

Policy Recommendations for an Undergraduate Certificate Program Accountability Framework

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Executive Summary

This paper recommends replacing the current Financial Value Transparency/Gainful Employment rule with a unified accountability framework that includes undergraduate certificate programs. The proposed approach adapts the Do No Harm framework to address the unique characteristics of certificate programs with a specific focus on programs materially adversely impacted by part-time work prevalence and systematically underreported income, both of which cause significant and consistent underreporting of graduate annual earnings.

Recommendations include:

- **Eliminating the FVT/GE rule** to reduce regulatory complexity.
- **Ensuring that all income is captured** in the metric in the case of **self-employed graduates**.
- **Applying a wage normalization factor** to properly account for part-time work prevalence and systematically underreported income using data-driven multipliers to ensure fairer comparisons.
 - **For example, for hairdressers, hairstylists, and cosmetologists, the Department of Education would use a 1.9x multiplier, which is derived from the cumulative (i.e., multiplicative) impact of a 1.67x factor to normalize reported earnings of beauty industry professional service providers to reflect systemically underreported service income and tips and a 1.14x factor to normalize reported earnings of “Hairdressers, hairstylists, and cosmetologists,” to a standard work week (i.e., $1.67 \times 1.14 = 1.9$).**
- Given the similarities in programs covered by the Work Force Pell program, **comparing the earnings of certificate graduates to 150% of the poverty rate** rather than earnings of high school graduates, ages 25-34, that have not completed college.
- **Using debt-to-earnings metrics** to more accurately assess program affordability based on ability to repay loans.
 - Consider any program **in which the graduate cohort has median earnings not less than 2.0 times the median debt as passing** the accountability metric as graduates are unlikely to default where they are generating sufficient funds to repay their debt.

- **Exempt programs where total debt is under \$10,000** from the accountability framework as the debt resulting from these programs does not represent a significant financial risk to the taxpayer.
- **Apply a Debt-to-Earnings metric to certificate programs as an alternative means of compliance.**
- **Allowing appeals** to account for program populations that experience atypical wage, employment, or loan program participation patterns.

Background

One Big Beautiful Bill Act (“OBBBA”)

The accountability framework included in the “One Big Beautiful Bill Act,” sometimes referred to as the Do No Harm (“DNH”) framework (20 U.S.C. § 1087d), applies to “undergraduate degree, graduate or professional degree, or graduate certificate” programs at all Title IV eligible institutions. Notably, undergraduate certificate programs are not addressed in the OBBBA.

The purpose of DNH framework is to assess whether the degree programs leave students better off economically than having not attended the program. Programs that fail two out of three years lose eligibility for Title IV federal loans.

Financial Value Transparency/Gainful Employment

It is possible that undergraduate certificate programs were omitted from OBBBA because they were already covered under the Financial Value Transparency and Gainful Employment Rule (located at 34 C.F.R. § 668, Subparts Q and S) (“FVT/GE”). The FVT/GE regulations evaluate programs offered by proprietary schools and certificate programs offered by proprietary, nonprofit or public institutions using a debt-to-earnings (“D/E”) rate and an earnings premium (“EP”) test. 34 C.F.R. § 668.601 *et seq.* The EP test is very similar to the DNH framework. Under the FVT/GE regulations, if a program fails either the D/E or EP metric in a single year, the institution would be required to provide warnings to current and prospective students that their program could be at risk of ineligibility for federal funding. If a program fails the same metric in two out of three consecutive years, it will no longer be eligible to participate in federal student aid programs.

Proposed Framework for Undergraduate Certificate Programs

Eliminating the FVT/GE Rule

The first step toward a constructive accountability framework for undergraduate certificate programs is eliminating the atextual FVT/GE rule. The DNH framework designed by Congress applies to all degree programs and graduate certificates at all schools, without

regard to status as a proprietary, nonprofit or public institution. Removing the distinctions between proprietary and other institutions will make it simpler for students to make informed comparisons across programs and institutions.

Moreover, Congress prescribed important features of the DNH framework, such as in what year after graduation to consider wage data (the fourth year) or the penalties imposed (loss of Direct Loan eligibility), that are inconsistent with the FVT/GE regulations. Eliminating the FVT/GE rule will reduce the regulatory burdens on schools which, absent any change, would need to collect and report on data under two different frameworks (DNH and FVT/GE) with the same purpose. The Department of Education (“Department”) will also benefit from this simplification as having a rule applied to all programs at all schools will be far easier and more economical to administer.

Accountability Looks Different for Undergraduate Certificate Programs

While the statutory DNH framework does not include undergraduate certificate programs, if the Department applies the DNH framework to these programs, it should do so with appropriate modifications to account for their distinct characteristics. Over the past decade, the various iterations of the GE rule failed to recognize differences between programs and the industries for which the programs prepare students. Under the OBBBA, Congress acknowledged the need to evaluate outcomes by “field of study” when comparing median salaries of graduate or professional programs to the salaries of working adults “in the same field.” Considering Congress’ acknowledgement that different programs require different data points to draw appropriate comparisons, the Department should develop a framework that respects the unique nature of certificate program employment outcomes.

Many certificate programs lead to occupational outcomes that do not lend themselves to the salary comparisons contemplated by DNH (as applied to degree and graduate certificate programs). These programs are associated with fields that experience significant wage underreporting or where practitioners purposefully do not work a 40-hour (or even 35-hour) work week. Moreover, the populations served by these schools may disproportionately earn lower wages than the comparison population contemplated by DNH—whether due to years of service, discrimination, or the personal choice of graduates (such as only working part time or having more flexible hours in lieu of higher pay). These are issues that are agnostic to the college offering the program. Perhaps most importantly, many undergraduate certificate programs are the primary means for students to attain the required licenses to practice in each state. Using a flawed metric which would deny students access to these programs risks severely disrupting the labor supply in these essential licensed fields.

Additionally, most certificate programs offered are lower in cost and result in far less debt than longer degree programs. Given Congress’ remedy of removing Direct Loan eligibility from programs that fail the DNH framework in two out of three years, Congress was

clearly concerned about the problem of students accumulating too much debt without a credential that enables them to pay it off. Students in certificate programs typically do not incur high debt levels and present less of a concern in this regard. For example, according to the data published by the Department with the 2023 GE/FVT regulations, graduates of cosmetology programs, which comprise the largest single program leading to a certificate, leave the program with a median debt of \$7,500 and a mean debt of \$6,937.66.¹ Practical nursing program graduates leave the program with a median debt of \$5,900 and a mean debt of \$7,425.41.²

For the foregoing reasons, the Department should consider applying an enhanced DNH framework to certificate programs. Moreover, the Department has the flexibility to adopt these recommendations because undergraduate certificate programs are not bound by the strict statutory requirements in the DNH. By utilizing the enhanced DNH framework, the resulting rule will impose meaningful programmatic accountability while avoiding the errors of the past.

