaw. Establishing clear connections between employers, jobs, wages, and training-oriented programs is a welcome new way of thinking about education not just in terms of quality, but also in terms of value. Most important, it does this at the sub-institutional level, acknowledging that these types of programs have little overlap with other offerings at the same institution. Critics of the gainful employment standard are quick to disparage it as an attempt to shut down the sector. But this claim is unfounded. This analysis shows that gainful employment would likely force 4 percent of programs to close and restrict the activities of another 15 percent. But these results are not set in stone. Colleges will not be judged by the gainful employment standard for a few years yet, so they will have time to reduce their costs and student borrowing, to help students repay their debts, and to help those students find higher-paying employment. And any process that can encourage reducing student costs or improving job placement is a good thing.

Notes

1. Sen. Tom Harkin, "Beware of For-Profit Higher Education," *Forbes,* August 11, 2010, http://www.forbes.com/2010/08/01/higher-education-student-debt-opinions-best-colleges-10-harkin.html (accessed September 6, 2010).
2. Jennifer Epstein, "Pushback on Gainful Employment," *Inside Higher Ed,* April 22, 2010, http://www.insidehighered.com/news/2010/04/22/gainful (accessed September 3, 2010).
3. Daniel Bennett, "Beating My Head on the Desk Won't Stop the Insanity," Center for College Affordability and Productivity, May 21, 2010, http://collegeaffordability.blogspot.com/2010/05/beating-my-head-on-desk-wont-stop.html (accessed September 3, 2010).
4. Many institutions that do not offer a traditional semester-length course schedule report information to the U.S. Department of Education by program.
5. Gregory D. Kutz, "For Profit Colleges: Undercover Testing Finds Colleges Engaged in Deceptive and Questionable Marketing Practices," U.S. Government Accountability Office, August 4, 2010, http://www.gao.gov/products/GAO-10-948T (accessed September 7, 2010).
6. TESST College of Technology "Medical Assistant," TESST College of Technology, http://bit.ly/aJk2a0 (accessed September 7, 2010).
7. Le Cordon Bleu Institute of Culinary Arts, "Le Cordon Bleu Institute of Culinary Arts in Pittsburgh," http://lecordonbleu-pittsburgh.com/index.asp?src=141574 (accessed September 7, 2010).
8. Google, "Kaplan Information Technology Degree Google Search," http://bit.ly/blWSjk (accessed September 7, 2010).
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10. The Higher Education Act of 1965, Public Law 89-329, 89th Cong., 1st sess. (November 8, 1965), Page 30, http://ftp.resource.org/gao.gov/89-329/00004C57.pdf (accessed September 3, 2010).
11. Author-calculated statistic using data from the U.S. Department of Education's Integrated Postsecondary Education Data System.
12. Author-calculated statistic using data from the U.S. Department of Education's Federal Student Aid Data Center.
13. Author-calculated statistics using data from the U.S. Department of Education's Integrated Postsecondary Education Data System. Kelly Field, "Government Vastly Undercounts Defaults," *Chronicle of Higher Education,* July 11, 2010, http://chronicle.com/article/Many-More-Students-Are/66223/ (accessed September 3, 2010).
14. Loans that are replaced by a single consolidation loan are not considered paid off. Loans that have an in-school or military deferment or entered repayment after March 31 of a given fiscal year are excluded.
15. By default, institutions have the rate calculated over the three years in repayment. If they can prove to the Department of Education that graduates' salaries increase significantly in the future, then it can be judged over the fourth, fifth, and six years after entering repayment.
16. There are three ways a program can end up in this category: (1) it has a repayment rate above 45 percent and a debt-to-income ratio above 8 percent and 20 percent, (2) it has a debt-to-income ratio at or below 8 percent and a repayment rate below 45 percent, or (3) it has a debt-to-income ratio at or below 20 percent and a repayment rate below 45 percent.
17. James Kvaal (remarks at the conference, "Reining in For-Profit Higher Education," New America Foundation, Washington, D.C., July 30, 2010).
18. Ibid.
19. "Program Integrity: Gainful Employment (Notice of Proposed Rulemaking)," Federal Register 75:142, July 26, 2010 Page 43636, http://www.gpo.gov/fdsys/pkg/FR-2010-07-26/pdf/2010-17845.pdf (accessed September 3, 2010).
20. Some programs may be spread over multiple years, but the cost figure represents the total expense to complete that program.
21. The numbers do not add up to 100 percent due to rounding.
22. Peter Goodman, "In Hard Times, Lured Into Trade School and Debt," *New York Times,* March 13, 2010, http://www.nytimes.com/2010/03/14/business/14schools.html (accessed September 13, 2010).
23. Mark Kantrowitz, "What is Gainful Employment? What is Affordable Debt?" FinAid.org, March 11, 2010, http://www.finaid.org/educators/20100301gainfulemployment.pdf (accessed September 3, 2010).
24. Data for all other award levels was discarded because they required fractions of a year, and it was too difficult to estimate the appropriate cost amount.
25. Sean Simone, "Tuition and Fee Differentiation at Degree Granting Postsecondary Education Institutions," Association for Institutional Research, National Center for Education Statistics, May 2010, http://www.airweb.org/images/Simone_Final_Report_2010.pdf (accessed September 10, 2010), 20.
26. In total, the analysis considered 6,747 programs at 790 for-profit institutions. Some colleges offered both bachelor's and associate degrees and so were considered under both categories, albeit for different programs.
27. Lawrence Gladieux and Laura Perna, "Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend," National Center for Public Policy and Higher Education, May 2005, http://www.highereducation.org/reports/borrowing/borrowers.pdf (accessed September 3, 2010).
28. Some colleges argue that excess borrowing is used to fund things like vacations and car payments. In other cases, the school may encourage students to borrow more than they need because it is easier to take out the maximum and then return money, rather than take out too little and need more. For example, a recent investigation from *ABC News* found that students at a branch of the University of Phoenix were being told to take out the maximum because it was easier and they could keep the extra money with no questions asked.
29. "Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students

Receive Federal Student Aid," U.S. Government Accountability Office, August 2009, http://www.gao.gov/new.items/d09600.pdf (accessed September 10, 2010).