

# Reforming Accountability Policy

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THE FEDERAL GOVERNMENT relies on what is known as the regulatory “triad” to determine institutional eligibility for federal student aid. Colleges that wish to participate in Title IV programs must meet the following criteria: They must be certified by the Department of Education; accredited by a private, voluntary accreditation agency that is recognized by the secretary of education; and authorized to operate in the state where they are physically located.

The triad is designed to set minimum standards for eligibility, and although there is some overlap, each player fulfills a particular role. The Department of Education is supposed to ensure that the institution is financially sound and has the capability to administer the Title IV programs in which it participates. The states are largely supposed to focus on consumer protection, providing adequate means for consumers to register complaints and sue under applicable state laws. And the accreditors are supposed to focus on ensuring that the institution provides an education of sufficient academic quality to lead to student learning. At the same time, consumers’ ability to “vote with their feet” via portable vouchers (in the form of Pell Grants and low-interest student loans) is supposed to create market pressure that encourages institutions to focus on the value of the education they provide.

In theory, one virtue of this approach is that it keeps federal regulators out of core academic and governance questions. Over the years, however, the federal government has imposed a number of requirements directly on institutions wishing to participate in federal financial-aid programs. These requirements are intended to weed out institutions that fail to meet certain standards designed to assess, through various proxy measures, an institution’s quality and financial health. In addition, federal policymakers have placed increasing demands on accreditation agencies.

In the 1950s, for example, accreditation agencies had to meet five basic criteria to gain recognition from the Commissioner of the Office of Education in the Department of Health, Education and Welfare. These days, federal requirements on accreditation agencies fill nine pages of the Higher Education Act, and the federal application for recognition as an accrediting agency is nearly 90 pages long.<sup>124</sup>

The federal government has even sought to dictate standards for state oversight of institutions. What was originally a requirement that institutions meet state authorization criteria (to the extent that states had such criteria) has evolved into minimum standards for state authorization that institutions must meet to remain eligible for Title IV. Indeed, while the federal government cannot force states to change their authorization processes, the federal government threatens each institution in a state with loss of Title IV eligibility if a state's process doesn't meet federal guidelines.

Notwithstanding the efforts of these regulatory bodies and the increasing degree of oversight of institutions, the results for students are worse than ever. Students are paying more for an education and are less likely to graduate. Employers routinely report that a college degree is not a reliable signal of a person's readiness for the demands of a job. Worse, with the rising cost of education and rising student-loan volume, the rates of student-loan delinquency and default have reached alarming levels — which puts both students and taxpayers at risk.

The federal government can do better for students and taxpayers. This section examines the status quo in federal accountability policy and outlines potential reforms that could better align the incentives of colleges, students, and taxpayers.

#### THE STATUS QUO IN FEDERAL ACCOUNTABILITY POLICY

The federal government has a number of policies designed to ensure that student-aid dollars flow toward worthwhile options.

One set of policies maintains financial-responsibility standards. Institutions must pass a financial-responsibility test primarily built around a series of accounting ratios designed to assess an institution's financial health. In addition to those ratios, the institution must meet several additional requirements, including having sufficient cash on hand to meet refund requirements and being current on all debt obligations.

Institutions participating in federal student-aid programs must

maintain compliance with a set of financial-responsibility standards established under section 498(c) of the Higher Education Act (HEA) and implemented under 34 CFR 668 Subpart L.<sup>125</sup> Congress enacted these standards almost three decades ago to try to prevent financially unsound institutions — ones that might be at risk of abrupt closure — from accessing federal aid dollars.<sup>126</sup>

The Department of Education developed the most recent regulations for the financial-responsibility provisions in HEA in 1996-97.<sup>127</sup> Under those regulations, the standards center primarily on a composite score, ranging from -1 to +3, with which private nonprofit and for-profit institutions must comply. (A public institution is not subject to the composite-score calculation if it submits evidence that it is a public institution and is backed by the full faith and credit of the state in which it is located.) Institutions scoring above a 1.5 pass this portion of the financial-responsibility test. The Department of Education generates the composite score using a weighted combination of three different ratios: primary-reserve ratio, equity, and net income.