Industries with Large Self Employment Populations

The Department must ensure that the median earnings used in the DNH framework captures all of the earnings. While this is an easy task for approximately 16.5 million employees (or 90%) in the US workforce and for whom W-2 earnings are tracked by an employer, approximately 16.5 million (or 10.4%) people in the US workforce is self-employed³. Given that certain professions are more likely to be self-employed⁴, the Department must be especially diligent in ensuring the IRS captures all of the earnings data. These earnings must also consider distributions to owners that are not captured on W-2 forms or self-employment tax returns, such as distributions from an S-Corp. Moreover, the Department must also take into account deductions that are not typical on personal tax returns, such as the from the use of a home for business purposes or based on payments of self-employment taxes paid.

Putting aside the substantial issues with unreported income (discussed below), the Department should calculate earnings of self-employed workers (putting aside adjustments, as mentioned below) net profit (such as on a Schedule C) and add back deductions like depreciation, self-employment taxes, and home office expenses, a common technique in the lending industry. The Department must also take into account items on the Schedule K-1, including all withdrawals and distributions on Part II and income items on Part III. These items should be added to any reported W-2 or self-employment earnings and any tips reported.

Wage Normalization

The DNH framework is designed to rely on data from similarly situated people to isolate the effect of attending a postsecondary program on the cohort's economic outcome. For

example, Congress specifically required that the cohort of program completers in a program be “working”⁵ and that the data from this cohort be compared to wage data for “working” adults.⁶ Elsewhere, Congress requires comparisons to wages earned by working adults within a particular field with the only difference, again, being the level of education obtained by the cohort being measured. Congress was thus concerned with apples-to-apples comparisons between groups and would no doubt support efforts to remove industry-specific anomalies that make data comparisons less meaningful. Unfortunately, many certificate programs lead to occupational outcomes that suffer from industry-specific anomalies, namely unreported income and part-time work.

Self-Employment and Unreported Tips

Some professions receive a significant portion of their income through untracked payments – whether full-service payments made through electronic banking methods (like Venmo or Zelle) or cash tips. These payments are often unreported to the Internal Revenue Service (“IRS”) and result in significantly understated cohort income. The IRS estimated for Tax Year 2022 that there is an underreporting tax gap of \$381 billion due solely to underreported income.⁷ Moreover, the IRS has created a “Cash Intensive Business Audit Technique Guide” which has an entire chapter on Beauty and Barber Shops.⁸ The Department acknowledged this concern in 2019:

When considering that, according to the reported 2015 GE data, there were over 950 cosmetology programs that could not accurately report graduate income, plus additional GE programs that rely heavily on tips such as massage therapy, hair styling, and barbering, it is difficult to justify a metric that punishes a program harshly, while not fairly, accurately, or without undue burden measuring the value of the program.

Further, the Department agrees with the commenters that SSA data may be inaccurate, especially for students who are self-employed and for workers in occupations that are highly dependent upon tip income, which may be underreported.⁹

While the Department’s acknowledgement focuses on tip income, since 2019, electronic banking applications, like Venmo and Zelle, have become more prevalent. These applications operate like cash in that payments are between individuals and not recorded.¹⁰ Indeed, the Federal Reserve Bank of Boston noted in a December 2019 publication that Zelle, “a bank-centric digital P2P payment network,” reported that in “Q2 2019 total Zelle payment value was \$44 billion, with a volume of 171 million transactions. The payments dollar value was an increase of almost 13 percent over Q1 2019 and an increase of 56 percent over the year-earlier quarter.”¹¹ Venmo, a non-bank based P2P payment network, “reported total payment volume of \$24 billion in Q2 2019, representing growth of 70 percent over Q2 2018.”¹² Fast forward to 2023, when the Federal Reserve Bank of Atlanta’s 2023 Survey of and Diary of Consumer Payment Choice found:

- 72 percent of consumers adopted online or mobile payment accounts like PayPal, Zelle, Venmo, and Cash App in 2023.
- 73 percent of consumers used mobile banking.
- 45 percent of payments to another person were made via a mobile device.¹³

Based on this data, the Atlanta Fed observed: “Continuing its steady increase from 2016 to 2023, mobile banking adoption—44 percent of consumers in 2016—increased to 73 percent of consumers in 2023, a statistically significant increase from 68 percent in 2022.”¹⁴ Estimates as of 2025 show Venmo’s total payment volume has risen to over \$325 billion and there are approximately 95.4 million active Venmo accounts.¹⁵

While estimating this underreporting is difficult, numerous reputable studies show underreporting of tips to range from 8-10 percent¹⁶ to as much as 56 percent¹⁷ of reported income. Even the IRS estimated in 1998 that only 40 percent of all tips were reported.¹⁸ In 2006, the IRS estimated that self-employment income was underreported by 59 percent.¹⁹ Indeed, other IRS studies suggests that 56 percent of income was underreported when little formal reporting (as in the case of cash tips) was required.²⁰ Given the use of peer-to-peer (P2P) banking applications is a relatively recent phenomenon, one would expect unreported income in industries that typically accept such payments to have become an even larger problem. This will be an even bigger issue for cosmetology trades, where roughly 48 percent of all hairdressers, hairstylists, and cosmetologists, and 78 percent of all barbers are self-employed.²¹

The Department should collaborate with the IRS to determine what an estimate would be for such underreporting. Nonetheless, given the well-documented substantial underreporting of both service and tip income, the Department should assume service income and tips are underreported at a rate of 40% of actual annual income versus reported annual income for cosmetology program graduates. While lower than the IRS estimate of 56%, this is a defensible, conservative estimate and can be revised through additional work with the IRS. Using this estimate, the Department should apply a 1.67x factor to the wages of the cohort being assessed (i.e., $1/(1-40\%) = 1.67x$). This modifier may, of course, change considering recent tax policy changes regarding tips or reporting requirements associated with electronic banking payments. Even so, both the IRS and other experts will likely produce future reports evaluating the effect of this change on wage reporting.

Applying a modifier which adjusts the reported income of graduates to reflect the actual income those graduates generate allows a fairer comparison of the value these programs generate on an annual basis. However, past models did not just undervalue graduate earnings; as discussed below, they also failed to capture the value of the career flexibility these licensed careers provide.

Part-Time Work

The Department now has an opportunity to properly value credentials that allow graduates to balance family or other obligations while improving their career outcomes. Many industries are so unique that comparisons to the population at large do not result in the apples-to-apples comparison Congress envisioned. Part time work is a clear example. For example, in its 2019 Preamble to the rescission of the Gainful Employment regulations, the Department acknowledged issues concerning comparisons between groups that have a disproportionately high share of part-time workers with a standard that is predominantly made of full-time workers:

In calculating annual earnings for minimum-wage workers, the Department assumed that minimum wage workers all work forty hours per week, fifty-two weeks per year.

