

CENTER FOR COLLEGE AFFORDABILITY AND PRODUCTIVITY

WEDNESDAY, APRIL 21, 2010

Double Standards

by Daniel L. Bennett

Inside Higher Ed ran a story on gainful employment this morning, outlining the Department of Education's (ED) proposal to tie eligibility for Title IV funding to an arbitrary debt to income ratio for vocationally-oriented schools. Basically, colleges offering training in occupationally-specified fields would become ineligible for federal student aid programs if their average student debt exceeded 8% of the supposed entry level salary for a given occupation, as determined by BLS occupational wage data (specifically, the 25th percent of earners). The rumor mill has recently suggested that ED is softening its approach a bit, by making an **exception** to the rule for programs with completion rates above 50% and job placement rates above 70%.

Still, ED seems determined to plunge forward with the misguided policy that will cause more harm than good. I've written in this space several times on the negative implications of such policies and have an article coming out in next month's *Career College Central* magazine discussing the policy. To rehash briefly, the ED proposal, if retro-acted to 2003, would **mean** that students pursuing 7 of 10 growing occupations would not have been able to borrow as much to pay for their training in 2008 as they were able to borrow in 2003, in real inflation-adjusted terms. Students pursuing training in the other 3 occupations would not have much more ability to borrow in 2008 than they did 5 years prior. the end result will be a reduction of educational options and access for low income and minority students, and a shortage of qualified employees to fill the demands of the labor force. In a separate **post**, I applied the same metric to the law profession and found that

the maximum total debt a law student could borrow [in 2008] would have been just under \$44,000, or 2.3% more than he/she could have borrowed in 2003 after adjusting for inflation. Given the ED's proposal, this would also include any debt incurred as an undergrad, unless the student managed to pay it off before starting law school. FYI, the average law school tuition was just under \$28,000 in 2007-08.

Despite its rhetoric to the contrary, I increasingly believe that the current administration is pursuing policies that are intentionally aimed at harming for-profit education providers. The gainful employment proposal obviously specifically targets the for-profit industry and is counterintuitive to the administration's stated goals that it wants to make college more affordable and accessible. Compare this proposal to the Income-Based Repayment plan that was recently signed by Obama, which provides borrowers with an option to limit their student debt payment to 10% of their income, after accounting for a living deduction (150% of the poverty level).

Why is it that students attending "preferred" institutions and pursuing so-called traditional education, are enabled to accrue huge amounts of student debt and be bailed out by the taxpayers when they are unable to find gainful employment after college, while students attending career colleges and pursuing vocationally-oriented education are demonized? Why is it that taxpayers are put on the hook for the institutions failing to prepare these individuals for the real world in the case of public and non-profit education, while we attack and hold accountable the institutions themselves in the case of for-profit education? This is a double standard that is based on nothing more than an ideological philosophy that profit is a 4 letter word and that the public and non-profit spheres are somehow pursuing the greater good.