Gainful Employment: Webinar #6

Calculation of Debt Measures and Implications for Institutions

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Hello and welcome to the U.S. Department of Education's webinar on "The Calculation of Gainful Employment Debt Measures and Implications for Institutions." Thank you again for joining us. My name is Annmarie Weisman, and I will be moderating today's session. This is the sixth in a series of webinars designed to provide information on the new regulatory requirements related to gainful employment programs. Our panelists today are Jeff Baker and John Kolotos.

Specifically, today we will provide you with some information on how the Department of Education will calculate the gainful employment debt measures, and that includes both the Repayment Rate and the Debt-to-Earnings Ratio. We will also include information about what happens when the calculation of debt measures results in the Gainful Employment Program being designated as a failing program or as an ineligible program.

As you can probably tell, we do have a lot of information to bring to you. Our session today will last approximately 90 minutes, and we hope that you will be able to stay with us for the entire session. If for some reason you cannot or if you would just like to hear the material again, keep in mind that our session is being recorded, and you will be able to link to the recorded version from the IFAP website -- that's IFAP@ED.GOV -- to the IFAP website about a week after our session, and we'll have a transcript of the recording out there as well.

Remember, to download a copy, a PDF copy of the PowerPoint slides for today's presentation, go to that file transfer box and select the file. We just have one out there for you, and you can save that to your computer or your ipad or your other device. Audio should be coming through your computer speakers. If for some reason you don't have speakers or a cubicle, you might want to plug in a set of headphones into your computer. And, again, we expect that you will have questions.

Remember, if you have questions, everything today is in listen-only mode. You will be able to click on the Q&A button on the right-hand side of the screen. The system should default to asking all panelists. If not, please select "All Panelists" when you're asking your programmatic questions. Those questions will go to our question managers who is will be reading them to the panelists at the end of the presentation for responses, so just type in your question and then hit the "Enter" key on your keyboard and that will submit your questions. Those questions will also then appear in your box on your screen if you have asked a question. At this time, I would like to tern the session over to Jeff Baker to begin today's webinar.

Thank you, Annmarie, and thank you, everyone, for taking an hour-and-a-half or so out of your, I'm sure, busy day to join us in the sixth of our series of webinars on the gainful employment requirements of our

regulations and of our programs. The quick overview of the things we're going to talk about in this webinar, we will, as Ann Marie mentioned, take questions towards the end. We think we'll have some time for your questions and to respond to them. We would ask to keep your questions focused on the topic of this webinar. I know that some of you may have some questions on reporting or disclosures or new programs or other things, but this is about the debt measures and the implications. We want to make sure we can get to as many of those questions as possible.

I would also ask that you delay a little bit in submitting a question. This is a pretty comprehensive presentation, and we think between what I'm going to share and what John's going to share we may at least address all of your topics, and then the questions can be more focused. Thank you for all of that.

So, again, we show this all the time. There is plenty of information on our IFAP website about gainful employment, and if you don't already know about this, you need to go and log onto IFAP and take a look at all the information that we put up.

To this topic, of course, we're taking about the debt measures that will be used to measure an academic program, an educational program, to determine if it meets the gainful employment requirements. We published a final rule on this part of gainful employment on the 13th of June in 2011, and in the quick summary on the slide here it defines a gainful employment program, as the statute requires, that it lead to a gainful employment in a recognized occupation. And so we think we define in the regulations that the concept of gainfulness will be measured by entering basically two questions; are the students who were enrolled in that program repaying their Title IV loans, and then are the students who completed that program – is their loan debt proportional to their income, or is the loan debt way too much compared to the income. Because we think, in both cases, those are good measures as to the quality of the program and that they really lead to gainfulness.

Specifically, we have the two debt measures, a Repayment Rate and a Debt to Earnings ratio, and a little bit later, John is going to give you a lot of detail on each of those. But the Repayment Rate is a percentage of the Title IV loans, so for Repayment Rates it's actually just FFEL and Direct Loan. We do not include either TEACH grants or Perkins. But FFEL and Direct Loans that the former students are repaying, and we do some weighting, which you will see in some examples for loan balances.

Debt to Earnings ratio is all of the debt -- educational debt that the student took out in order to participate in the particular gainful employment program. That is why in reporting we asked you to report to us for completers the institutional financing and private loans, and, of course, we add in the Title IV loans. Again, we'll get to that more.

There are, of course, performance requirements because all of this is about whether, under the regulations, the program really does lead to gainful employment. And so what the regulations provide is that a school must have a Repayment Rate of at least 35%, and that's frankly, pretty modest. That is, at least 35% of the former students are repaying the Title IV loans, and John will explain what repaying means. And, or actually, that the Debt to Earnings ratio, in other words the burden on the student for paying off their educational loans, does not exceed 12% of total earnings, total annual earnings, or 30% of discretionary income, and we'll talk more about discretionary income.

Now I want to go over the timelines for all of this, but I do want to acknowledge that we're going to use some terminology, and I may already have, that you're not quite sure about what that term means. This is a little bit of chicken and egg, what do we describe first before we get this up in a second, and obviously we have to do it linear. So bear with us on some of this terminology because you will see more later.

We made it very clear that this first year of rates will be informational only. These will be rates that we call the "2011 Debt Measure Year Rates," and they will be released in 2012. Obviously we're already in 2012, and you will see more specifics in a little bit. Later on we're going to talk about cohorts, and we have something called a "2YP cohort," which is a set of students. Those will be students who, in the case of Repayment Rate, entered repayment in federal fiscal year 2007 and 2008, and in the case of the Debt to Earnings ratios, students who completed the program during those two federal fiscal years.

What's important is these are informational rates. We will not be doing pre-draft rosters, which you will see later we do when we get to official rates, nor will there be draft rates nor will there be challenges. Perhaps most importantly, probably should have put it first, there will be no sanctions applied to these information rates. They are informational only. But these rates will be made public. They will be made public. Obviously, we'll provide them to the schools, and a few days later, they will be public.

So let's talk about a very specific -- how this will work in a year in which they're not informational rates, in a year where the result is going to be official rates, in a year in which those results could lead to some sanctions. This time line is expressed in seasons of the year because we‘re still -- one of the reasons for doing the informational rates is to make sure we can get our timeline nailed. But we're pretty confident that this makes some sense. So when you think about in any particular year what will happen? Schools are reporting to us the fall, as you did through November 15th of 2011 for all those past years, and you will be reported to us every fall for the most recently completed award year. We will be posting a federal

register notice very quickly, in the next couple of weeks we think, giving you the date for the next year's reporting, the fall 2012 reporting.

After all of the reporting is in, in the fall we will be preparing what we're calling "pre-draft rosters" for the Debt to Earnings ratios for your review, and the reason we have to do that is because -- and a little bit later again you will see -- one of the first things we do [for] Debt to Earnings is we send these identifiers of the students who completed the program in the appropriate fiscal years to the Social Security Administration. So we want the schools to have one more chance to take a look at these rosters and tell us if we're missing something. So schools will review these rosters and they will tell us about missing students, exclusions, whatever, so that we make sure we have the correct students in the cohort that we send to SSA.

