The Department of Education issued final rules on financial value transparency (FVT) and gainful employment (GE) that will go into effect on July 1, 2024. The Department also created a fact sheet summarizing the major regulatory provisions.

The new regulations establish an accountability framework for all higher education programs, including non-GE (degree) and GE programs. Non-GE programs consist of degree programs in both the nonprofit and public sectors, while GE programs consist of all programs in the for-profit sector and certificate programs in the nonprofit and public sectors.

The accountability framework consists of two components:

1. A financial value transparency accountability framework that applies to non-GE programs; and
2. An accountability and eligibility framework that applies to GE programs.

Both frameworks rely upon two metrics: (1) a debt-to-earnings rate; and (2) an earnings premium test, though the consequences for failing these metrics differ under the two frameworks.

Below is a detailed summary of the requirements contained in the final rules.

- This summary begins with a discussion of the general provisions that apply to both the FVT and GE frameworks, including the debt-to-earnings rate and earnings premium test that apply to both non-GE and GE programs.
- The next two sections examine provisions that apply only to non-GE or to GE programs, respectively, including the consequences for either type of program that fails one or more of the metrics.

**General Provisions Governing Non-GE and GE Programs**

**Accountability Framework.** The Department will assess all non-GE and GE higher education programs, identified and measured based on their six-digit Classification of Instructional Programs (CIP) code, under two metrics:

1. **Debt-to-Earnings (D/E).** The debt-to-earnings rate will compare the median annual payments on loan debt borrowed for the program to the median earnings of its federally aided graduates. To pass, a program’s graduates’ debt payments must be no more than 8% of annual earnings or 20% of discretionary earnings, which is defined as annual earnings minus 150% of the federal poverty guideline for a single individual (~$21,870 in 2023). Loan debt for the D/E calculations is capped at the net direct costs charged to a student (i.e., excludes borrowing for living costs). The D/E rate is intended to measure loan affordability.
### Sample Maximum Allowable Median Debt

<table>
<thead>
<tr>
<th>Median Earnings</th>
<th>Undergraduate Certificate or Associate</th>
<th>Bachelor’s</th>
<th>Master’s</th>
<th>Doctoral/Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$16,380</td>
<td>$22,000</td>
<td>$20,000</td>
<td>$23,600</td>
</tr>
<tr>
<td>$50,000</td>
<td>$50,800</td>
<td>UG Max*</td>
<td>$62,500</td>
<td>$73,800</td>
</tr>
<tr>
<td>$75,000</td>
<td>UG Max*</td>
<td>UG Max*</td>
<td>$112,400</td>
<td>$132,800</td>
</tr>
<tr>
<td>$100,000</td>
<td>UG Max*</td>
<td>UG Max*</td>
<td>$162,400</td>
<td>$191,800</td>
</tr>
</tbody>
</table>

Note: Maximum debt levels are rounded to the nearest $100. The undergraduate (UG) maximum is $57,500 for an independent student and $31,000 for dependent students.

Note: ED amortizes the D/E calculation over 10 years for undergraduate/certificates, 15 years for Master’s, and 20 years for Doctoral/Professional, which may explain some of the discrepancies among threshold levels.

2. **Earnings Premium (EP).** The earnings premium test will measure whether a typical program graduate who received federal aid is earning at least as much as a typical high school graduate in the labor force – whether working or unemployed – in their state between the ages of 25 and 34 (~$25,000 nationally but varies by state). This earnings data will be pulled on a three-year lag following graduation for each year in a cohort. The EP test is intended to measure the extent to which a program enhances a graduate’s earning potential beyond a high school graduate.

### Program Information Website

The Department will create a website that provides information about the data institutions are required to report annually. Institutions must distribute information on how to access the website to prospective students, as well as to enrolled students who receive Title IV aid.

### Institutional Reporting Requirements

There are five components that institutions will be required to report on:

1. **Program-Level Data.** Institutions are required to report a significant amount of data for all programs in the same four-digit CIP code at an institution, with 30 or more completers in total over the four most recent award years. This data includes required items, such as the name, CIP code, credential level, length of program, accreditation status, total students enrolled – both Title IV and non-Title IV – program costs, loan burden, the cost of tuition, fees, books, and supplies, and more.

2. **Student-Level Data.** In addition to the program-level data that the Department will include on the website, institutions are required to provide student-level data for each aided student enrolled in eligible programs, including information needed to identify the student and institution, dates and costs of attendance, and more. For most programs, this data must be provided for the second through seventh award years prior to the enactment date of July 1, 2024.

3. **Transitional D/E and EP Rates.** All institutions have the option to 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.

4. **Corrections:** Institutions will have 60 days from the date the Secretary provides the list of program completers to the institution to make any necessary corrections to the underlying enrollment data in the National Student Loan Data System (NSLDS).

5. **Explanation for Non-Compliance:** Institutions that fail to provide all or some of the required information must provide an acceptable explanation to the Department.

**Exceptions.** The final rule establishes the following exceptions:

- **Qualifying Graduate Programs.** Noting that students in some graduate programs are subject to lengthy post-graduate training requirements that limit their early career earnings potential, the Department identifies certain programs in which it will calculate earnings over six years rather than three. The Department also establishes a data-driven process to identify additional programs to be evaluated over the longer time horizon. The initial list of qualifying graduate programs, which will be updated every three years, includes medicine, osteopathy, dentistry, clinical psychology, marriage and family therapy, clinical social work, and clinical counseling.

