Debt to Earnings Data Across All Sectors | Background

In 2015, the DOE implemented the Gainful Employment rule, which was intended to identify poorly performing programs using a debt to earnings metric for graduates. The theory underlying the rule was that many programs were saddling students with too much debt relative to their earnings.

The rule uses 8% and 12% debt to earnings thresholds to determine program quality. A program at or above 12% fails and after two years of failure loses access to Title IV aid, effectively shutting the program. A program that has between 8% and 12% is considered in the Zone and also loses Title IV aid eligibility after four years. Generally, once a program is in the Zone, it is likely to fail based on the retroactive nature of the rule.

During the 2013 negotiations, requests were made that the DOE provide debt to earnings data for all degree programs in all sectors to assure the regulation was accurately identifying quality. The DOE did not provide it.

The College Scorecard was published in September 2016 — after the rule was implemented — and for the first time, debt and earnings data were available for all institutions. Our analysis of that data demonstrates that high debt to earnings (relative to the stated annual 8%-12% DTE thresholds) are problematic across higher education. In fact, of the top 25 institutions with the highest institutional debt-to-earnings ratios, 17 are non-profits, seven are proprietary, and one is a public institution.

During the February 2018 negotiated rulemaking session for Gainful Employment, the DOE informed the current negotiators that it does not have access to earnings on a program level for public and non-profit institutions. As a result, the DOE published a document titled "Debt to Earnings Analysis Using College Scorecard Data" dated January 2018. In it, the DOE states that although it has limitations, the debt to earnings data in the Scorecard is the best available proxy.

The DOE has proposed applying the debt to earnings metric found in the GE rule to programs at all institutions. It is our opinion that insufficient quality data has been provided to make an informed policy decision, particularly as it relates to establishing meaningful benchmarks. To this end, Monroe College analyzed the Fall 2016 and 2017 Scorecard data. The Fall 2017 Scorecard data can be found below. Our assumptions can be found below as Exhibit 1.

It is our hope that our research (attached) helps provide data that will lead to a rational basis to the proposed policy.

EXHIBIT ONE | Data Assumptions – Debt to Earnings

- **DATA SET:**
  Fall 2017 Scorecard data were used. The data set may be downloaded from https://collegescorecard.ed.gov/data/.

- **DEBT:**
  Cumulative median debt of borrowers was used for students who completed. The median debt is calculated using Title IV students who have federal loans.

- **EARNINGS:**
  Scorecard earnings were used at six years and 10 years after commencement of study for completers.

- **DEBT TO EARNINGS:**
  Ratio Used: All institutions that have institutional debt to earnings above 8% are identified. Institutions above 12% are separately identified.

Interest rate: The interest rate employed in the Scorecard data set is used, which is 4.45%.

Amortization Period: A 10-year amortization period was used to analyze the institutional debt to earnings for two reasons. Data for 15 years is available as well. First, the College Scorecard uses a 10-year amortization period to determine the "typical annual monthly loan payment". Second, many consumer groups advocate for the 10-year amortization as it is more rigorous and reflects the standard repayment period on a federal student loan. The use of a 10-year period is not meant as an endorsement.

- **CLASSIFYING INSTITUTIONS:**
  We counted institutions by 8-digit OPEID. As a result, many institutions have multiple entities cited.

Data Assumptions – Repayment Rates

- **DATA SET:**
  Five-year repayment data from the September 2017 Scorecard were used to produce the analysis for repayment rates. The data set may be downloaded from https://collegescorecard.ed.gov/data/.

- **REPAYMENT RATES:**
  The Scorecard calculated repayment rates for completers

and non-completers separately. In a separate field, the Scorecard provided the number of students in each category. A weighted average was calculated to determine the overall repayment rate that is presented.

- **CLASSIFYING INSTITUTIONS:**
  The 8-digit OPEID was used. As a result, many institutions may have multiple entities cited.

CHART 1

INSTITUTIONS WITH DEBT TO EARNINGS ABOVE 8%

Source: September 2017 Scorecard Data — Using 6 Year Earnings

ALL INSTITUTIONS

DEBT TO EARNINGS ABOVE 8%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	235	11.84%	1,395,303	46.53%
Private (2,008)	719	36.22%	1,067,276	35.59%
Proprietary (3,524)	1031	51.94%	535,875	17.87%
All Institutions	**1985**		**2,998,454**	

CHART 2

INSTITUTIONS WITH DEBT TO EARNINGS ABOVE 12%

Source: September 2017 Scorecard Data — Using 6 Year Earnings

ALL INSTITUTIONS

DEBT TO EARNINGS ABOVE 12%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	32	7.67%	106,703	23.92%
Private (2,008)	122	29.26%	89,171	19.99%
Proprietary (3,524)	263	63.07%	250,199	56.09%
All Institutions	**417**		**446,073**	

CHART 3

INSTITUTIONS WITH DEBT TO EARNINGS ABOVE 8%

Source: September 2017 Scorecard Data — Using 10 Year Earnings

ALL INSTITUTIONS

DEBT TO EARNINGS ABOVE 8%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	70	3.53%	259,780	8.66%
Private (2,008)	305	15.37%	319,834	10.67%
Proprietary (3,524)	557	28.06%	360,885	12.04%
All Institutions	**932**		**940,499**	

CHART 4

INSTITUTIONS WITH DEBT TO EARNINGS ABOVE 12%

Source: September 2017 Scorecard Data — Using 10 Year Earnings

ALL INSTITUTIONS

DEBT TO EARNINGS ABOVE 12%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	9	2.16%	26,199	5.87%
Private (2,008)	57	13.67%	42,506	9.53%
Proprietary (3,524)	65	15.59%	18,023	4.04%
All Institutions	**131**		**86,728**	

CHART 5

INSTITUTIONS WITH REPAYMENT RATES BELOW 50%

Source: September 2017 Scorecard Data — Using 5 Year Earnings

ALL INSTITUTIONS

REPAYMENT RATES BELOW 50%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	595	19.94%	3,618,189	70.64%
Private (2,008)	307	10.29%	389,494	7.60%
Proprietary (3,524)	2082	69.77%	1,114,464	21.76%
All Institutions	**2984**		**5,122,147**	

CHART 6

INSTITUTIONS WITH REPAYMENT RATES BELOW 35%

Source: September 2017 Scorecard Data — Using 5 Year Earnings

ALL INSTITUTIONS

REPAYMENT RATES BELOW 35%

	Number of Schools	Percentage of Schools	Number of Students	Percentage of Students
Public (2,064)	142	8.18%	813,788	47.18%
Private (2,008)	170	9.80%	120,944	7.01%
Proprietary (3,524)	1423	82.02%	790,255	45.81%
All Institutions	**1735**		**1,724,987**	