After schools do that, and again we're not going to be doing that this year, but this time next year, this process would have gone on in the winter -- in this case we're talking about 2013 -- we will send those cleaned up rosters to the Social Security Administration so they can return back to us average earnings, and you will see what we mean by average earnings and how we use them in just a bit. So that takes us to the winter.

As the blossoms start to come out we move to spring. As we get the information back from the Social Security information, we do our quality assurance and quality controls over it. We will produce back draft rates, both Repayment Rates and Debt to Earnings rates, and we will provide those rates and the backup data to the schools by program, because remember, this is an academic educational program by educational program measure. This process is not unlike what you have been used to in terms of cohort default rates where we issue draft rates with the backup data so you can determine if you're going to challenge any of the data.

During the late spring and summer, schools that wish to challenge some the data in terms of whether it's accurate or not, maybe they determine that there's bars there that is a mistake, that we put somebody because we think they entered repayment during a particular cohort period but, in fact, they did not, and the school can provide us some information, some documentation. We will, in the summer, review all of those challenges. We have a team we're going to establish and make the determination as to whether the data should be changed as the school requested.

Now I'm going to skip the timeline a little bit to go to these challenges. Okay? Remember, I said we're going to provide institutions with the draft rates and supporting information; that will be, you know, the students are included, the loan amounts, because that's very important for these rates, and the loan

statuses, because it matters whether the student is in deferment or something was discharged, or they're in default, and so on. The schools will have 45 days to submit the request for the changes and the challenges to us, and then we'll determine during this period whether we're going to make those changes. So that's what the challenges are about that we talked about on the previous slide.

After we finish that, the review challenges are submitted and review them and make our determination as to weather, yes, there is an error here, and we'll fix the file. Then we will recalculate it next fall, so we're going over year on this, much like we do cohort default rates to make sure we get it right and make sure the schools have an opportunity to review data and have some input. We'll recalculate the debt measures if we need to because there was a challenge and we agreed to it, and then sometime later in that same fall we'll produce the final debt measures with the backup information to institutions and, again, most definitely those debt measures will be made public. We will build in a two or three-day lag, as we do with default rates, so that the schools know these final debt measures before the public does so you can prepare your management, anyone at your school, and be ready for perhaps a press call or whatever.

Now after we issue the final rates and make them public, there is still one more opportunity for the schools to ask us to perhaps redo the rates. For a failing program only -- and we're going to talk in a moment a little more about failing programs, but they're basically a program that did not pass any of those three measures of the Repayment Rate or the two Debt to Earnings rates -- for failing program only, the school can submit to us information to have us use an alternate earnings of their former students for the Debt to Earnings ratios. That would be an alternative to the Social Security Administration numbers, and we'll talk about that, a little bit more about what those alternative earnings could be.

So once we've done all of that, we have the final rates out for the year, and some programs will be failing programs, and a little bit later we'll talk about what that means for the school and the program and for the students. And later on, or after we're up and running for several years, you will see that that could actually result in a program being no longer eligible for federal student aid, but we'll get to that.

This next area here, just a slide or two, I just want to remind you and give you a basis of some of this terminology we're using. Perhaps I should have put this slide earlier. A federal fiscal year is October 1st through September 30th.

So, for example, that cohort I talked about that was 2007 and 2008, would be October 1, 2006 all the way through September 30th of 2007, and continued on to September 30th, 2008. The federal fiscal

year is from October 1st to September 30th. Of course you all know what an award year is. In the Federal Student Aid Program it's July 1st to through June 30th, and that's important for reporting and for some other details of our metrics. A calendar year, duh, January 1st through December 31st, but we do use calendar year in our calculations. We've come up with terminology called a "Debt Measures Year," and that is the fiscal year. That's why I said these informational rates will be 2011 debt measure year, 2011 fiscal year. The calculation and release year, the year in which we do them and release them, will be one year after that, will be one year after that. And the earnings year, which we'll talk about that we use for getting the annual income of your former students from the Social Security Administration, is a calendar year, and we'll describe what the calendar year is.

Another thing just to keep in mind, because John will use these terms as he describes the Repayment Rate calculation and the Debt to Earnings, is, you know, we often use the term "average" to mean what really is the mean. But we want to be careful here. Technically there are a number of averages, and we're very careful in the rules to talk about which one we intend. So the mean is what most people think of an average. It's the total of values divided by the number of values.

The median is another average, another measure, and this is the middle value, so we gave you a quick example, put in some silly numbers, that this all adds up to 1,500, but since there were seven occurrences, including the three zeros, the mean is 214. But the middle value, which is the fourth value, because it's the midpoint, is 200, and of course, if it was an even number, the mean would be the middle of the middle value. So keep that in mind, because means and medians are different and they're used a little bit differently throughout our regulations.

So I mentioned cohort periods, and this 2YP and so forth, so let's explain that a little more carefully. Each year we calculate these debt measures using the educational debt for certain students who were enrolled in the Gainful Employment Program. That's why we asked you to report each year about the students who were enrolled in a program. But the Repayment Rate, it's students whose loans -- and that really should say Title IV loans, FFEL and Direct Loans -- entered repayment in the cohort period, and we'll describe the cohort periods in a minute, but that's what we mean for that. That's why we have cohort periods. The Debt to Earnings ratios is the students who completed the program in the appropriate cohort period. So for Repayment Rate it's set up for loans in repayment, and for Debt to Earnings, it's those students who completed the program, whether or not they got Title IV.

There are five possible cohorts. The most common one, we believe, and the one that will be the first one we will use for most programs, is a two-year cohort, and we've been calling it the 2YP, and it's the third and fourth fiscal years preceding the debt measures year. So, for example, the cohort for the 2012

informational debt measures year -- sorry, that should say -- yeah, 2012 debt measures that we will release in ’13 -- do I have this wrong?

(INAUDIBLE).

Yeah, I’m sorry I messed this up a little bit. These are the informational rates. They were released in 2012. They will include these cohorts from FY 2007 and 2008, between October 1st, 2006, and September 30th, 2008. My error was -- and I apologize for this -- the word “informational” should not be in there. The word “informational” should be in there, and it’s 2011 cohort, the informational rates. I apologize for that, and we can clarify that in the questions.

There are other cohorts. For the first three years only, we have something we called a “2YP-A,” and we will calculate two sets of rates, not for informational but once we get up and running on this, and they will be the first and second years. So they’re fiscal years that are closer to when we do the measurement, and the purpose of this is we heard from schools that said, “You know, we’ve been working to make our programs better,” and frankly, they said, “Once we heard you guys are going to start regulating on this and as you were regulating on it, we started doing things to make our programs better.” And they might not have been so hot back for cohorts, you know, 2007, 2008, 2008 to 2009 cohorts, but we think they’re a lot better for the students in the more recent cohorts. So for the first three years we will use -- look at and calculate 2YP-A cohorts, and if those are better measures, those will be the ones that will apply, and then they go away after three years because you don’t need them anymore.