- **Institutions with Small Programs.** Institutions with no programs large enough to calculate the metrics underlying the GE program accountability framework are exempt from all reporting requirements and coverage of the rules. The Department says this exemption will alleviate reporting burdens for nearly 700 small institutions.
  
  o Specifically, an institution is exempt from the FVT/GE framework if it does not have any group of programs that share the same four-digit CIP code with 30 or more completers in total over the most recent four award years. The four-digit CIP code is used for this exemption, but the six-digit CIP code is used for calculating the metrics. This provision is designed to remove the incentive for schools to create new, smaller programs that are substantially similar to avoid being covered by these rules.

- **Puerto Rico and Territories.** Institutions in Puerto Rico and other Territories and Freely Associated States are exempt from the accountability provisions of the rule but must report under the FVT framework. Data used to calculate both high school earnings and discretionary earnings (i.e., the federal poverty line) in these regions are not currently available, so the Department will not sanction programs based on their debt and earnings outcomes relative to the thresholds described in the rule.

**Timeline.** The FVT/GE program accountability framework will go into effect on July 1, 2024, with July 31, 2024, as the first reporting deadline for institutions. The first official metrics will be published in early 2025. The first year that programs will be subject to consequences for failing a D/E or EP rate is 2026.
Financial Value Transparency Framework

Financial Value Transparency. The Department will calculate D/E rates and earnings premiums for all non-GE programs as long as the program has a cohort size of at least 30 students over a maximum of four years who complete the program and there is available data from a federal agency on earnings for those students.

Consequences of Program Failure. For non-GE graduate programs that fail the D/E metric, prospective students must acknowledge via the program information website that they have viewed the information on the website before enrolling in the program. Undergraduate programs are exempt from the acknowledgement requirement but are still subject to the reporting requirements for such programs.

Estimated Impact. The Department estimates that 842 public and 640 nonprofit degree programs (representing 1.2% 1.5% of programs and 4.6% and 6.6% of enrollment, respectively) would fail at least one of the D/E or EP metrics.

- Of the 640 failing programs at private, nonprofit institutions, an estimated 442 programs (1%) would fail D/E, 118 (.3%) would fail D/E and EP, and 80 (.2%) would fail EP.
  - 125,600 students (1.1%) at public institutions and 231,100 students (5.8%) at nonprofit institutions are in programs with failing D/E metrics.
    - 163,000 students are enrolled in D/E failing programs, 68,100 in D/E and EP failures, and 33,300 in EP failures.

- The highest rates of failure are for professional programs in law (CIP 22, about 19% of law programs representing 29% of enrollment in law programs), theology (CIP 39, about 7% of programs representing 25% of enrollment) and health (CIP 51, about 10% of programs representing 19%).
  - Failure for graduate programs is almost exclusively due to the failure of the D/E metric and is most prominent for professional programs at private, nonprofit institutions.

Gainful Employment Framework

Gainful Employment. The Department is reestablishing and updating the GE regulations, which were created to set standards for career education programs to ensure they adequately prepare students for “gainful employment in a recognized occupation.” The GE rules apply to all programs at for-profit institutions and all non-degree programs at public and private, nonprofit institutions as long as the program has a two- or four-year cohort of at least 30 students.

Consequences of Program Failure. Programs that fail are subject to significant penalties:

- Program Fails Either Metric in a Single Year: The institution is required to provide warnings to current and prospective students that the programs could be at risk of
ineligibility for Title IV student aid in subsequent years and those students must acknowledge having viewed the warning through the Department’s program information website before certain specified events occur, including the signing of an enrollment agreement or the disbursement of Title IV funds.

- Schools have 30 days from the date the Department issues a notice of determination that a GE program has failed the D/E rates or EP test to distribute warnings to students enrolled in that program.

- **Program Fails the Same Metric in Two of Three Consecutive Years:** The program will not be eligible to participate in Federal student aid programs.

- **Period of Ineligibility.** An institution cannot reestablish a failed GE program or a GE program that it discontinued voluntarily either before or after D/E rates or EP tests were issued for three years following the date it failed or was voluntarily discontinued.

- **Appealing the Loss of Title IV Eligibility.** Institutions that are deemed to have failed an accountability metric will have the opportunity to appeal the loss of Title IV eligibility solely based on a miscalculated D/E rate or EP test.

**Estimated Impact.** The Department of Education estimates that about 1,700 programs that enroll approximately 700,000 students will be affected by programs that fail at least one of the two metrics in a single year, which equals about 25% of all enrollment in GE programs.

- Collectively, there are 32,000 programs that meet the GE requirements, and they enroll about 2.9 million Title IV students. GE programs represent about 20% of the more than 155,000 Title IV eligible programs nationally, and about 15% of approximately 19.3 million Title IV-supported students each year. They account for 45% of all Title IV enrollment in programs with unaffordable debt or low earnings.

- Nearly 90% of students in failing GE programs attend for-profit institutions. About 55% of for-profit institutions have at least one program that does not meet the new standards.

- Of the students attending failing programs:
  - About 274,000 attend GE programs that have high debt burdens, but typical earnings above a HS graduate;
  - About 306,000 attend GE programs that lead to earnings below a HS graduate but do not produce high debt burdens; and
  - About 115,000 are in GE programs that result in high debt burdens and low earnings.