However, employment statistics for low-skilled workers show that unemployment is higher among this group than others, making the full-time, year-round employment assumption overly generous. This calculation did not include part-time workers or unemployed workers in proportion to actual employment rates, but instead considered only the wage that would be earned by those who work full time. Consider that in 2017, the real median earnings for males was \$44,408 and for females was \$31,610, and the real median earnings for males working full time, year-round, was \$52,146 and for females was \$41,977. These data make clear the impact of part-time work on wages, and do not include individuals who are not in the workforce, either by choice or not.²²

To the extent a program can demonstrate that its graduates are more likely to work part-time than the population in the ACS survey, the Department should normalize wages of the cohort to the difference between the hours worked between the profession as a whole (or, if a cohort survey is used, of the cohort) and the comparison group (working adults age 25-34, no college). The Department can utilize the existing Classification of Instructional Program (CIP) to Standard Occupational Classification (SOC) Crosswalk to identify the ACS occupations associated with the certificate program.²³ The Census Bureau also maintains a crosswalk of occupation code lists derived from the SOC.²⁴

Programs can demonstrate this disparity through various means, such as:

- ACS data for mean or median weekly hours worked in the relevant profession;
- State data system data showing the mean or median hours worked by participants in the industry in the relevant state;
- A statistically reliable national survey showing industry-wide data for mean or median hours worked; or

- A statistically reliable survey of mean or median weekly hours worked within the program cohort, conducted in a manner similar to the Department’s process for other wage appeals.

As an example, a 2023 study of the Qnity Institute found that the average number of hours worked per week by service providers in the professional beauty industry is 27.8.²⁵ In 2024, this average was 24.3 hours per week.²⁶ The American Community Survey (“ACS”) data found similar outcomes: 2023 ACS data show that those in the beauty industry do not work full-time. The average number of hours worked for “hairdressers, hairstylists, and cosmetologists” (code 4510), age 25-34 is 30.26. “Skincare specialists” (code 4522), age 25-34, work an average of 29.82 hours per week.

Hours worked in selected professions, Ages 25-34 (ACS 2019-2023, 5-year sample)²⁷

Main Statistics												
Cells contain: -Median -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
occ	4510	35.00 31.53 19,617.0	35.00 31.03 21,922.0	35.00 29.67 22,176.0	35.00 30.79 22,380.0	35.00 30.11 24,053.0	35.00 31.11 24,153.0	35.00 29.30 25,332.0	35.00 29.80 26,810.0	32.00 29.15 24,694.0	35.00 30.50 26,570.0	35.00 30.26 237,707.0
	4521	40.00 34.04 3,709.0	40.00 37.72 4,848.0	40.00 34.28 5,901.0	40.00 32.69 6,578.0	40.00 34.24 6,773.0	40.00 34.41 7,379.0	40.00 35.30 6,248.0	40.00 33.41 6,679.0	40.00 35.32 7,952.0	40.00 35.64 7,071.0	40.00 34.67 63,138.0
	4522	35.00 32.19 3,875.0	38.00 33.11 3,479.0	32.00 31.04 4,338.0	30.00 28.48 3,515.0	30.00 30.56 3,190.0	32.00 29.69 4,268.0	32.00 29.50 3,504.0	30.00 27.46 3,580.0	30.00 28.00 3,151.0	30.00 27.74 3,663.0	32.00 29.82 36,563.0
	COL TOTAL	35.00 31.97 27,201.0	35.00 32.34 30,249.0	35.00 30.69 32,415.0	35.00 30.93 32,473.0	35.00 30.98 34,016.0	36.00 31.62 35,800.0	35.00 30.39 35,084.0	35.00 30.22 37,069.0	35.00 30.42 35,797.0	35.00 31.20 37,304.0	35.00 31.04 337,408.0

Hours worked by all persons, Ages 25-34, graduated High School or received a GED, but did not attend college (ACS 2019-2023, 5-year sample)²⁸

Main Statistics												
Cells contain: -Median -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
educd	63: Regular high school diploma	40.00 30.88 1,066,034.0	40.00 31.00 1,014,876.0	40.00 31.44 1,013,516.0	40.00 30.94 992,357.0	40.00 31.38 956,834.0	40.00 31.31 973,471.0	40.00 31.30 874,499.0	40.00 31.30 872,746.0	40.00 31.27 856,000.0	40.00 31.24 840,028.0	40.00 31.20 9,460,361.0
	64: GED or alternative credential	35.00 26.84 126,134.0	36.00 27.08 132,961.0	36.00 27.18 147,653.0	40.00 27.85 159,077.0	40.00 28.34 164,241.0	40.00 28.64 176,367.0	40.00 27.67 181,543.0	40.00 28.77 183,264.0	40.00 28.16 182,293.0	40.00 28.57 178,040.0	40.00 27.98 1,631,573.0
	COL TOTAL	40.00 30.45 1,192,168.0	40.00 30.54 1,147,837.0	40.00 30.90 1,161,169.0	40.00 30.51 1,151,434.0	40.00 30.94 1,121,075.0	40.00 30.90 1,149,838.0	40.00 30.67 1,056,042.0	40.00 30.86 1,056,010.0	40.00 30.73 1,038,293.0	40.00 30.77 1,018,068.0	40.00 30.73 11,091,934.0

The ACS 5-year sample reports that the median hours for workers (aged 25-34, no college) is 40 hours per week. This disparity would mean that wages in a field where

part-time work is widespread, such as hairdressers, hairstylists, and cosmetologists, the median hours worked would be understated by 12.5 percent (or 5 hours per week) if using the ACS data (40-35), or a difference of 15 percent (6 hours per week) if using the Qnity study to compare the average hours worked (30.73-24.3).

The Department should normalize the wages to reflect the effect of the part-time work. Given the 5-hour (12.5%) reduction in hours based on the ACS data, the Department should apply a multiplier of (i.e., $1/(1-12.5\%) = 1.14x$).²⁹ The multiplier would be determined based on the ACS 5-Year Estimates that end with the year that median earnings are assessed. Alternatively, the Department could normalize wages to a 40-hour work week (52 weeks a year, for 2080 hours). Below is a chart showing how the multiplier would work for sample programs using this methodology:

Sample of Certificate Programs Based on Hours Worked Per Week.