The primary-reserve ratio is calculated by dividing the expendable net assets by the organization's total expenses. In essence, it measures the resources an institution has available to support itself absent outside revenues. Equity is calculated by dividing the institution's net assets (its assets minus claims by outside parties) by its total assets, providing a measure of the organization's actual equity and thus its ability to borrow and raise capital. Net income is calculated by dividing the difference between total revenue and expenses by the institution's total revenue. In other words, the ratio is measuring the degree to which the institution is operating within its means.

Separate from the composite score, all institutions must demonstrate that they have sufficient cash reserves on hand to cover the return of Title IV funds if a student withdraws.<sup>128</sup> An institution can meet this standard by either participating in a state tuition-recovery fund or by demonstrating that it completed its Title IV fund returns in a timely manner for the two preceding fiscal years. Furthermore, all institutions must be current on all of their debt payments and not have any statements from auditors expressing doubt about their survival or about the institution's financial statements.<sup>129</sup>

If an institution fails to meet one of these standards, it does not automatically lose eligibility for federal aid. Instead, the institution has

several alternative pathways to maintain its eligibility under Title IV: a letter of credit, a “zone alternative,” or a provisional certification. For the first, an institution can provide an irrevocable letter of credit to the department providing coverage for at least 50% of the federal student-aid funds the institution received in the most recent fiscal year. The zone-alternative option allows an institution with a composite score between 1.0 and 1.5 to be deemed fiscally responsible and remain eligible for Title IV for up to three fiscal years in exchange for being subject to closer monitoring by the department.

For an institution to maintain its eligibility through a provisional certification, it must submit to the department an irrevocable letter of credit providing coverage for at least 10% of the federal student-aid funds it received in the most recent fiscal year. The institution is also subject to enhanced monitoring by the department, including the monitoring that would apply for the “zone alternative” status. Finally, provisional status limits the institution’s ability to add new locations and also narrows the institution’s administrative rights in the event the department wants to eliminate the school’s Title IV eligibility.

Finally, the Department of Education has not always made its annual financial responsibility list public. It began doing so in 2010, publishing the list for fiscal year 2008-09 showing that 149 private nonprofit institutions had failed the test for that year. According to more recent data from 2013-14, 159 degree-granting private colleges failed the financial responsibility test; 93 are nonprofit and 66 are for-profit.<sup>130</sup> The publication of the scores has generated some criticism from institutions, which argue that the public and media often misinterpret the results, seeing them as something akin to a ranking of institutions by financial health rather than a binary indication of pass or fail.<sup>131</sup> These institutions argue that because the financial indicators incorporated into the measure can fluctuate for a variety of reasons that are not necessarily reflective of an institution’s financial health, viewing the list as a ranking can lead to misleading conclusions.

Another way the government ensures that federal student-aid funds are used only at appropriate institutions is the 90/10 Rule. For-profit institutions participating in federal aid programs are required to receive at least 10% of their revenue from non-Title IV sources in order to maintain eligibility. This rule was enacted into law as part of the Higher Education Amendments of 1998 (PL 105-244), replacing a previous version of the rule known as 85/15 that was created as part of the Higher

Education Amendments of 1992 (PL 102-325).<sup>132</sup> Policymakers implemented the rule in response to a default rate at proprietary schools that reached 41% in 1990, with the goal of weeding out institutions that weren't offering an education of sufficient quality that some students would be willing to pay for it out of pocket.<sup>133</sup>

The Department of Education's regulations for the implementation of the 90/10 Rule are available at 34 CFR 668.28.<sup>134</sup> One of the basic parameters of 90/10 is that institutions must use a cash basis of accounting, recording revenues when they are received rather than when they are earned. Institutional loans, for example, can only count as revenue as the payments are received.<sup>135</sup> In addition, institutions cannot count institutional grants and tuition waivers toward the numerator because they do not represent a true inflow of revenue from outside the organization. Finally, institutions must apply Title IV funds toward a student's institutional charges prior to other funds, with the exception of grant funding from non-federal public agencies or other private sources independent of the institution, prepaid tuition plan funds, and certain government agency job-training contracts.<sup>136</sup>

