U.S. Department of Education Final Rule on Financial Value Transparency and Gainful Employment

What You Need to Know

This is a final rule from the US Department of Education (ED). It is in effect and carries the weight of law. Deadlines for reporting requirements can be found at the end of this page.

Overview

The ED rule's purpose is to find programs on all levels (certificate, undergraduate, graduate) that are not adequately preparing students for the future. The metrics they have determined to find these programs best are:

Debt-to-earnings rate (D/E)

- Compares the median annual payments on loan debt borrowed to the median earnings of its federally aided graduates.
- Graduates must not spend more than eight percent of their annual earnings or 20 percent of their discretionary income (defined as annual earnings minus 150 percent of the federal poverty guideline for a single individual – about $21,870 in 2023) on student loan repayment each year.

Earnings-premium metric (EP)

- Measures whether a typical program graduate who received federal aid is earning more than a typical high school graduate between the ages of 25 and 34. This equates to roughly $25,000 nationally.

Timeline

July 1, 2024 – Effective date of final rule.

July 31, 2024 – All institutions must report program and student information needed to calculate D/E rates to ED.

December 31, 2024 – Institutions must submit a signed certification by its most senior executive officer to ED that eligible GE programs are included on the eligibility and certification approval report.

July 1, 2025 – ED expects to release the first set of D/E rates and EP measures for the award year 2024-2025.

July 1, 2026 – Second set of D/E rates and EP measures released for award year 2025-2026.

What Does it Mean for Me

The rule mandates the reporting of personally identifiable information of all Title IV aided students: certificate, undergraduate, and graduate students. The programs are delineated by the six-digit CIP code and are retroactive, starting with the graduating cohort of 2018. Other reporting requirements include:

1. Retroactively report data on each aided student enrolled in a program, including when a student withdrew, the date the student initially enrolled, and any other information the secretary prescribes.
2. Institutions can only report data on the previous two award years for the first six years by calculating transitional D/E rates and earnings premiums calculated on each program.
3. The most senior executive officer at each institution must certify that their gainful employment (GE) programs are approved by a recognized accrediting agency or are included in the institution's accreditation by its recognized accrediting agency.
4. Provide information about all programs to the ED disclosure website. Mandatory information includes the length of the program, the number of individuals enrolled, and whether the program is accredited. D/E and EP rates must be included.
5. All institutions can use transitional reporting methods for the first six years this rule is in effect. In lieu of reporting the second through the seventh or eighth award years prior to July 1, 2024, institutions are allowed to substitute the two most recently completed years of award data.
    a. This means that institutions will have the choice to submit seven-year or two-year data.

For each GE program and eligible non-GE program, for the most recently completed award year

- Name, CIP code, credential level, and length.
- Whether a program is programmatically accredited and, if so, the name of the accreditor.
- Whether the program meets licensure requirements or prepares students to sit for licensure exams in a particular occupation for each state in the institution's metropolitan statistical area.
- Total number of students enrolled during the most recently completed award year, including recipients and non-recipients of Title IV funds.
- Whether the program is a qualifying graduate program whose students are required to complete postgraduate training programs.

For each student

- Total annual allowance for books, supplies, and equipment from student's COA.
- The total annual allowance for housing and food from the student's COA.
- Amount of institutional grants and scholarships disbursed to a student.
- Amount of state, tribal, or private grants disbursed to a student.
- Amount of any private education loans disbursed to student for enrollment in the program that institution is, or should reasonable be aware of, including private education loans made be the institution.

The Accountability for Institutions

Financial Value Transparency

- The reporting requirement applies to ALL programs (certificate, undergraduate, and graduate) at ALL institution types.
- Programs would be categorized as “high-debt-burden" if their discretionary D/E rate is greater than 20 percent and their annual D/E rate exceeds 8 percent.
- Programs would be labeled “low earning” if their earnings premium is negative or zero.
- Information on whether a program is classified as low-earning, or high-debt-earning would be added to a website created by ED. Prior to enrollment, access to the website and program classification information is required to be distributed to students.
- If the program is labeled as high-debt-burden (failed the D/E metric), students must acknowledge they have viewed the information on the website before enrolling – this applies only to certificate and graduate programs; undergraduate programs are exempt from this requirement.
    - Student program acknowledgment is required in order to receive Title IV student aid. This applies only for graduate programs.
- ED is required to issue a notice of determination each award year informing institutions of their D/E rates for each program, earnings premium measure for each program, determination of whether each program is passing or failing the GE measures, and whether the institution is required to provide disclosure or warnings to students base on a program’s failure of any of the metrics.

Debt-to-earnings rate (D/E)

- Applies to GE programs only (non-degree programs, including diploma and certificate programs at public and private nonprofit institutions).
- GE programs that fail the same metric in any two out of three consecutive years would lose eligibility to participate in Title IV student aid.
- Institutional warnings to current and prospective students would be required for GE programs if the program they are enrolled in or considering enrolling in could lose Title IV eligibility based on its next published D/E rates or earnings premium.
    - The warning would include a description of the academic and financial options available to students to continue their education, including transfer information, whether the institution would continue to offer a program, and whether it would refund tuition and fees if it lost eligibility to participate in the Title IV programs.
    - Students would have to acknowledge having seen the warning before the institution could distribute Title IV student aid.