Then we have something we call a “4YP,” and this is because other rules about and other common methodology and statistics, if you have 30 or fewer people in a cohort, generally you cannot make good assertions about the behavior of the entire group just because you had, as you look at 10, 15, 20, or even 30 people. And so if in a particular cohort for a particular course or program and for whether it be Repayment Rate or Debt to Earnings, there are 30 or fewer, then we will go back two more years. So not only the third and fourth years proceeding, which was the 2YP, but the fifth and six years and go back, and, again, for Repayment Rate to see, now if we get a count of the number of students who sign up for loans entered repayment is that at least greater than 30? And then for debt measures who complete it, is that greater than 30? We believe in most cases it will be because you’re looking at four years worth of a program’s activities. But if not, then we simply will not calculate a rate for that program for that particular metric, either the Repayment Rate or the Debt to Earnings. That’s why we have the 4YP, to make sure that we don’t have false information or misleading information by a smaller number, but also give an opportunity if there simply are fewer than 30 after we look at four years, we’re just going to let it go.

Now we have a couple of cohorts that are related just to specific programs, and these are what we call the “2YP-R” and the R stands for “Residency.” And this is to acknowledge that for certain medical and dental degree programs, the students, after they complete their program and their loans into repayment and they start earnings, that their earnings are relatively modest to the amount of debt that they took out as they’re doctors and dentists that are in internships and residency, so we’ll go back and look even further back from the debt measure year, giving an opportunity for these students to have worked their way through their internships and starting to get the earnings that is more representative of the benefit of their training.

And no surprise, we have “4YP-R” just in case, as we go back to those years, we have fewer than 30. We will look at a broader period and see if we can get our 30. So the basic one is we think is the 2YP, the third and fourth years preceding the debt measure year. Occasionally we’ll have to use the 2YP - is four years, 2YP-R go to four years. Sorry, my guys are helping here. And for those medical programs we’ll use the 4YP or the 4YP-R, and then have that special one, 2YP-A, just for three years. I hope we didn’t confuse you too much, and I apologize for stumbling a little bit over those a little bit. But it’s important to know those cohorts because you will see them on these rosters. So let me turn this over to John Kolotos who is going to give you a lot more detail on the calculation on the Repayment Rate and then the Debt to Earnings ratios.

Thanks, Jeff. Okay. As Jeff mentioned, the Repayment Rate is really a percentage of the Title IV loan amounts that former students are repaying. And as he also mentioned, it’s calculated for students in a particular cohort. Later on we’ll show you a slide that indicates what the actual ratio is, and you will be able to get a clearer picture.

Again, as Jeff mentioned, we’re looking at a cohort each time we calculate a Repayment Rate, and a Repayment Rate has the following components: The first component is the outstanding original principal balance, and that is the amount of the loans when they first entered repayment. Another component of the Repayment Rate is something we called “PML,” which is payments made loans, and essentially what that indicates is loans that are successfully being repaid, and LPF simply means loans that are paid in full. And, again, on the next slide you will see how all this fits together.

In the denominator is the outstanding -- is the original outstanding principal balance when the loans went into repayment and that is for a cohort. So if we’re talking about let’s say a cohort of 2YP, a cohort of students who entered repayment in ‘07/’08, that would be the total amount of the principal balance of

those loans. In the numerator, if a loan is paid in full, then the original outstanding principal balance of that loan is in a numerator. If a loan is successfully being repaid, which is indicated by PML, then the original outstanding principal balance of those loans are included in the numerator.

Now for PML, to make that determination we're looking at the most recently completed fiscal year; that is, for the cohort of students, let's say in the '07/'08 example, we're looking at the most recently completed fiscal year that the students in that cohort were making payments on those loans. Now if a student repaid a loan in such a way that it reduced the balance by at least a dollar, it's considered a successful repayment and it's included in the numerator. If, however, the loans are under some kind of income base repayment plan, then we'll include those loans as being successfully repaid but only up to 3% of the outstanding principal balance; meaning that even though students under those repayment plans are not paying more than interest that accrues on the loan, we'll give the school or that program some credit, and that credit will be up to 3% of the outstanding principal balance. And we'll do this 3% up until the time where we have actual data on the repayment rate characteristics of those students, and then once we have the actual data, we'll go by the actual data to calculate those rates.

Now a loan is also successfully repaid if it's on track to be forgiven under the direct loan public service loan forgiveness program, and we make that determination by looking at whether the student is in qualifying employment and whether the student has made qualifying loan payments. Now as Jeff mentioned, the Repayment Rate is a dollar-base rate, and in this example we try to illustrate the difference between a dollar-base rate and a borrower-base rate. So you have four students, A through D, their total outstanding principal balance is $20,000. In this example, only student D is successfully repaying his loan. But since the loan is $10,000 out of the $20,000 outstanding, then the Repayment Rate is 50%. Now if we were to do this on a student-level basis or a borrower-level basis, the Repayment Rate would be one out of four or 25%

Now we have certain exclusions for both the Repayment Rate and the Debt to Earnings ratios, and for this slide we're going to exclude from the Repayment Rate any of the circumstances if it happened during the most recent completed fiscal year, and that is if the loans were in an in-school deferment, if the loans were in a military related deferment or discharge or pending discharge for a death or disability.

For defaulted loans, defaulted loans are counted in the denominator because they are loans that were taken out by students that entered repayment during the cohort period, but they're never included in the numerator because they're not successful loans if they have been defaulted. And this is true even if the loan is rehabbed or later consolidated.

Now for consolidated loans we'll use the loan amounts of the underlying loans; for example, a student could have went to three different programs and at some point consolidated the loans. We'll look back at the underlying loans and assign the underlying loans to the appropriate program that the student attended. Now in determining whether a loan was successful -- a consolidation loan is successfully repaid or to say the underlying loan successfully repaid, we'll look at the consolidation loan, and if the balance of the consolidation loan decreased, then we will consider that as a successful repayment of all of the loans in the consolidation loan.

Moving on to Debt to Earnings, again, the first few slides are recaps of essentially what Jeff went over. The cohort period captures the students who completed a particular program during that period, and we're looking at program completers in this case to determine what their annual loan debt is, and essentially the Debt to Earnings ratio is that, it's the loan debt divided by earnings.

Now there are two Debt to Earnings ratios. In this particular slide it's annual income, and it's simply the annual loan payment divided by the higher of the mean or median earnings that we get from the Social Security Administration. Now we calculate an annual loan payment based on the median loan debt for the borrowers in the program and the type of program that it is. For instance, if it's a certificate program we'll amortize the median loan debt over a ten-year period to get an average annual loan payment.

For discretionary income we still do the annual loan payment in the numerator, but in the denominator we determine what the discretionary earnings are, and the slide indicates that it's the higher of the mean or median annual earnings minus 150% of the poverty guideline, as published by HHS.

Now as Jeff mentioned, you know, schools will be getting a list, a roster that they will verify or make corrections to that we send to SSA, and SSA will give us the mean and median earnings for students on that roster for a particular program. And then when we calculate the Debt to Earnings ratios we'll use the higher of the two averages.

This slide is really just what we went over before. These are the rosters that schools have an opportunity to correct before we send the information to Social Security for income information. This slide is really a recap of what I said earlier, but it goes into a little bit more detail about how to calculate the annual loan payment. Once we figure out what the median loan debt for a program is and that median loan debt is then amortized at the current prevailing rate, which is right now 6.8%, and for certificate program or an associate degree it's 10 years. We use a 15-year amortization for baccalaureate or masters program and we use 20 years for doctorate or professional degree program.