The consequences of an institution failing the 90/10 Rule are fairly straightforward. A school that fails to meet this standard in a single year will enter into a provisional status. If the school fails for a second year in a row, it will lose its eligibility for Title IV aid for the subsequent two fiscal years.<sup>137</sup>

The cohort default rate is another tool the government uses to make sure its money is used wisely. Congress enacted the Cohort Default Rate (CDR) provision in the late 1980s in response to a rise in the rate of student-loan defaults on federal loans.<sup>138</sup> Under the CDR rule, institutions must maintain cohort default rates — measured as the percentage of an institution's students who enter repayment in a given year and default within three years<sup>139</sup> — below a certain level in order to maintain eligibility for federal aid funds. All institutions — public, nonprofit, and for-profit — are subject to the CDR rule, though institutions with high default rates can appeal those rates to avoid sanction under certain circumstances. For example, an institution with high low-income-student enrollment and a graduation rate above a certain threshold can avoid sanction under the CDR rule.

The Department of Education's regulations for the implementation of CDR are primarily located at 34 CFR 668 Subpart N.<sup>140</sup> Those regulations

spell out in more detail how institutions must comply with the rule's requirements. Specifically, under the current structure of the rule, an institution whose cohort default rate rises above 40% in a single year or 30% in the three most recent years will lose eligibility for federal aid (absent a successful appeal under several exemptions).<sup>141</sup> Aside from sanctions, the CDR rule also provides a number of benefits for institutions with low default rates, largely focused on affording institutions more flexibility in terms of how they disburse Title IV funds to students.<sup>142</sup>

In some cases, the Department of Education also accounts for the share of a school's alumni who find well-paying jobs after graduation to determine eligibility. All non-degree programs, as well as most programs at proprietary institutions, must meet a new regulatory standard called "gainful employment" built around measures of student debt relative to discretionary income and annual earnings. More specifically, in the first half of 2009, the Obama administration announced its intention to pursue a rulemaking process that would, among other things, establish measures to determine if certain post-secondary programs were preparing their students for "gainful employment in recognized occupations." The department's Notice of Proposed Rulemaking from July 2010 spells out the basis for the regulation:

Section 102(b) and (c) of the HEA defines, in part, a proprietary institution and a postsecondary vocational institution, respectively, as institutions that provide an eligible program of training that prepares students for gainful employment in a recognized occupation. Section 101(b)(1) of the HEA defines an institution of higher education, in part, as any institution that provides not less than a one-year program of training that prepares students for gainful employment in a recognized occupation. . . .

Under the proposed regulatory framework, to determine whether these programs provide training that leads to gainful employment, as required by the HEA, the Department would take into consideration repayment rates on Federal student loans, the relationship between total student loan debt and earnings, and in some cases, whether employers endorse program content.<sup>143</sup>

The department would spend the next year working through the rulemaking procedures, ultimately publishing a final rule on October

29, 2010, with the regulations taking effect in July 2011.<sup>144</sup> The rule ultimately did not come into effect, however, due to a successful court challenge by the Association of Private Sector Colleges and Universities. Specifically, in June 2012, a U.S. District Court judge ruled that the department had not adequately justified the formula used to measure institutions' loan-repayment rates. Because that component of the rule was interrelated to others, the ruling ultimately had the effect of scuttling the major components of the regulation.<sup>145</sup>

The department pursued a new version of the regulation in 2013 with a new set of negotiated rulemakings. The negotiated rulemakings were not successful, so the department subsequently proposed its own rules in March 2014 and, after soliciting public comments, finalized those rules in October 2014. The new gainful-employment regulations took effect on July 1, 2015. The Department of Education has released an initial set of earnings and debt-to-income data for gainful-employment programs.<sup>146</sup> The rule may affect for-profit institutions to a larger degree than public institutions according to the earnings data and the debt-to-income data, which revealed that nearly one-tenth of vocational programs — 98% of which were for-profit schools — failed to meet gainful employment thresholds.<sup>147</sup> In its final rule, the department predicted that 74% of programs would pass the rule, while another 17% would be in the “zone” between passing and failing.<sup>148</sup>