Program(s)	CIP Code(s)	SOC Code	OCC Code	OCC Name	Avg. hrs worked ³⁰	Multiplier ³¹
Nursing Administration. Adult Health Nurse/Nursing. Family Practice Nurse/Nursing. Maternal/Child Health and Neonatal Nurse/Nursing. Nursing Science. Pediatric Nurse/Nursing. (and many more)	51.3802 51.3803 51.3805 51.3806 51.3808 51.3809 51.3810 51.3811 (etc.)	29-1171	3258	MED-Nurse Practitioners, and Nurse Midwives	39	1.03X
Acupuncture and Oriental Medicine.	51.3301	29-1291	3261	MED-Acupuncturists	31	1.29X
Dental Assisting/Assistant.	51.0601	31-9091	3640	HLS-Dental Assistants	31	1.29X
Medical/Clinical Assistant.	51.0801	31-9092	3645	HLS-Medical Assistants	34	1.18X
Phlebotomy Technician/Phlebotomist.	51.1009	31-9097	3649	HLS-Phlebotomists	34	1.18X
Barbering/Barber.	12.0402	39-5011	4500	PRS-Barbers	35	1.14X
Hair Styling/Stylist and Hair Design. Cosmetology, Barber/Styling, and Nail Instructor.	12.0407 12.0413	39-5012	4510	PRS-Hairdressers, Hairstylists, and Cosmetologists	30	1.33X
Nail Technician/Specialist and Manicurist.	12.0410	39-5092	4521	PRS-Manicurists and Pedicurists	35	1.14X
Cosmetology/Cosmetologist, General. Facial Treatment Specialist/Facialist. Aesthetician/Esthetician and Skin Care Specialist.	12.0401 12.0408 12.0409	39-5094	4522	PRS-Skincare Specialists	30	1.33X
Heating, Ventilation, Air Conditioning and Refrigeration Engineering Technology/Technician.	15.0501	49-9021	7315	RPR-Heating, Air Conditioning, And Refrigeration Mechanics and Installers	40	1.00X

As the Department summarized the issue in 2019:

Penalizing programs because the students they serve may decide, for example, to work fewer hours in order to be with children is absurd, especially since daycare challenges and costs may make it economically advantageous to work part-time when family members can provide free or low-cost childcare.³²

Accounting for part-time work ensures that outcomes are compared appropriately. The service/tip income underreporting multipliers and part-time work annualization should rightfully be cumulative to most accurately reflect the actual wages of the cohort. This cumulative approach results in an overall multiplier of 1.9x (i.e., $1.67 \times 1.14^{33} = 1.9$).

To illustrate how the multiplier works, suppose there is a certificate program that leads to a profession that has a higher proportion of part-time workers than the comparison population (such as hairstyling). A cohort of graduates from that program has \$30,047 in median earnings and is in a state (e.g. Ohio) in which median earnings of a worker with only a high school diploma are \$34,524. While this program would fail the DNH evaluation ($\$34,524 - \$30,047$) using the unmodified wage, the part-time wage modifier and the unreported income modifier (combined 1.9, using the ACS data for part-time work, which produces the lower modifier) result in a modified wage of \$57,089 (i.e. $1.9 \times \$30,047$), which would then pass the metric.

Alternative Wage Comparisons

While the DNH framework looks at the wages of high school graduates from the ages of 25-34 that have not attended college, using the Poverty Rate Guidelines established by the Department of Health and Human Services would provide a fairer comparison to the population that attends certificate training programs. The Workforce Pell Program will be using 150% of the Poverty Guidelines as a benchmark for programs that are similarly focused on career training designed for entry level employment the Department should use this as the benchmark for comparison to certificate programs. Indeed, many of the certificate programs are only marginally longer than the programs covered by Workforce Pell. Moreover, certificate programs are, like Workforce Pell program, designed for similar students that are attempting workforce training to enter the job market quickly, and are likely to have similar earnings prior to attempting either educational program.

Debt Focused Alternative Means of Compliance

Given Congress has so clearly drawn a link between failing the DNH framework and continued eligibility for Direct Loans, it stands to reason that the Department should also consider the median loan amount taken by graduates in assessing the overall risk the

program poses. We propose these alternative means of compliance to the extent a program fails the earnings premium test.

Exclusion for Programs with Less Than \$10,000 in Median Debt

The Department should exclude programs with less than \$10,000 in median debt from the DNH framework as these programs offer stable employment for graduates with limited financial risk to the Department.³⁴ Many undergraduate certificate programs serve students who are seeking access to licensure and entry into a stable labor market, not just wages. Earnings premium metrics compare such completers to full-time workers, but do not credit gains from zero to positive earnings. As a result, they do not capture small earnings gains, short payoff horizons, or the ability to obtain licensure and entry into a stable profession, all of which generate value to the student. The financial stakes for a student borrowing \$40,000 in debt with the hopes of landing an \$80,000 annual salary are much higher for the taxpayer than for a student borrowing \$8,000 to earn \$30,000.³⁵ Applying the DNH framework without any modifications to undergraduate certificate programs with minimal debt obscures meaningful differences in cost, risk, and student benefit, and undermines the framework's ability to distinguish truly harmful programs from low-cost, value-added pathways. Accordingly, programs with median debt below \$10,000 warrant a different accountability approach because the absolute repayment burden is small and the majority of completers in this population are at minimal risk of default.

Median Earnings Not Less than 2X Debt

Student loan advisors like Mark Kantrowitz and Betsy Mayotte have typically advised “If your total student loan debt at graduation is less than your annual starting salary, you should be able to repay your loans in 10 years or less.”³⁶ Given this guidance, an alternative that would be more straightforward – and fiscally conservative – would be to consider any program in which the graduate cohort has median earnings not less than 2.0 times the median debt as passing the accountability metric. This metric would also need to be combined with wage normalization to ensure an apples-to-apples comparison of median earnings.

This alternative would permit a graduate to fully pay off program-related loans in less than four (4) years, given the median graduate debt represents 12.5% of the total median graduate earnings over that period. A four-year repayment period for a student's education investment is a strong return on investment by any reasonable standard. Moreover, this alternative approach best accounts for, and sustains, programs that provide graduates with gainful employment that may have lower reported median earnings relative to median high school graduate earnings yet are affordable programs in fields that require hours-based training for licensing.

Debt-to-Earnings Alternative for Certificate Programs

The FVT/GE framework's annual D/E rates failed to account for wage normalization. Modifying the existing annual D/E metric by applying the appropriate wage normalization multiplier for unreported income³⁷ before calculating annual D/E rates could be one approach to more accurately capturing ability to repay education loans by devoting equal or less than 8% of annual earnings to the annual loan payment.

Under this option, a program that satisfies the D/E rates would pass irrespective of its performance on the DNH framework. Satisfying the D/E rates is an indication that the graduate is devoting a reasonable amount of their annual earnings toward repayment of their student loans. Adopting a D/E rates measure in lieu of an EP or DNH framework is one way to recognize the differences in student populations served by undergraduate certificate programs.

The Department's GE/FVT data on 2,711 undergraduate certificate programs across all sectors with D/E and EP data (20,894 undergraduate certificate programs had no DTE/EP data)³⁸ further supports this approach. Of the 2,711 programs, 2,099 (77.4%) had median debt of less than or equal to \$10,000. Their outcomes were as follows:

- 1053 (50.2%) Pass both D/E and EP
- 992 (47.3%) Fail EP only
- 54 (2.5%) Failed both D/E and EP

The 992 (47.3%) programs that failed EP only necessarily **passed the D/E rates**. Put another way, these program completers were able to devote less than 8% of annual earnings to paying back their loans. Their programs failed only because the EP metric, as we argue above, is ill-equipped to address programs with manageable debt loads and lower relative earnings.