Now for the Debt to Earnings ratios only, and this is an option for schools as you might know from the reporting requirements, and that is that the department will use the lower of the borrower's educational debt or the amount of tuition and fees if it's reported to calculate the median loan debt for the program.

Now as with the Repayment Rate, we have certain exclusions, and the exclusions -- the following exclusions would apply if they occurred during the earnings year, and that is if the student was enrolled in a Title IV eligible program during the earnings year or the student had a loan in a military-related deferment, because in either case, the student would have been or is considered to have been unable to make sufficient earnings. And the other exclusion is, again, if the loan has been discharged or is pending discharge for a death or total from disability.

And this slide illustrates two cases to try to highlight the difference between the Debt to Earnings ratios, the one based on annual earnings and the one based on discretionary income. And as you look at the numbers in the different cases you will notice that as income increases the discretionary income ratio is more favorable to the school. And this captures the notion that as borrower or as a student's income increases the student can afford to take on more debt. So in the case, too, where the median -- where the average earnings are $32,000, it shows that the discretionary income ratio is 26.4%, which is under the 30% requirement, but if you calculate a debt at annual earnings rate it's 12.9%, which is over the 12% requirement for the annual earnings. And, again, it just captures the notion that the more money you make the more loan debt you can take on and afford to pay. I'm going to switch back and give the presentation back to Jeff.

Thanks, John. So you might be thinking, okay, I think I'm getting this. These guys are going to do all these calculations based upon loans and loan debt and OPB and all of that -- excuse me -- but I wonder how they're going to get the loans. I wonder how they're going to know the loans that attributed, should be attributed to a student's program since students get loans for loan periods, usually an award year, but, you know, fall or spring or a nine-month period or whatever, and the student can get a loan for more than one program, that can cover more than one program. If he gets a loan for, let's say, a somewhat traditional school year but then moves from one year to another, how is he going to do it?

So there's some slides here. Don't get scared when you see them. But so I want to explain this to you a little bit. Hopefully you can see. What we've done here is this is the vanilla. This is pretty straightforward. This student was only enrolled in one academic program and only got one loan. And that loan was for a loan period that coincided exactly with the student's enrollment. And so for fun we have this example. This is a $5,000 loan. We say there's 200 days in a loan period. So you divide that and you get $25 a day. How many days of that loan period was the student enrolled in GE program A?

Well all 200. So you're back to the $5,000. So this is pretty straightforward. And if this was all there was you wouldn't even have to do this arithmetic. You would have just said, "Oh, the $5,000 loan goes to this enrollment in this gainful employment program." But we know our students do not behave quite that way.

So here is an example where same thing, there was a loan period that, in this case, and we just made it up. The calendar month at the top are not really significant except to show that it's a period of time, and the loan period was from September to May, and still it's for $5,000 at $25 a day. But when we look at the enrollment information that you provided us, we see that the student was enrolled in two different gainful employment programs. And in one of them they were enrolled for 90 days of that loan period, and so we multiply the 90 days by the $25 a day and we get $2,250 attributed to gainful employment B. The other 110 days of the program were in gainful employment program C, and we multiply those 110 days by 25 and we get 27.50, which, of course, totals $5,000. So we have attributed the loans between two programs.

Now this one is about -- there's the same academic program. This is just to point out that we know that students are in programs with more than one loan, more than one loan period. Well it's pretty straightforward. We look at each loan and do the same thing I said. And in this example this loan period and the student's enrollment in program D was coterminous, so all $5,000 will go to this program D. But then the student got another loan for a loan period, and we made this very simple. There's a million variations. But for a loan period that's a little bit shorter because the program was going to be completed, and sure enough, the student was in the same program, program D, and so we calculate how much of that loan, in this case all of it. And so for this student, if these were the only Title IV loans, then we would have this student would have had $8,000 in Title IV debt, the two loans added together.

Now you can combine the earlier slide with this one to see what would happen if in a second year the student was in two programs. Well you just do the same logic. For all of the enrollments you count the number of days, you multiply it by the average per day per loan that is calculated by the loan amount divided by the number of days in the loan period. And, again, it doesn't -- I mean we made this all be in a, you know, September through May. It's all within the same award year, but that's really not relevant. We can do this because we know the loan periods for every loan because they're part of the record that in the case of FFEL, the FFEL lender sent to us and the Direct Loans that we have from our Direct Loan servicers.

And how do we know the enrollment? Because you've reported it to them. All of that reporting that you had to do last November and will continue to do you tell us -- if you recall, you tell us the beginning dates

and ending dates of enrollment, and so we're able to calculate and attribute loan amounts to the proper gainful employment programs.

Now this one is just to make sure -- a little different concept. It's once a student is determined to be in the cohort, the 2YP or another cohort, and again to repeat probably for the fourth time, they would be in that cohort, the borrower, your former student, because in the case of the Repayment Rate, their Title IV loans entered repayment during the cohort period, or in the case of Debt to Earnings ratio, the student completed the program, and once we have determined that, we're going to do those attributions for all of the loans, even going back.

So in this rather simple example we have a student who was enrolled in the 2007/2008 award year, and they got a loan, Title IV loan, also in '08 and '09 they got Title IV loans, also in '09/'10 they got Title IV loans, and for some reason in '10/'11 they didn't get any Title IV aid, but they didn't complete. And when we get several years down the line here where people who completed their program in sometime between July 1st, 2010 and June 30th, 2011, that will be some federal fiscal year, we will go back and find all of these loans and attribute them to the GE program if that were evaluated. You may have some questions on that, but that's pretty straightforward and how we do the attribution.

So we've laid the base work for this. We have talked about some cohorts. We've talked about how we attribute loans, and John talked about how we actually do the calculation, what data we use and what options are available. And we mentioned earlier that there are, of course, performance requirements, because this is all about these regulations enforcing the statutory requirement that these programs lead to gainfulness, gainful employment. And so to repeat this, as we do all these metrics, and, of course, the first ones that will matter will be not the ones you get in the next few weeks or later in the spring but the following year, because this first one is in 12, will be just informational. But in 13, after you have gone through all of your challenges and all of that, we will issue the final rates. And then if the program does not pass, does not have scores of at least these listed here, it is declared to be a failing program. So it has to have a Repayment Rate of at least 35%, meaning at least 35% of the students OOPB was moved up from the denominator to the numerator because it was either paid in full or because they made -- payments made by the $1 – or the income based on the public service loan forgiveness.

Or the Debt to Earnings rate have to be -- in this case it's less than because we don't want our former students to have high burden on their income, and we think that if the burden is too high, then perhaps these students, on average, took out too much loan debt for the kind of earnings your program trained them for to be rather frank about it. So it has to be less than 12% of total earnings, annual earnings, or less that 30% discretionary income, as John explained. So they have to pass at least one of these. If

they don't -- if the program does not – it's a failing program. And remember, we do this by GE Program, not institution. Of course the institutions are responsible for the GE Program.

So what happens in a failing program? The first year that a program fails, and, again, you wouldn't know that until sometime in the spring, probably summer or fall of '13, as you look back on those timelines, as soon as you are informed of that by the Secretary, you will have to disclose to your students and perspective students that that program failed the department's gainful employment debt measures, and to what extent that they failed. You also have to establish a three-day waiting period between the time you provide that information to that student or perspective student and when they enroll. And that means when they sign an enrollment agreement or they register – anything that would hold them responsible for that enrollment, you have to give them a three-day kind of cooling off period after you've told them the problems that this program has with our debt measures.

