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For-Profit Colleges: Gainful Employment Rule Takes Effect, Sparking Change For Schools And Students

By [Julia Glum](#) @[superjulia](#) j.glum@ibtimes.com on July 01 2015 2:59 PM EDT

The Obama administration notched another victory Wednesday in its crackdown on the nation's for-profit colleges with the start of gainful employment regulations. From now on, for-profit and certificate programs must prove their students make enough money after graduation to comfortably pay off their loans. If they don't, the schools could lose access to federal funds.

The controversial regulations have sparked various reactions in the higher education community. Schools have been reluctantly preparing for the rule to take effect despite having reservations -- and two failed lawsuits -- about the metrics. [Critics](#) argue gainful employment could eliminate options for the students who need flexible for-profit programs, but advocates say it's a good step in taking down institutions that disadvantage students in the long run.

“The clock is ticking for bad actors in the career college industry to do right by students,” Secretary of Education Arne Duncan [said in a news release](#). “We know many have taken steps to improve or to close programs that underperform, but we believe there is more work to be done across the board so students get what they pay for: solid preparation for a good job.”

President Barack Obama has spent much of his presidency tackling the \$1.2 trillion student debt crisis as the cost of college has risen. For-profit college students, who tend to be nontraditional and career-focused, are particularly affected. The average debt for students graduating from for-profit colleges was \$39,950 in 2012 -- about \$14,000 more than the average amount for students at public colleges, according to [the Institute for College Access and Success](#), a nonprofit based in Oakland, California. For-profit students also often have trouble finding work after graduation and paying off those loans.

Sarah Audelo, policy director for the millennial-focused organization Generation Progress in Washington, D.C., said she was excited to see the gainful employment rule implemented. She said she didn't think it would limit access to education because any program that fails probably wasn't a good option for students in the first place.

Students don't have the time or money to waste on inefficient schools, and under the regulations, they can find "a legit institution where they're actually going to get a good education and not get slammed with a lot of debt," Audelo added.

In fact, she said, the government shouldn't stop at gainful employment. The Education Department should help students in other ways -- for example, by informing them about which for-profit schools are under investigation for fraud or providing easy ways to apply for debt forgiveness when a school shuts down.

That might not be easy to achieve. Gainful employment regulations have been in the works for years. The Education Department first introduced the rule in 2011, but in 2012 a federal judge decided the debt-repayment standard cutoff was too arbitrary and not based on anything, [MarketWatch reported](#).

The current version of the rule has survived legal challenges of its own. Soon after the regulations were announced, the New York-based Association of Proprietary Colleges and Washington, D.C.-based Association of Private Sector Colleges and Universities filed separate lawsuits arguing they included too many factors outside of their control, like the conditions of the job market and students' personal preferences. Federal judges ruled against the organizations in May and June, respectively.

The final iteration of the rule could affect up to 840,000 students in 1,400 programs -- 99 percent of them for-profit. Programs whose graduates' annual loan payments exceed 8 percent of their total earnings could become ineligible to receive future students' federal financial aid dollars.

Schools will likely start seeing repercussions from the gainful employment rule in late 2017 or early 2018, said Denise Horn, assistant press secretary at the Education Department.

With the deadline looming, for-profit college companies have prepared to meet the regulations. The University of Phoenix, where enrollment has fallen from 460,000 to 213,000 in recent years, announced it would improve its admission standards and close down most of its associate degree programs. Career Education Corporation, which has about 40,000 students, [initiated](#) teach-outs on 14 campuses. Nicole Elam, vice president of ITT Educational Services, Inc., wrote in an email that it had decreased graduate debt levels by "substantially" increasing scholarships.

Wally Boston, president and CEO of the all-online American Public University System, said his programs were probably safe because he keeps tuition low. But that's not the case everywhere -- even at non-profit, public colleges, Boston said. That's why he'd like to see the gainful employment regulations apply to all schools in the future.

"If it's a good rule, I think every university in the United States should have to do the same thing," Boston said.