The 992 programs that fail EP only are broken down into the following CIP2 categories:

- 444 (44.8%) Personal and Culinary Services (CIP 12)
- 401 (40.4%) Health Professions and Related Programs (CIP 51)
- 147 (14.8%) Other CIPs

Over 85% of the programs that do not meet the EP standard but satisfy the D/E rates fall within the essential personal and culinary services field (e.g., cosmetology, culinary arts) or health-related professions (e.g., medical assistants, dental support services, practical nursing, mental and social health services). This pattern strongly suggests that the EP metric is exerting undue systematic pressure on programs that supply essential community services and frontline healthcare capacity. This result not only undermines the integrity of the accountability framework but also risks constraining access to training that improves economic mobility and enables completers to pay back their loans. Relying on D/E rates with wage normalization for unreported income rather than EP for certificate programs better reflects a do no harm framework.

Given that Congress did not address undergraduate certificate programs in the OBBBA, there is no statutory barrier to using the approaches above on first review of undergraduate certificate programs' eligibility for Title IV loans. Nevertheless, the considerations listed above could also be developed as part of an appeal process.

Appeals

In the OBBBA, Congress expressly directed the Secretary to establish an appeals process to provide institutions an opportunity to appeal the Department's determination of "the programmatic median earnings of students working and not enrolled." 20 U.S.C. § 1087d(c)(5).

For undergraduate certificate programs, institutions should be able to present data on appeal that would either (1) negate the finding of a "failed" accountability metric altogether, and/or (2) require the school disclose the finding but still access Title IV loans.

Earnings Appeals

The DNH framework will, for many industries, fail to yield comparisons that are either meaningful to students or provide a sufficient basis for the prescribed sanction. Indeed, as described above, the current framework understates the median income of many important industries. Earnings appeals could be based on:

- Understated wages due to part-time work or underreported income,
- Failure to account for wage depression on account of program cohort with populations that disproportionately face wage disparities (by age, race, or sex³⁹), or
- Localized salary differences, such as those faced by rural areas.⁴⁰

The need for such an appeal is clear when you consider the data. For example, women aged 25-34, with a high school diploma or GED and no college, work an average of 26.26 hours a week and earn \$22,569.22.

Hours worked for females, aged 25-34 with a high school diploma, no college⁴¹

Statistics for sex = 2(Female)												
Cells contain: -Median -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
educd	63: Regular high school diploma	35.00 26.74 436,065.0	35.00 26.99 414,578.0	36.00 27.26 407,680.0	35.00 26.30 443,237.0	36.00 26.93 409,068.0	35.00 26.18 402,927.0	36.00 26.37 407,182.0	35.00 26.59 387,506.0	32.00 25.43 398,151.0	35.00 25.99 364,620.0	35.00 26.49 4,071,014.0
	64: GED or alternative credential	30.00 24.27 42,058.0	30.00 23.51 47,255.0	30.00 24.35 45,393.0	30.00 24.52 52,862.0	35.00 25.99 56,869.0	30.00 25.33 73,315.0	30.00 24.56 75,307.0	30.00 25.46 66,929.0	32.00 25.11 78,134.0	30.00 24.08 78,077.0	30.00 24.77 616,199.0
	COL TOTAL	35.00 26.53 478,123.0	35.00 26.63 461,833.0	36.00 26.97 453,073.0	35.00 26.11 496,099.0	36.00 26.82 465,937.0	35.00 26.05 476,242.0	35.00 26.08 482,489.0	35.00 26.42 454,435.0	32.00 25.38 476,285.0	34.00 25.65 442,697.0	35.00 26.26 4,687,213.0

Income earned for females, aged 25-34 with a high school diploma, no college⁴²

Statistics for sex = 2(Female)												
Cells contain: -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
educd	63: Regular high school diploma	21,859.28 436,065.0	22,502.06 414,578.0	22,914.67 407,680.0	23,027.58 443,237.0	22,640.37 409,068.0	23,098.01 402,927.0	22,966.50 407,182.0	23,007.26 387,506.0	21,974.68 398,151.0	23,742.05 364,620.0	22,758.65 4,071,014.0
	64: GED or alternative credential	20,299.70 42,058.0	19,249.26 47,255.0	19,869.36 45,393.0	21,056.02 52,862.0	22,510.61 56,869.0	21,829.49 73,315.0	21,010.50 75,307.0	25,005.32 66,929.0	20,897.79 78,134.0	20,343.36 78,077.0	21,317.73 616,199.0
	COL TOTAL	21,722.09 478,123.0	22,169.23 461,833.0	22,609.56 453,073.0	22,817.50 496,099.0	22,624.53 465,937.0	22,902.73 476,242.0	22,661.21 482,489.0	23,301.53 454,435.0	21,798.01 476,285.0	23,142.63 442,697.0	22,569.22 4,687,213.0

The population as whole (aged 25-34, no college) has a very different experience. Indeed, the population as a whole works roughly five more hours per week and the wages experienced by the population as a whole are roughly 36.6 percent (\$8,265.52) higher than for women.

Hours worked by population as a whole, aged 25-34 with a high school diploma, no college⁴³

Main Statistics												
Cells contain: -Median -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
educd	63: Regular high school diploma	40.00 31.11 1,061,565.0	40.00 31.32 994,165.0	40.00 32.07 994,865.0	40.00 31.48 1,024,291.0	40.00 32.04 955,484.0	40.00 31.93 967,144.0	40.00 31.11 921,804.0	40.00 31.80 930,828.0	40.00 30.97 894,994.0	40.00 31.71 857,119.0	40.00 31.55 9,602,259.0
	64: GED or alternative credential	37.00 27.38 103,925.0	36.00 27.06 117,351.0	40.00 27.64 123,075.0	40.00 28.54 133,466.0	40.00 27.75 139,228.0	40.00 28.65 172,657.0	40.00 28.26 182,949.0	40.00 28.55 176,836.0	40.00 28.64 197,966.0	40.00 28.90 197,864.0	40.00 28.25 1,545,317.0
	COL TOTAL	40.00 30.77 1,165,490.0	40.00 30.87 1,111,516.0	40.00 31.59 1,117,940.0	40.00 31.15 1,157,757.0	40.00 31.50 1,094,712.0	40.00 31.43 1,139,801.0	40.00 30.64 1,104,753.0	40.00 31.28 1,107,664.0	40.00 30.55 1,092,960.0	40.00 31.18 1,054,983.0	40.00 31.10 11,147,576.0

Income earned by population as a whole, aged 25-34 with a high school diploma, no college⁴⁴