If the program is a failing program for two years out of three, then in addition to what you have to provide for the one year, you have to also very explicitly and very frankly and very up front, tell your students and your perspective students that, based upon those measures, they may not be able to afford the debt that they have to take out to participate in your program, and you have to tell them that the program may lose eligibility, so even if they choose to continue and take the debt and maybe be eligible for a Pell grant or whatever, the program may lose eligibility for all Title IV aid while they are in this middle of the program. They need to know that. And then what follows, of course, is you need to share with them what transfer options exist for them -- for the student to make a decision to say, "I just cannot afford to be a program where I may not be able to afford the loans, and/or I may not even get the loans in the next year or two, and I may not get any Pell Grant, so what are my options for transfer?" That's if they fail the – failing program two out of three years. And you have to continue with all of that until the program is no longer a failing program.

Now if it fails three out of four years, then the program loses eligibility. It simply loses eligibility for all federal student aid. FFEL, if you're involved in campus-based programs you cannot award students in that program. The students in that program are not eligible for any Direct Loans. That's the three out of four years.

Now because this is all new and because one of our stated purposes of all of this is not to remove programs, not to have them failing, not to steer students, but to have these programs be well constructed, fairly priced, and performing the way they're supposed to in terms of having people complete them and move into jobs that pay reasonably well in relation to what it costs for them to attend, and we see some improvement, we already heard from schools, we're going to limit the ineligible

programs. The first time this can happen is for the 2014 rates. ’12, ’13, ’14 is the first time you have can three failing programs, so only the top 5% of the failing programs by sector. Now that’s just the first time. We would hope that we don’t have more than 5%, but if we do and we end the eligibility for those 5%, the others who also failed three out of four years that they start to do things so this doesn’t happen again in the next year.

Now we mentioned earlier, and if you will go back to the timeline you will see that even after we go through the drafts and the challenges and we approve the challenges and we recalculate and reissue final rates and we make them public, that for a failing program you have the opportunity, for the Debt to Earnings ratios only, is to tell us that you believe that you have data that would have a different result on your Debt to Earnings ratio; therefore making your program not a failing program if, instead of we, us using the Social Security Administration earnings information, you use alternative earnings. And the three types of alternative earnings that the regulations allow for are any state data where your state has collected a robust set of data about the earnings of people who have studied in whatever this program is targeted for in terms of the occupations, a survey that you could do of your former student, those who have completed, where you’re asking them very specifically about their earnings.

But that survey will have to meet our National Center of Educational Statistics Survey standards in terms of how the samples are chosen, the size of the samples, and the questions that are asked, and how they’re tabulated and what statistics are run on those data. And we’ll provide more on that. Obviously this is not an issue until 2013, so we’ll provide more information next year. And then for the first three years, the Bureau of Labor Statistics data, we’ve checked with the BLS, and they do have some pretty good data on occupation, the earnings, salaries, and income of certain occupations in certain regions of the country, and we would allow that to be considered as an alternative earnings to the Social Security earnings. That one is only for the first three years.

And if a school for a program or programs moved in that direction and provided us with the data and it met our standards then we would recalculate the rate and we would let the school know that that is not an ineligible program and they can continue on with Title IV aid, but I would hope, of course, that the schools would realize that even though they got a little reprieve because of this, there’s something they need to do to their program to make it better because, clearly, there’s a problem with the Repayment Rate and the Debt to Earnings ratios, at least from SSA data.

So we’ll quickly talk about calendar, but in a little different way. The earlier timeline was taking you through a sequence, a whole session from A to Z for any particular year once we’re doing official rates. This is where we are right now. So what is not on this calendar is the informational rate stuff because

it's not official. They're not official. They don't have any sanctions. So this is when we start getting real official rates. We will release them. So these are the rates that we're going to release in 2013. These are for borrowers who entered repayment during the federal fiscal years 2008 and 2009, which is October 1st, 2007, through September 30th, 2009, and then the 4YP, because it was fewer than 30, would be those four fiscal years to see if we can get to at least 30, and the repayment activity for Repayment Rate, you know, did the student pay it down by at least a dollar, were they on income based and so on, would be fiscal year 2012, because when we do this in '13, that would have been the most recently completed fiscal year. For the Debt to Earnings ratio, it's the same cohort and the same possible alternative cohort for small numbers, and the earnings year will be calendar year 2011.

One thing I didn't have on the slide as clearly is that the earnings here from SSA is the full calendar year preceding the calculation year. Let me give an example to maybe say that better. On this slide when we're doing the FY12 rates, that began on October 1st, 2011; that's the calendar year we would use, January 1st, 2011, through December 31st, 2011. And we believe that makes sense, because on the one hand that's the most recent data from the Social Security Administration, so that means the students who completed your program but, you know, didn't start working right away, they started working part time until they got a better job, they didn't get the really good job they wanted, but two or three years later they got it, so we use this as close as possible to our calculation. We cannot have it the most recent year because the Social Security Administration, it takes longer for them to gather the information, particularly for self-employed persons.

So another way to look at the calendar is where are we on all of this, in all of our regulations? They're already starting, in 2011, disclosure and reporting requirements. Under the rules we published in October of 2010, those provisions we have done in other webinars. They went into effect July 1st, 2011. In '12, this year, we're going to be releasing the informational rates, the FY11 informational rates with backup data, but they don't have any sanctions and you don't have any challenge opportunities. In 2013 will be the first time we'll do final debt measures from the 2012 year, but they will be released in '13, and if there are failing programs, they must provide the first year debt warnings. In 2014 we'll do it again, just moving everything up a year, but that's the first possible year that a program could have been a failing program for two years, in which case the second year warnings would have to be added to the first. And then in 2015 we would be doing the third -- first three official rates based upon 2014 data, and that's the first time where a program could lose eligibility because it would have been three out of four. If you fail the first three it's going to be three out of four. And then 2016, this is just an example, we just keep going on this, it would be 2015 a release, and the regulations are fully effective, and we would not include this eligibility loss cap, this 5% cap. So this is just a slide, again, to show you where you can get more information on this.

Annmarie, if you would remind our folks how to ask questions, we can take a second to do that and then we can see what kind of questions we've been receiving.

Sure. If you have any questions during today's webinar, you can click on the Q&A arrow, which is located on the right-hand side of your screen at the top. The system should default to asking all panelists, but if not, please change the click box so that it directs you to all panelists. That way all of the questions that you send will go to our question managers. Just type your question into the box and then hit the "Enter" key on your keyboard and that will submit your question to them. Your question will appear in the box on your screen. You will not receive a response by Q&A Chat, but it will be read on our webinar today.

Also, we have been getting a lot of questions about how to get the slides, so if you joined us late and you did not hear our announcement, I will let you know again that you can download a PDF copy of the PowerPoint slides for today's presentation by going to the file transfer box and then select the word "File." There is only one file available for you, which you can then save to your computer or other device, and that is located right off of the top on the left-hand side on the file menu. Now keep in mind that if for some reason you are unable to do that right now while we have the session going on, we will be posting the recorded version of the session to the IFAP website, and at that time you will also be able to download a copy of the slide presentation. That will be right on the Gainful Employment website under the Resources section.