The gainful-employment rule has three requirements: First, the school must certify that the gainful-employment program complies with all accreditation requirements as well as state-level licensing requirements. Second, the program is subject to two debt-to-earnings tests, one looking at students' loan payments relative to their total earnings and a second looking at those loan payments relative to students' discretionary income.<sup>149</sup> To calculate these ratios, the Department of Education requests mean and median earnings data, by program, from the Social Security Administration each year. Third, the rule sets forth an extensive disclosure regime, requiring disclosures of data to students and the department to increase transparency about the program's outcomes. Institutions must disclose information on loan-repayment rates, median loan debt, annual earnings rates, completion rates, and a variety of other measures, and must notify students about whether the gainful-employment program complies with the debt-to-earnings tests.

## *Policy Reforms to Strengthen Higher Education*

The table below summarizes the various relevant thresholds for the debt-to-earnings measures. A program must pass just one of the measures in order to maintain its eligibility to participate in Title IV programs. A program can lose its eligibility by failing both measures for two out of any three consecutive years. It can also lose eligibility by remaining at failing or zone levels for four consecutive years.

	Discretionary Income Rate	Annual Earnings Rate
<i>Passing</i>	≤ 20%	≤ 8%
<i>Zone</i>	> 20% and ≤ 30%	> 8% and ≤ 12%
<i>Failing</i>	> 30%, or discretionary earnings negative or zero	> 12%, or annual earnings is zero

Furthermore, programs that are a year away from losing eligibility must provide a warning disclosure to their students designed to emphasize the risks they are taking on by enrolling in the program.

### ROOM FOR IMPROVEMENT

There are a number of problems with the current accountability system for Title IV aid. For one, the financial-responsibility standards have not kept pace with current accounting standards. The Department of Education has not updated the standards to reflect changes in generally accepted accounting practices. For instance, as many institutions faced endowment losses in the wake of the financial crisis, the department interpreted these losses a day-to-day expenses for the purposes of the financial-responsibility test, despite the fact that they don't reflect actual operational expenditures incurred by institutions.<sup>150</sup>

As a result, institutions face the risk of failing the financial-responsibility test even if an independent auditor following accepted principles would declare the institution to be in good financial health. These discrepancies have led to many institutions — including nationally-recognized institutions like Georgetown University that have sizable endowments — being classified as nearing the point of financial failure even as institutions that truly face financial woes — some being forced to lay off staff, for instance — receive strong scores under the financial-responsibility test.<sup>151</sup>

Furthermore, the financial-responsibility test has no established and



consistent process for appeals. Schools have reported that the department is inconsistent in its interpretation of the financial-responsibility standards across regions, and that agency staff across the country differ in their willingness to allow institutions to contest disagreements over interpretation.

The 90/10 Rule is a poor measure of quality and has unintended consequences for institutions enrolling large numbers of low-income students. Mark Kantrowitz, a student-aid expert, has examined 90/10 and argues that the rule is more of a proxy for the *ability* of an institution's students to pay out-of-pocket rather than their *willingness* to do so.<sup>152</sup> As a result, the rule may not be effective at truly identifying low-quality institutions.

Moreover, because in most cases it makes financial sense for students to exhaust their Title IV aid sources before turning to other ways to pay for school—such as savings or private loans—students often have little incentive to pay for programs through means other than federal aid. Combined with the near-universal student eligibility for Title IV aid, there are simply few populations for which Title IV is not, or should not be, the means for paying for college. As a result, many institutions with strong outcome measures routinely get between 80% and 89% of their revenue from Title IV sources.