Main Statistics												
Cells contain: -Median -Mean -Weighted N		age										ROW TOTAL
		25 25	26 26	27 27	28 28	29 29	30 30	31 31	32 32	33 33	34 34	
educd	63: Regular high school diploma	25,000.00 28,244.65 1,061,565.0	26,000.00 29,033.09 994,165.0	29,400.00 31,394.06 994,865.0	30,000.00 30,950.04 1,024,291.0	30,000.00 31,122.85 955,484.0	30,000.00 31,966.95 967,144.0	30,000.00 32,090.58 921,804.0	30,000.00 33,127.30 930,828.0	30,000.00 32,713.73 894,994.0	30,000.00 34,345.38 857,119.0	29,000.00 31,406.12 9,602,259.0
	64: GED or alternative credential	19,200.00 22,594.54 103,925.0	17,300.00 24,435.95 117,351.0	20,000.00 25,170.72 123,075.0	20,100.00 26,825.68 133,466.0	22,000.00 26,259.94 139,228.0	23,000.00 27,417.32 172,657.0	22,000.00 26,929.69 182,949.0	22,000.00 29,702.90 176,836.0	23,700.00 28,741.84 197,966.0	24,000.00 30,374.04 197,864.0	21,700.00 27,284.35 1,545,317.0
	COL TOTAL	25,000.00 27,740.84 1,165,490.0	25,000.00 28,547.74 1,111,516.0	28,000.00 30,708.93 1,117,940.0	28,000.00 30,474.59 1,157,757.0	28,600.00 30,504.38 1,094,712.0	30,000.00 31,277.77 1,139,801.0	28,000.00 31,235.93 1,104,753.0	30,000.00 32,580.60 1,107,664.0	29,000.00 31,994.31 1,092,960.0	30,000.00 33,600.55 1,054,983.0	28,000.00 30,834.74 11,147,576.0

While there may be many explanations for these numbers, it is unfair to hold a program that has a disproportionate number of women to account for not helping them achieve wages that are atypical of the population.

Of course, the alternate earnings appeal contemplated by the 2016 Gainful Employment regulations did not prescribe any specific data sources. As such, data to support an

appeal could include federal (like ACS), institutional, industry, or state data on earnings, full versus part-time employment, and state licensure status (if applicable).

Participation Rate Appeals

The Department's Cohort Default Rate regulations have long had an appeal based on a cohort having low numbers of borrowers.⁴⁵ Similarly, the 2014 Gainful Employment regulations considered a participation rate appeal, which would have allowed schools where fewer than 50% of students borrowed federal loans to challenge the D/E calculation as not representative of a typical student's debt burden.⁴⁶ The Department should create an appeal that would exclude from failure any programs in which most students do not borrow. A participation rate appeal would protect against unfair penalties for such programs and reflect the lower risk that they pose.

Conclusion

A unified accountability framework for undergraduate certificate programs—using wage normalization and debt-to-earnings thresholds—will ensure fair and transparent program evaluations. To accomplish this, the Department must **first eliminate the existing GE/FVT metrics**. Then, with regard to certificate programs, the Department should publish regulations that hold such programs accountable. We recommend the Department:

- **Ensuring that all income is captured** in the metric in the case of **self-employed graduates**.
- **Develop and apply a wage normalization multiplier** to properly and fairly account for part-time work prevalence and systematically underreported income using data-driven multipliers to ensure fairer comparisons.
 - **For cosmetology programs, as an example, the Department should use a 1.9x multiplier derived from the cumulative (i.e., multiplicative) impact of a 1.67x factor to normalize reported earnings of beauty industry professional service providers to reflect systemically underreported service income and tips and a 1.14x factor to normalize reported earnings of beauty industry professional service providers to a standard work week and (i.e., $1.67 \times 1.14 = 1.9x$).**
- Given the similarities in programs covered by the Work Force Pell program, **comparing the earnings of certificate graduates to 150% of the poverty rate** rather than earnings of high school graduates, ages 25-34, that have not completed college.
- **Alternatively, utilize debt-to-earnings metrics** to assess program affordability based on ability to repay loans.

- Consider any program in which the graduate cohort has median earnings not less than 2.0 times the median debt as passing the accountability metric.
- Exempt programs where total debt is under \$10,000 from the accountability framework.
- Apply a Debt-to-Earnings metric to certificate programs as an alternative means of compliance.
- Develop appeals to account for program populations that disproportionately experience atypical wage or employment patterns.

These recommendations would simplify regulations for both students and institutions, more accurately reflect employment outcomes, and empower students to make informed choices that benefit themselves, their families, and communities.

¹ See US Department of Education, GE Data 3 (May 17, 2023), located at <https://www.ed.gov/sites/ed/files/policy/highered/reg/hearulemaking/2021/nprm-2022ppd-public-suppressed.xlsx>. This calculation is for the 787 certificate programs listed in the “Cosmetology and Related Personal Grooming Services” category that had enough graduates to be measured. Overall, there are 1269 programs in this category, with the remaining 482 too small to have data published.

² See US Department of Education, GE Data 3 (May 17, 2023), located at <https://www.ed.gov/sites/ed/files/policy/highered/reg/hearulemaking/2021/nprm-2022ppd-public-suppressed.xlsx>. There are 610 programs measured in this category and 429 programs too small to be measured, for a total of 1039 programs.

³ See, e.g., Molly Weston Williamson, “Understanding the Self-Employed in the United States,” (Sept. 21, 2023) (citing calculations based on U.S. Bureau of Labor Statistics, “Labor Force Statistics (CPS): Table A-9. Selected Employment Indicators,” available at <https://www.bls.gov/webapps/legacy/cpsatab9.htm> (last accessed September 2023), located at <https://www.americanprogress.org/article/understanding-the-self-employed-in-the-united-states/>. If just relying on Schedule C filings, the number is likely higher: 31 million people filed Schedule C in tax year 2022. See Adrian Dungan and Adam Snyder, “Sole Proprietorship Returns, Tax Year 2022”, located at <https://www.irs.gov/pub/irs-soi/soi-a-insp-id2502.pdf>.

⁴ The Bureau of Labor Statistics informs that 76% of barbers are self employed and that 48% of all hairdressers, hairstylists, and cosmetologists are self-employed. See Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Barbers, Hairstylists, and Cosmetologists, at <https://www.bls.gov/ooh/personal-care-and-service/barbers-hairstylists-and-cosmetologists.htm> (visited November 12, 2025).

⁵ 20 U.S.C. § 1087d(c)(2).

⁶ 20 U.S.C. § 1087d(c)(3)(A).

⁷ IRS, Tax Gap Projections for Tax Year 2022, at 8 (Oct. 2024), located at <https://www.irs.gov/pub/irs-pdf/p5869.pdf>.

⁸ IRS Cash Intensive Businesses Audit Techniques Guide, Chapter 10: Beauty Shops, April 4, 2010, located at <https://pressbooks.pub/okcogs/part/irs-cash-intensive-businesses-audit-techniques-guide-atg/>.

⁹ 84 FR 31392, 31410 (July 1, 2029). The Department also quoted the court opinion in *American Association of Cosmetology Schools v. DeVos*, 258 F. Supp.3d 50, 57 (D.D.C. 2017) related to this point:

The problem of underreporting [income] extends across multiple industries and even across individual entities within those industries. While cosmetology schools’ graduates engage in, on average, a certain amount of underreporting, other industries likely also experience different levels of underreporting based on factors like the amount of tips their graduates earn, how frequently their graduates are self-employed, and the amount of tax-

compliance training their graduates receive. Within these industries, individual schools experience varying levels of underreporting.

Id.