Thanks, Annmarie. So he have a number of questions, so we have Cynthia and Rene from our staff here, they're going to read the question, and John and/or I will try to answer it. If we can't answer the question, we'll take it down and we'll know that that's something we have to follow up on our Q&A website.

[Jeff Baker answered all questions during this Webinar]

What are the cohort years for the informational rates?

The informational rates, which we're calculating in 2012 are 2011; that's what we call the debt measure year, and those cohorts will be the FY2007 and 2008, which means October 1st, 2006, through September 30th, 2008, that 24-month period, and, again, for the Repayment Rate, that would be students whose loans entered repayment during that 24-month period, and for the Debt to Earnings, it's the former students who completed the program during that 24-month period, 2007 and 2008.

On loan attribution, what happens when the loan period crosses award years?

The examples we gave kept the loan within an award year, but that's really not relevant. You reported the students' enrollment each year that you report by award year, but, you know, every award year includes every day, so we have all of the days. So we could have produced slides that showed that loan period crossed an award year and nothing would have changed because we would have known when the student began enrollment and when they ended enrollment and then done our little $25 a day or whatever. The system absolutely can handle that. In fact, it doesn't even pay attention to award year. It looks at the loan period and then sees if there is a corresponding enrollment and then does its magic on that. That's just how you report.

If a student has ten loans, five are reduced by at least a dollar and five were not, were the five that were reduced move into the numerator?

Yes. The outstanding original principal balance of all ten loans, along with any others, were in the denominator, but only the outstanding original principal balance of the five that met the requirement of payments made would move into the numerator. So if that were the only thing going on here and those loans were all of the same amount, that would be a 50% Repayment Rate. Now they won't be all of the same amount, which is why John had that little simple example. But it's the outstanding original principal balance moves from the denominator to the numerator if the borrowers' performance shows that the loan should be moved.

Jeff, how are loans attributed when a student withdraws before the end of the loan period and there is a return to Title IV aid?

When we -- an example we gave, we had a nice easy $5,000 loan. If for some reason that loan was originally disbursed originally with $5,000 but is reduced for any reason, the student didn't claim a balance check, the school returned the money, the school returned the money because of return of Title IV aid – anything – we're not talking about a payment made by the student, but anything that reduced the loan, we would just have a lower amount in that calculation, and so instead of having $5,000 divided by 200 days equal $25, we'd have -- and I'm not going to do the arithmetic -- you know, we'd have $4,175 divided by 200 days, and the average would be what … whatever it is, and we'd just do that multiplication. So I think the important thing for the audience is we're not going to hold the full amount of the loan if some of it was returned, not paid but returned because of a return to a lender for some other reason.

For the Repayment Rate, how will you know if the borrower is on track for public service loan forgiveness?

We just began in January -- and we'll be doing more and more publication of it -- an opportunity -- not for this reason for other important reasons for public service loan forgiveness, but it works here -- for borrowers who would like to avail themselves for public service loan forgiveness to kind of register with us, fill out some forms with us, with some employment verification, at least initial employment verification. We will evaluate that employment, and we will evaluate the payments they made so far, and we'll get back to the borrower and tell them that, "Yeah, this is a qualifying public service loan forgiveness employment, and these payments count, you know, these 32 payments or 2 payments count towards your 120." But that's for the borrower. What will happen, of course, is if they do that, we will know that in our system, and we will be able to look at that and move the OOPB of that person from the denominator to the numerator.

What's important on that and also the people who are paying interest only is most of the people, even the public service people, they would have reduced their loan debt by at least a dollar. It's just that in case they didn't because they're in IBR or ICR or because they're in low-paying jobs, we'll move that up. We don't want to penalize the school because the students did what I want to say is the right thing by getting into a public service employment. But the bottom line is they will register with us and we'll be able to track and know who is on track.

Jeff, for the information rate will backup data be provided even though there is no challenging of the data?

Yes. Yes. We will provide the backup data, how we generated the Repayment Rate and the Debt to Earnings ratios. That will include, you know, who the students are, what loan amounts we use, data entered repayment for the Repayment Rate. We cannot, of course, provide -- we'll give you the averages from the Social Security Administration that we got, the mean and the median, which, of course, we use the higher of the two to give the schools a little advantage there. We can't tell you the earning for each of those borrowers. One reason is the Social Security Administration won't tell us, and I think you know why; that's private information. They'll give us aggregate averages, and we can give that back to the school.

If a student is not paying a loan they received for a program at another institution, will that impact our Repayment Rate?

No. We're going to look at the loans that were taken out using our attribution for attendance in the particular GE program we're evaluating. So other loans, if the student not doing very well in those, will not affect. And frankly, even if the student is doing well on those loans, that's not going to go into the denominator either. It's just the loans for that program. I will acknowledge that because people have mentioned this -- John mentioned that if the loans are in a consolidation loan, one or more of the underlying loans in a consolidation loan is for the GE program we're evaluating, we will look at the performance of the consolidation loan to see if the borrower has paid it down or is in IBR or other service.

We do need to acknowledge, and this is just the way it is, that if a borrower consolidated a small amount of debt from your GE program and a large amount of debt from another program in a consolidation loan, and that large consolidation loan is causing trouble for her to repay, and so she doesn't meet one of those requirements, it will affect your loans. But we don't think that's going to happen very often. And remember, in all of these measures we're talking about averages, mostly median, which is generally more advantageous than a mean. And so if the numbers of where we have, oh, that's not quite right, are small as we think they are, really will not affect. And, also, the thresholds are fairly generous.

Are these metrics at all related to what industry the student goes into after graduation; for example, if the student received a nursing certificate but they go into another line of work but they're also still paying back their loans, is this considered okay?

Yeah. What we're going to be looking at is the earnings of the student. First of all, it would be very difficult -- in the example it would have been, at least theoretically, easy to say, you know, only nursing -- income from being employed as a nurse. But for many of these GE Programs there's a whole range of jobs that are totally -- no one would argue they are related to the training. But, frankly, more practically and operationally, neither the Social Security Administration nor we have any way of knowing how much of a person's earnings were from this kind of job that is closer to the training or not. So bottom line is we're going to look at all of the earnings.

Once we are in a year where we can challenge our rate, can we challenge the loan attribution?

Well you can't challenge the formula we use. What would happen in a challenge of a loan attribution, I think, is that you would suggest that either we had the wrong loan period dates, the wrong amount of the loan, the wrong enrollment dates, or that there was some other enrollment that we didn't cover, so it shouldn't go all. But you're not really challenging the attribution as much as the data behind it that had

us attribute a loan, let's say, fully to your program and you want to challenge and say, but that loan really covered enrollment not only in that program but then also in another program that he began later in that loan period. That's where you could suggest that we didn't have the loan period right, or you did not report the enrollment correctly.

To clarify for loan Repayment Rate, even though we reported private loans and institutional financing plan to the department, only loan payments to federal loans will be looked at; correct?