It's also not clear that the rule has had a significant effect in terms of limiting access to Title IV for underperforming institutions. To this point, a 2005 analysis by the Congressional Research Service found that for the three years of data that were publicly available at the time, only two institutions had lost their eligibility as a result of the rule.<sup>153</sup> Furthermore, according to more recent data released by the Department of Education, between 2007 and 2014 only seven institutions lost their eligibility for federal aid programs as a result of the 90/10 Rule.<sup>154</sup>

At the same time, the rule's focus on indirect measures of quality may lead to a number of unintended consequences, particularly for institutions serving disproportionate shares of low-income students. In his analysis, Kantrowitz argues that institutions charging below \$8,000 are at a greater risk of violating the rule. In short, he argues that the regulation creates adverse incentives for institutions to discriminate against high-risk populations and raise their tuition. Many other analysts, including representatives from the for-profit sector, have made similar claims about the adverse impacts of 90/10.

As for the cohort default rate, over time the measure has become less effective at catching underperforming loans. The initial passage of the CDR rule led to the closure of low-quality or fraudulent institutions that weren't able to maintain their eligibility for federal aid.<sup>155</sup> Default rates, measured initially over two years rather than three, dropped steadily from their peak of 22% in 1990 to just over 4% in 2003 (though there may be numerous factors that contributed to this development, most notably changes in economic conditions). After 2003, however, default rates rose steadily and peaked in 2013 at a rate of 10% (14.7% for the new three-year CDR measures that began in 2012).<sup>156</sup>

The recent rise in defaults has increased the focus on the shortcomings of the CDR rule. Some critics have focused on the ability of schools to manage their default rates by encouraging borrowers into repayment options like deferment and forbearance—options that help students avert default in the first several years of repayment but that increase their burden and likelihood of default later in the payment cycle. In the same vein, increased usage of repayment options like income-based repayment has led some critics to question whether default rates are still an adequate measure of whether students are earning enough to cover their loan obligations. Under an income-driven repayment plan, for example, a student may be able to avoid default even if he is not paying enough to cover the balance on the loan. In these cases taxpayers will be left with any amounts unpaid at the end of payment term.

Others have criticized the short window in which defaults are measured, arguing that the window should be longer—potentially even encompassing the entire loan cycle. In answer to such criticisms, in the Higher Education and Opportunity Act of 2008 Congress extended the default measurement window for each cohort from two years to three.<sup>157</sup> Even this extension may be insufficient, however: Researchers at the New York Federal Reserve Bank studied default rates for federal and private student loans over a longer time window and estimated that roughly a quarter of each cohort defaulted on their loans between five and ten years after leaving school.<sup>158</sup>

Another problem with the CDR rule is that it only passes or fails, rather than providing consistent incentives for institutions at all levels of performance. While CDR serves as a floor for poorly performing institutions, it creates no incentive for mediocre institutions that are still performing above that floor to improve. For example, an institution with

a default rate of 31% will face strong incentives to reduce its default rate to avoid losing access to federal aid programs. However, an institution with a 25% default rate faces no sanctions despite having a default rate that is not significantly different from that of the institution that does face sanction.

The CDR rule also includes a number of exemptions that allow high-default institutions to avoid sanction even if they have default rates in excess of the thresholds, potentially harming both students and taxpayers. For instance, the provisions in the statute governing CDR provide an exemption for Historically Black Colleges and Universities and Tribal Colleges and Universities because of their historical role in serving large numbers of disadvantaged populations. Similarly, the law allows institutions to appeal a high CDR if a small fraction of their student population takes out loans, if they can demonstrate that federal loan servicers failed to form specific tasks related to effective servicing, or if a certain proportion of their student population is low-income and they have a placement or completion rate that exceeds certain standards.<sup>159</sup> While there may be certain circumstances that justify exemptions, there is also a risk that, by allowing high-default institutions to continue to enroll students and accept federal loans and grants, these exemptions are harming both taxpayers and students.

