

## **Proposed “Gainful Employment” Program Eligibility Requirements: How They Work**

- A program that meets both upper thresholds (for repayment rate and the ratio of debt to earnings or income) remains eligible for federal student aid. Specifically, it must have a loan repayment rate of at least 45 percent, and the average debt service payment of individuals who have completed the program must not exceed either 8 percent of annual earnings or 20 percent of discretionary income.
- A program that meets one of the two upper thresholds remains eligible for federal student aid, but must provide specified debt warnings to its students.
- A program will be placed on “restricted status” if –
  - ▶ it has a loan repayment rate below 45 percent and the average debt service payments of program completers is more than either 8 percent of annual earnings or 20 percent of discretionary income; or
  - ▶ it has a loan repayment rate below 45 percent and the average debt service payments of program completers is both above 12 percent of annual earnings and above 30 percent of discretionary income.

Under “restricted status,” the program must file additional disclosures, issue debt warnings, and is subject to growth restrictions.

- A program will lose eligibility for federal student aid if it has a loan repayment rate below 35 percent, and the average debt service payments of its program completers exceed 12 percent of annual earnings and exceed 30 percent of discretionary income. Current students would continue to receive aid for the rest of the year plus one additional award year. [However, loss of eligibility would be capped at 5 percent during the first year (2012-13) the eligibility requirements go into effect.]