Yeah. And federal loans, meaning FFEL and Direct Loans for Repayment Rate. For the Repayment Rate, not Perkins, nothing else, just FFEL and Direct Loan. Not only are we going to look, you know, only at that loan -- let me do it this way. The only loans being considered, and therefore, in the denominator, the outstanding original principal balance of those loans when they entered repayment, are FFEL and Direct Loans. It's those loans that we're going to look at to see if they have been reduced or this or that to decide whether the OOPB of that loan should go in the numerator. So I always answer questions longer than I should. The answer is, no, only FFEL and Direct Loans.

Then why did we have to report the institutional financing plans and private loans?

Because for the Debt to Earnings ratios -- and I think we covered this and John did and it's on the slides -- it's all educational debt, all educational debt. So when we calculate Debt to Earnings ratios we will take -- and this is very important for your reporting, and if you did not report correctly on this you need to fix it. You report when a student withdrew -- when a student withdrew or completed, you report the total private loan debt and the total institutional financing for all of his or her enrollment in that program, not just for the last year that you're reporting, we'll take that debt, do our attribution for the Title IV because we have all that in NSLDS, and the total will be that student's loan debt, which we will then include in a median loan debt for all students in the cohort for the program, and then as John said, calculate using the amortization, 10, 15, or 20 years, the annual loan payment, and then compare the annual loan payment to the earnings.

If a borrower is on IBR but is paying down their loans, will the program get credit as a payment- made loan or only as part of the 3%?

For the first few years -- if they're paying down, then it doesn't matter whether they're in IRB or ICR or anything. They're OOPB will go up into the numerator. If they're not paying down and their in -- then generally the OOPB would not go into the numerator. Remember, going into the numerator is a good thing for the Repayment Rate. But if they're paying under IBR or ICR and they're not paying down a

loan but they're paying interest only, a lower amount because of the IBR or ICR formula, then we will put the OOPB up into the numerator but only up to 3% of the original outstanding principal balance. For the first -- excuse me -- first few years, we'll automatically put an extra 3% up top, and that's simply because the reporting that we get, particularly from our FFEL lenders and guaranty agencies, was not robust enough yet, because which didn't have a need for it, to know about IBR and ICR. Once we get that we will do it loan by loan up to a maximum of 3%. So, actually, for these first couple years, there is a bit of an advantage to the schools.

Why would tuition and fees be used for -- or how would tuition and fees be used in the Debt to Earnings calculation?

If you think about and if we haven't confused to too much, the Debt to Earnings, we calculate this whole annual debt amount, but, you know, it traces all the way back to the loans that the student took out. And the schools pointed out to us during Neg-Reg and certainly during the comment periods for these rules that, you know, the school says, "We can't control how much the student borrows. They borrow sometimes more than tuition and fees because they can and because you Feds said we can't cut them down because of the law. You said you cannot cut them down." So we put into the rule to say, "If the school" -- in the reporting regs it's optional -- "If you report the tuition and fees charged for each student for their enrollment in that program" -- and, again, that would be cumulative enrollment in the program, not just the last years or what you charged for the last semester, but what you assessed the student -- we'll use the lower of the two. We'll, in effect, say, "Okay, we're only going to pretend that he borrowed enough for tuition and fees", and that clearly is an advantage to schools because it will lower the total debt, lower the median, perhaps lower the median debt, and if it does, it would lower the annual loan repayment, which will make the Debt to Earnings ratios lower, which is better.

If a student completes a certificate then enrolls in a higher credential program and completes that, will all the debt from the certificate program be rolled up to the higher credentialed program?

Yeah, we didn't cover that in the interest of time. But under our regulations, as we calculate a rate for a program, if our data show that the student completed a higher credentialed program, then we will hold off on including that student in the calculation for the first program and wait until we do an evaluation for the one he completed that was higher credentialed. Now that may be in the same processing year because it's a two-year cohort, but it also may not be for a year or two later because maybe it was a six-month or one-year certificate program and he completed -- a couple years later he completed a higher credentialed program. And the reason for that is twofold: We think it's much more fair to hold off calculating on a lower program if the student went back to school because we're measuring earnings, in

a way, and they're back in school doing what I think we all want them to do is to stay with their education and get a higher program.

When we measure the higher program we will include the loans not only that were attributed to the higher program but also to the lower program because that formed the basis of the higher program, just like what they learned in the lower program presumably helped them in the higher credentialed program than what they paid for to learn that also helped them in the higher program, so we'll attribute it to it. But to the extent that the higher program leads to even better employment, which it should, you know, a degree should get a better job on average and a higher paying job than a certificate, then this should all work out pretty well. So we're pretty confident that we've struck the right balance here.

My school only provides Pell grants to students. Do I understand correctly that we have to do the reporting and disclosures but cannot fail the metrics since we will never have a Repayment Rate?

That is correct. You cannot fail the metrics unless you fail all three metrics. So in this example there are no metrics at all because there's no loans. Now I always want to remind people -- and maybe the person who asked this knows -- that even though you say you're in Pell only, which I think they're say you're not in the Direct Loan program or were not in the FFEL program, that doesn't mean your students -- doesn't necessarily mean your students weren't receiving private loans or institutional financing. So, now if that were the case, you could have a measure for Debt to Earnings, but you would not have a measure for Title IV for Repayment Rate, and you also could not fail the program because you have to fail all three.

When or how will schools obtain Social Security Administration information for the Debt to Earnings ratios?

Well we want to be careful here. What you will get next year, not this year, is a roster of your students by program that we believe -- remember to earnings is students who completed during a cohort period -- that we believe completed during the cohort period, we will send you a roster of those students so you can check to make sure they really did -- they really are your students, they were in the right program, if any of the identifiers aren't right you can correct them, and they really did complete the program during the two-year period. That's what you will get. You will never get information about their earnings or anything like that.

Is there any way a school can calculate our own Repayment Rate in advance of the Department doing so?

I think that NSLDS does have some reports and is working on some others -- I don't want to promise anything -- where you can choose your former students' borrowers by certain dates. And so if you can choose -- thank you, Cynthia -- it's call a "School Portfolio Report," and you can click on our websites to learn more. We'll make a note to put more information out about this. And assuming you can choose date enter repayment ranges, then you would put in the October 1st through the, you know, two years, September 30th, and you would get your students. What you would not know from that is which program they were in, but you would know from your own records. So you could, you know, get 10,000 students, if that's what you had, and then use some matching with your own systems is find out how many were in each of the gainful employment programs. Or, you know, for a rough cut you might not even bother with that, just look at school wide, all these 10,000 or 2,000 and 500, whatever it is, look at their status and you'd be able to see what their original outstanding principal balance is and then you'd be able to get some -- you wouldn't get it all, but you would get most of the information about whether the loan met the paying down the principal.

For loan Repayment Rate, will a student be considered to enter a payment if they're in forbearance?

Well you don't -- technically speaking and so the answer is they did enter repayment. You get forbearance when you're in repayment. You get deferment when you're in repayment. The statuses are in school, grace, and repayment. And then within repayment there's all kinds of things going on; forbearances, deferments, even defaults. So, yes, those loans would have entered repayment and they would be included in these calculations.

Now let me just be, again, frank, because we don't want to, you know, dance around on this, in most cases the reason why a student needs a forbearance is because they're not earning enough to pay off their loans, at least temporarily, and this whole measure is to make sure that programs are training students well enough, on average, that they can pay off their loans. So that loan that would be in the denominator and if they were in forbearance for the whole year, obviously the payment wouldn't have gone down, and so the OOPB would not go into the numerator, and, frankly, it should not because that is not a successful borrower.