Additionally, many institutions have opted not to participate in the federal loan program, citing the risk of failing the CDR rule (and thus losing their access to Pell Grants). According to one study, over one million community-college students don't have access to federal loans because their institutions choose not to participate for fear that they would run afoul of the CDR rule.<sup>160</sup> In this case, institutions are not concerned about their access to federal loans—they are obviously choosing not to participate in the loan program—but to Pell Grants: If they have a default rate that is over 30% for the three most recent years, they will lose access to both federal loans and Pell Grants. Many low-cost institutions like community colleges express particular frustration that they are unable to limit the amounts students are able to borrow for living expenses, and argue that if they were able to do so they could do a better job of ensuring students are taking on reasonable amounts of debt.

Finally, the gainful-employment regulation only applies to a subset of institutions. The gainful-employment regulation has been one of President Obama's most contentious initiatives in the area of higher education.

While many of the technical details of the rule were individually subject to disagreement, the most common broad, philosophical criticism of the gainful-employment rule is that it was largely targeted at the for-profit sector rather than setting a uniform standard to which all higher-education institutions would be subject. That is, if policymakers are concerned about students taking on unmanageable debt at post-secondary programs, they should focus on a performance floor that holds each institution to a repayment standard independent of tax status.

#### MODEST REFORMS

There are several different ways to approach reforms to accountability policies for higher education, ranging from solutions that would largely maintain the existing system with improvements to those designed to make more comprehensive changes.

A set of modest reforms that would improve the current system would begin with the establishment of an appeals process for the financial-responsibility standards. Policymakers could construct a uniform appeals process allowing institutions, regardless of region of the country, to challenge a particular interpretation of the standards and regulations for the financial-responsibility test. For example, Congress or the department could establish a process like the following: When an institution disagrees with the composite-score calculation submitted as part of its annual audit, the department would send a detailed letter setting forth the accounting interpretations it used. Then, within 45 days of receipt of the letter, the institution could request a formal review, submitting the basis for its accounting treatment of the disputed items and explaining why it believes the department's treatment is inconsistent with Generally Accepted Accounting Principles and Generally Accepted Government Auditing Standards. An administrative judge or an outside accounting expert would then review the matter and make a decision. Such decisions could be published in a searchable database so institutions are better able to know the proper accounting treatment for entries in the future.

Reformers should establish an independent accounting advisory panel to oversee financial-responsibility standards. Such a government advisory panel of accounting experts would help the Department of Education keep its regulations in line with generally accepted accounting practices. The primary task of such a committee would be periodically reviewing the

department's existing policies and procedures and then issuing recommendations about changes needed to keep them in line with developments in accounting practices more broadly. This advisory group could also provide guidance and training to department staff to help ensure staff are applying the department's policies consistently and fairly across different circumstances and regions of the country. It could also potentially play a role in helping to adjudicate appeals brought by institutions. A board of this nature would be consistent with the department's use of advisory committees in a variety of other areas of education policy.<sup>161</sup>

Policymakers interested in tightening the CDR rule could explore limiting or eliminating some of the exemptions offered to high-default institutions that would otherwise be considered failing. For instance, policymakers should consider eliminating the "participation-rate index" challenge that allows institutions to avoid sanction if a small fraction of their student population has taken on loans. The justification for such a change would be that those students who take on loans still default at a higher rate. Furthermore, while an institution may have a low rate of student borrowing, if it has a high number of overall enrollments—such as a large community-college system—then the absolute number of student borrowers may still be higher than that of many other smaller institutions that do not have a similar exemption available.

Similarly, policymakers should consider eliminating the "economic-disadvantage" exemption. The point is not to punish these institutions or the students they serve, but instead to ensure that all students, regardless of background, are protected from taking out loans to attend institutions where they face a high likelihood of default. That is, while access to higher education is important, access to an institution that is not serving its students well is a questionable type of access.

In thinking through how to tighten accountability policies, however, policymakers should also address concerns raised by institutions that they lack control over the amounts their students are borrowing but risk losing eligibility for federal loans and Pell Grants if those students ultimately default. Under current law, all students can borrow up to federal limits (or cost of attendance, if it is less) regardless of their specific circumstances. While schools have the ability to exercise professional judgment to reduce an individual student's borrowing,<sup>162</sup> schools have reported that the Department of Education has actively discouraged institutions from trying to counsel students out of borrowing the

maximum. The most direct way to address this concern, however, is to allow institutions to set tighter limits over how much different classes of students can borrow — such as students who are enrolled part-time, those who are enrolled in online programs, or those who are studying in fields with lower prevailing wages.