¹⁰ Guidance from Venmo is illustrative:

Venmo's IRS 1099-K tax reporting requirements only pertain to payments received for sales of goods and services and DO NOT apply to friends and family payments. For the 2025 calendar year, Venmo and PayPal will issue Form 1099-K only when your payments for goods and services **exceed \$20,000 and you have more than 200 separate transactions** in the calendar year. Personal (friends & family) payments are excluded.

About Current Tax Laws (bold in original), located at <https://help.venmo.com/cs/articles/about-current-tax-laws-vhel103>. In July 2025, the One Big Beautiful Bill Act (“OBBBA”) permanently reinstated the original reporting threshold of over \$20,000 in total payments and more than 200 transactions per calendar year. Note, as a bank-to-bank transfer, Zelle does not report any transactions to the IRS.

¹¹Fed. Res. Bank of Boston, “Financial Institutions across the U.S. Participate in the Mobile Landscape Transformation”, at 6-7 (Dec. 23, 2019), located <https://www.bostonfed.org/publications/mobile-banking-and-payment-surveys/financial-institutions-across-the-us-participate-in-the-mobile-landscape-transformation.aspx>.

¹² Id.

¹³ Claire Greene, Fed. Res. Bank Atlanta, The Mobile Pay Juggernaut Rolls On (June 3, 2024), located at <https://www.atlantafed.org/blogs/take-on-payments/2024/06/03/mobile-pay-juggernaut-rolls-on>.

¹⁴ Kevin Foster, Claire Greene, and Joanna Stavins, Federal Reserve Bank of Atlanta, “2023 Survey and Diary of Consumer Payment Choice: Summary Results,” at 7, located at https://www.atlantafed.org/media/documents/banking/consumer-payments/survey-diary-consumer-payment-choice/2023/sdcpc_2023_report.pdf.

¹⁵ Robert A. Lee, “Venmo Statistics 2025: Latest Figures That Impress,” SQ Magazine (Oct. 30, 2025), located at <https://sqmagazine.co.uk/venmo-statistics/>.

¹⁶ Stephanie Rieff Cellini and Kathryn J. Blanchard, “Hair and Taxes Cosmetology Programs, Accountability Policy, and the Problem of Underreported Income,” at 4 (estimating 8% of income for cosmetologists/barbers is in unreported tips, with an upper bound of 15%) (2022) located at https://www.american.edu/spa/peer/upload/peer_hairtaxes-final.pdf.

¹⁷ Eric Bettinger, Ph.D., “Imputation of Income Under Gainful Employment” (Stanford Graduate School of Education May 26, 2014), at Technical Appendix (“Given that the IRS reports that 60 percent of income is unreported, we increase earnings by 50 percent when individuals in cosmetology reported having received tip income. Fifty percent is more conservative than the 60 percent unreported income measure that the IRS reported.”).

¹⁸ Robertson, John, Tina Quinn, and Rebecca C. Carr. 2006. “Unreported Tip Income: A Taxing Issue.” The CPA Journal. New York State Society of CPAs. <http://www.nysscpa.org/cpajournal/2006/1206/essentials/p30.htm>.

¹⁹ Bloomquist, Kim, Ed Emblom, Drew Johns, and Patrick Langetieg 2012. “Estimates of the Tax Year 2006 Individual Income Tax Underreporting Gap.” Washington, DC: IRS Office of Research. Available at <http://www.irs.gov/pub/irs-soi/12resconEstimates.pdf>.

²⁰ Bloomquist, Kim, Ed Emblom, Drew Johns, and Patrick Langetieg 2012. “Estimates of the Tax Year 2006 Individual Income Tax Underreporting Gap.” Washington, DC: IRS Office of Research. Available at <http://www.irs.gov/pub/irs-soi/12resconEstimates.pdf>. See also, IRS Federal Tax Compliance Research: Tax Gap Projections for Tax Year 2022, Table 1, (estimated the tax gap due to unreported income is \$539 billion), <https://www.irs.gov/pub/irs-pdf/p5869.pdf>; Urban Institute & Brookings Institution Tax Policy Center, What is the tax gap? (Updated January 2024) (“Individual taxpayers failed to report about 55 percent of income from sources for which there was little or no information reporting, such as sole proprietorships.”), located at <https://taxpolicycenter.org/briefing-book/what-tax-gap>.

²¹ US Bureau of Labor Statistics, Occupational Outlook Handbook, Barbers, Hairstylists, and Cosmetologists, located at <https://www.bls.gov/ooh/personal-care-and-service/barbers-hairstylists-and-cosmetologists.htm#tab-3> (visited November 17, 2025).

²² 84 FR 31392, 31406 (July 1, 2029).

²³ The CIP SOC Crosswalk is “based on the content of the CIP Code and SOC descriptions combined with expertise from statisticians” from both the Bureau of Labor Statistics and the National Center for Education Statistics. The purpose of the crosswalk is to “match postsecondary programs of study that provide graduates with specific skills and knowledge to occupations requiring those skills or knowledge to be successful,” located at <https://nces.ed.gov/ipeds/cipcode/post3.aspx?y=56>.

²⁴ 2018 Census Occupation Code List with Crosswalk, <https://www.census.gov/topics/employment/industry-occupation/guidance/code-lists.html>.

²⁵ Qnity Institute, “A Career in Beauty Compensation Study: Data & Insights,” at 4, 6, (2023), <https://www.qnityinstitute.com/store/p/phase-2-report-a-career-in-pro-beauty>. The Qnity study analyzed 2021 W2 compensation and survey data from 3,391 licensed service providers across 160 companies. Employers were asked to submit anonymous W2 data and complete a 50-question survey.

²⁶ Qnity Institute, “New Chain Salon Study Reveals Critical Insights for Beauty School Educators” (2024), <https://www.qnityforschools.com/blog/new-chain-salon-study-reveals-critical-insights-beauty-school-educators>. This report reviewed information from 3,602 salon locations across 103 different companies. The collected data covers 25,022 employees and considered the W-2 wage information for those employees (which was provided by the participant companies) and a nine-question survey of the participating companies.

²⁷ Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprog=means&dataset=us2023c&sec508=false&dep=uhrswork&row=occ+%284510%2C+4521%2C+4522%29&column=age+%2825-34%29&weightlist=perwt&main=means&transform=none&percentileopt=median&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

²⁸ Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprog=means&dataset=us2023c&sec508=false&dep=uhrswork&row=educd+%2863%2C+64%29&column=age+%2825-34%29&weightlist=perwt&main=means&transform=none&percentileopt=median&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

²⁹ The modifier would be 1.17 if the Qnity study data is used (1/1-15% = 1.17x).

³⁰ Dataset: ACS 5-Year Estimates Public Use Microdata Sample (2023). Average of usual hours worked per week past 12 months (age 25-34), https://data.census.gov/app/mdat/ACSPUMS5Y2023/table?cv=AGEP_RC1&rv=OCCP&vv=*WKHP,AGEP&wt=PWGTP&AGEP_RC1=N4IgyiBclEoKYGMD2ATOACAZkgTugggOZwgA0sUI~A4gKIAKZIAaIAnpsgAMpAjJPwBMAFj6QAZAFZIATHIMAcKqAu6WgBsAznADuACzg4M1HEgCuABzgoyynGbgBdUpyHTxwpgENi6QZIBaD1t7J0cAXyA.