Will defaulted loans be used against a school even when the borrower went through rehab on the loan?

Yeah. I think John mentioned that. First of all, a loan will go into the denominator, the OOPB of the Repayment Rate, simply entered repayment during the cohort period, or unless there was the military deferment or an in-school deferment, and it only goes into the numerator, which is a good thing under

certain conditions. And I think we said it right clearly, a defaulted loan will never go into the numerator, even if the default was resolved by rehabilitation or consolidation. That opportunity to resolve a default through rehabilitation or consolidation; it's to assist the borrower in cleaning up a credit report and being eligible for additional Title IV aid. It is not a way to have a school say we did -- this student, at least, was not able to get enough employment out of -- satisfactory employment out of their training and that's why they defaulted. So, no, defaulted loans will never be in the numerator.

What if the defaulted loan is from another school within a consolidation loan?

Again, well we're only looking at the loans that were in the cohort for that attendance. So, as John said, when we have a consolidated loan, and I think he gave an example, that has loans from a student being from one student in another and from one program in another, we do program at a time. So those loans that are not attributable to a particular GE program will not be included whether they defaulted or not. They simply won't be there. And once they're not in the denominator, because they're at another school, then they do not run into the risk that the default will matter. They're simply not in this calculation. They might be in the calculation of the other program or the other school's program if it was another GE program.

How will earnings and Debt to Earnings be affected – SSA using what the student reported for earnings on their taxes?

The Social Security Administration receives earnings information from employers. Anyone who is employed in this country, virtually everyone, has Social Security Earnings reported to the Social Security Administration. For self-employed people, they are required by law to report their earnings to the Social Security Administration. So those will be the total earnings. It's not related to the Internal Revenue Service for a number of reasons. That includes other income, that for joint returns you don't know which borrower it is, which spouse it is, and so it's the earnings reported by employers or by self-employed people to the Social Security Administration.

Is interest included in the outstanding principal balance?

If there was interest accruing while the student was in school and in grace before they re-entered repayment, it capitalized when they enter repayment, and so when we look at the outstanding principal balance we'll only take the outstanding principal balance, but it does include that capitalized interest.

What about for the interest that accrues during the course of the Repayment Rate you're monitoring?

I think what this question would be, if you're looking at the student's repayment history in the last federal fiscal year and his beginning balance was X and we're looking to see if the ending balance is less than X, what happens if his payments paid -- he did make payments, at least some during the year, but all of those payments went to either accrued interest, unpaid interest, or late fees or other fees and none of it went to lower the principal, then that is not a payments made loan. And if you think about it, that's because the borrower has a problem paying off his loan, and this whole thing is about measuring, on average, whether a program's former students are paying off their loans.

What happens if the institution ends a program after receiving their rate?

Well if after receiving their rate, or for any reason, an institution chooses to remove a program, either end it in terms of offering it or ends it's Title IV participation, then we will continue to calculate rates because we're always looking backwards. We will require the school to continue to report on the last award year in which they ran the program. But, obviously, if it turns out that it's a failing program, there's no students to give warnings to, and, certainly, if it failed for three years, it's already an ineligible program.

You talked about what happens if a student completes a lower credentialed program and then a higher credentialed program. What happens in the reverse when a student completes a higher credentialed program before the program being evaluated?

If the completion of the higher credentialed program is in the cohort we will calculate, we'll calculate the rate using the loans from that program, and we'll calculate the rates for the lower credentialed program when we get to it -- and I don't mean that to be flip -- when that completion falls into a cohort. And it could be in the same calculation year, but it also could be next time around.

Are students who drop or are expelled considered completers?

No. You complete the program when you earn the certificate or degree or other credential. When you meet -- what Rene is reminding me and we're -- hesitate a minute. It's a completer when the program requirements are met. And we make that little distinction because in some cases -- and this is consistent through Title IV aid -- when the academic program requirements are met, the program is completed even if the degree or certificate is awarded later. A common one is when a school only has graduation in the spring. Students complete all of their work in the fall but the degree is not officially awarded until spring, that student completed at the end of the fall term. And so this could happen in a

fiscal year for some reason -- probably not in a traditional program but where the student completed all their work by September 15th, let's say, of the last fiscal year in the cohort, and then but the official records show that the certificate was not awarded until October or November. That should have come to us as having completed on September 15th.

We would like to report tuition and fees and haven't done so thus far. Can we still do that, and do we have to report it for all our students or only certain programs?

I'm going to ask Cynthia to help me here. I think for the informational rates it's too late, but that's just the way it is. It's too late because we've already cut the file to send to the Social Security Administration. For the out years, for 2012, which we do in '13, those cohorts are going to be the '08 and '09 cohorts, which you may have already reported to us, so, yes, you can go in and add -- normal process -- and the NSLDS Users Guide tells you how to do this -- go in and add tuition and fees and make any other changes that, you know, where you just misreported something.

We are about done.

Can you remind people where they can get a copy of this Webinar?

I can remind you that it will be on our IFAP website. On the second slide in this webinar and the next to last one we give you the -- I'll put it up here in a minute -- we give you the long URL. The easier way is just go to the home page of IFAP. In the right-hand corner it says "GE Information," click there and you go down to "Resources," and in Resources you will see all of our webinars and trainings. Oh, sorry. Under "Training" you will see all of our Webinars. This one will be -- it will take about a week, and it will be there. And as I think Annmarie mentioned, you will not only get the PowerPoint, you will hear our wonderful voices again, and you'll actually -- we actually have a written transcript available. So we do need to wrap it up. Annmarie, you want to give them any more guidance on surveying?

Yes. Please do take a couple of minutes to complete our survey so that we can review your comments and suggestions for future training events. The results of our survey will help us to make improvements and to know what you need, and, again, to bring us future training events. The link to that survey will be up on your screen in just a moment. Please use that link. You can copy that into your browser. We welcome feedback, of course, from each person who is participating in our training today. If you are viewing the session as a group, we would certainly like each participant to go ahead and complete that survey. Again, that link will be up on the screen in just a moment. And we'll leave that up for a few minutes to give you some time to get to the site so that you can go ahead and copy that link down.

And, as Jeff said, please do visit the Gainful Employment website for more updates. You can link there from the IFAP website at IFAP.ED.GOV. The questions to many of your -- or the answers to many of your questions about gainful employment have already been posted there under the "Frequently Asked Questions," and you will want to go under the "Resources" section, as Jeff has just mentioned. You can there find our previous five gainful employment webinars, and we will also be posting the recorded version of the webinar, copy of the presentation, you can get a copy of the transcript. So especially if you just want to go and see the Q&A, it's very useful to go ahead and obtain that transcript.

Thank you, Annmarie, and thank you, everyone, for participating in this, and please, thanks to John and Rene and Cynthia. And we will be announcing future webinars shortly. Thanks very much.

Again, I'd like to thank today's panelists: Jeff Baker and John Kolotos. Thank you also to our question managers, Cynthia Hammond and Rene Tiongquico. On behalf of Federal Student Aid, my name is Annmarie Weisman, and thank you for joining us.