³¹ Normalized to 40 hours/week.

³² 84 FR 31392, 31410 (July 1, 2029).

³³ This utilizes the ACS medians. If the Department employs the mean and normalizes wages to 40 hours a week, the factor would be 1.33x.

³⁴ As of June 2025, 32% of borrowers owed less than \$10,000 in federal loan debt. These borrowers held 4% of the outstanding federal debt. College Board Trends in College Pricing and Student Aid 2025, p. 41, https://research.collegeboard.org/media/pdf/Trends-in-College-Pricing-and-Student-Aid-2025-final_2.pdf.

³⁵ Although it has historically been true that default rates are highest for borrowers who leave school owing less than \$5,000, that is attributable to factors such as enrollment status, school mode (online/hybrid/in person), and completion, and not the median debt of the program. College Board Trends in Student Aid 2016, p. 4, <https://research.collegeboard.org/media/pdf/trends-student-aid-2016-full-report.pdf>; Pew Charitable Trusts, Student Loan Borrowers with Certain Education Characteristics More Likely to Experience Default (Jan. 30, 2024), Figure 1, <https://www.pew.org/en/research-and-analysis/articles/2024/01/30/borrowers-with-certain-educational-experiences-appear-more-likely-to-default> (finding only 23% of students who completed their program ever defaulted compared to 59% of students who did not complete).

³⁶ Annie Nova, “Personal Finance Follow this rule of thumb to avoid taking on too much student debt, college experts say” (Mar. 24, 2023) located at <https://www.cnbc.com/2023/03/24/follow-this-rule-of-thumb-to-avoid-taking-on-too-much-student-debt.html?msockid=34b434d0867c6a350fdb227a875b6b15>.

³⁷ The Department should not normalize wages to account for part-time work in this test, as the measure is truly to determine the ability of graduates to pay down loans. While a modifier to reflect unreported income is appropriate, given the wages are still earned and available for debt service, a modifier for part-time work does not reflect real wages earned and available for debt service. The part-time work modifier is appropriate for the DNH because there it is attempting to determine the value added of a program – which requires removing the effects of individual graduate choice, like choosing part-time employment.

³⁸ See US Department of Education, GE Data 3 (May 17, 2023), located at <https://www.ed.gov/sites/ed/files/policy/highered/reg/hearulemaking/2021/nprm-2022ppd-public-suppressed.xlsx>.

³⁹ The Department recognized this issue many times previously:

On the other hand, the D/E rates calculation includes, not only full-time workers, but also part-time workers and those who are not in the workforce, perhaps by choice in order to raise children or care for an elderly family member. Among the 10,727,000 married couples with children under the age of 6, there are 3,811,000 in which the husband works but the wife does not but only 339,000 in which the wife works but the husband does not. This demonstrates the significant impact that age and gender have on workforce participation.

The Department referenced College Board information in their Trends in Higher Education research series to substantiate our claim that earnings are impacted by a number of factors, including gender, race, geographic location, and socioeconomic status.

According to the Census Bureau, real median earnings differ by race, with Asians (\$81,331) and whites (\$68,145) earning more than Hispanics (\$50,486) or African Americans (\$40,258), and with males (\$44,408) earning more than females (\$31,610).¹¹³ While these data are not limited to students who participate in GE programs, we believe it is likely that the disparities that exist among the population at large are also reflected in the subpopulation of students who enroll in GE programs, and may even be greater. Moreover, programs serving women who are pregnant or who have young children are less likely to pass the D/E rates measure because women with children under the age of 6 are more likely to leave the workforce in order to care for children.

It is unlikely that students who complete GE programs are not subjected to the same gender and race pay disparities that exist across the general population.

Programs that serve large proportions of women and minorities, therefore, would likely post lower earnings than programs of similar quality primarily serving whites and males, simply because of wage advantages certain groups have had for centuries

84 FR 31392, 31406, 31409, 31413, 31414 & 31427 (July 1, 2029).

⁴⁰ The Department acknowledged the effect geography has on earnings as well: The Department of Labor’s ONET database provides evidence that geography has an impact on earnings. For each occupation, ONET lists wages by State, and those data make

it clear that many occupations have prevailing wages that differ from one State or region of the country to another. For example, the ONET page for cosmetologists provides wage data by State showing that cosmetologists in Alaska earn more than the U.S. average, whereas cosmetologists in Mississippi earn less than the U.S. average.

Therefore, we believe the evidence is substantial that even within a given occupation, salaries can vary from one geographic region of the country to another, and yet the D/E rates measure fails to take those differences into account. This is another example of why a bright-line standard is inappropriate and invalid since the D/E rates calculation does not control for general differences in wages across States. Note that when calculating the Estimated Family Contribution, FSA considers differences in taxes and the cost of living across States. That the Department didn't similarly build in a correction factor for differences in prevailing wages from one State to the next in calculating D/E rates was an unfortunate omission with potentially devastating impacts on students.

84 FR 31392, 31412 (July 1, 2019).

⁴¹ Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprogram=means&dataset=us2023a&sec508=false&dep=uhrswork&row=educd+%2863%2C+64%29&column=age+%2825-34%29&control=sex+%282%29&weightlist=perwt&main=means&transform=none&percentileopt=median&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscsd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

⁴² Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprogram=means&dataset=us2023a&sec508=false&dep=inccearn&row=educd+%2863%2C+64%29&column=age+%2825-34%29&control=sex+%282%29&weightlist=perwt&main=means&transform=none&percentileopt=none&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscsd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

⁴³ Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprogram=means&dataset=us2023a&sec508=false&dep=uhrswork&row=educd+%2863%2C+64%29&column=age+%2825-34%29&weightlist=perwt&main=means&transform=none&percentileopt=median&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscsd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

⁴⁴ Table located at <https://sda.usa.ipums.org/sdaweb/analysis/exec?formid=mnf&sdaprogram=means&dataset=us2023a&sec508=false&dep=inccearn&row=educd+%2863%2C+64%29&column=age+%2825-34%29&weightlist=perwt&main=means&transform=none&percentileopt=median&cflevel=95&wncases=on&color=on&ch type=bar&ch color=yes&ch width=600&ch height=400&ch orientation=vertical&ch effects=use2D&decmeans=2&dectotals=0&decdiffs=1&decmedian=2&decse=1&decscsd=1&decminmax=2&decwn=1&deczstats=2&csvformat=no&csvfilename=means.csv>.

⁴⁵ See 34 C.F.R. § 668.204(c).

⁴⁶ Program Integrity: Gainful Employment Final Regulations, 79 Fed. Reg. 64890, 64963 (Oct. 31, 2014), <https://www.govinfo.gov/content/pkg/FR-2014-10-31/pdf/2014-25594.pdf>.