Reformers should look to the results of an ongoing “experimental sites” initiative, under which the department has allowed 28 colleges to reduce by up to \$2,000 the amount that particular categories of students can borrow.<sup>163</sup> Results from that experiment can inform the creation of new policies that empower all institutions to limit borrowing.

The Department of Education should convene a series of technical review panels under National Center for Education Statistics (NCES) to identify key metrics and develop a common methodology for calculating those metrics. Wherever possible, higher-education regulation should be based on evidence of effectiveness rather than measures of inputs and auditing of processes. To do so, regulators need consistent definitions of key metrics and clear methodologies for calculating those metrics. This is not currently the case in higher education. Different parts of the triad have different definitions and methodologies for the same basic outcomes. An accreditor may define completion rate based on one cohort of students while a state defines it another way. Metrics like job-placement rate or licensure-passage rate vary greatly between states as well.<sup>164</sup> In some cases, the department may have different definitions across two of its own data systems. In one example, the Integrated Postsecondary Education Data System (IPEDS) defines students in accelerated adult programs as full-time, but they are labeled part-time for purposes of the Fiscal Operations Report and Application to Participate (FISAP).<sup>165</sup>

The federal government could play an important role in defining key metrics that most regulators already use but whose definitions often vary. NCES has an established process for defining key variables and establishing a consistent methodology for measuring those variables: the technical review panel.<sup>166</sup> These panels bring together different stakeholders and experts to inform the process — thereby ensuring that the decisions reflect the viewpoints of members of the community, not just of NCES employees.

Congress could charge NCES with holding a series of technical review panels to develop consistent definitions and methodologies for a limited number of key outcome measures on which regulators often

rely. Note that these panels should not develop federal *standards* on those measures — development of standards should be left to other entities — but consistent *definitions* for those measures and acceptable methodologies for calculating them. Measures could include completion rates, retention rates, job placement and earnings, debt-to-income ratios, repayment rates, student learning gains, or licensure pass rates. Whether the other entities that regulate access to Title IV programs should adopt these definitions would be up to Congress to decide.

#### BOLDER REFORMS

A second, bolder set of reforms would take more aggressive steps toward making the accountability system fairer and ensuring that resources are used efficiently. In pursuing these more aggressive reforms, policymakers should start by including secondary factors in the federal assessment of financial responsibility. In the past few years — and as shown in the period immediately following the Great Recession — the composite score that measures financial responsibility often labels schools with momentary hiccups in finances as “not responsible” despite long histories of prudent management and existence.

The law states that the secretary of education must examine the “total financial circumstances” of institutions that fail the financial-responsibility tests prior to requiring an institution to get a letter of credit.<sup>167</sup> Unfortunately, the department has been quick to judge an institution as financially at risk based solely on the composite scores.<sup>168</sup>

Reformers should create a flexible system where the composite score (with tweaks discussed in this report) would serve as a warning light that would lead to further inquiry before the imposition of any letters of credit. Only after an examination of secondary factors would the department impose letters of credit or additional obligations on schools. Some of these factors would include operating expenses and operating margins, tuition dependency and enrollment trends, discount rate (the percentage discount off tuition offered to students), and the number of students. By examining year-over-year changes and three-year trends on these indicators, the department should be able to identify schools that are truly at risk and focus time and resources on those schools.

Furthermore, reformers should shift from an accountability system based solely on cohort default rates to one based on default and loan-repayment rates. There is good reason to consider incorporating a measure

of repayment—rather than just defaults—into the existing accountability system with the goal of more directly assessing borrowers' progress in paying down their loans. By including a measure of repayment progress, such a standard would capture borrowers who haven't defaulted but have been taking advantage of forbearance, deferment, and income-driven repayment options. In taking into account additional information, however, such evaluations should not neglect to include defaults: A default is still an adverse event for borrowers and taxpayers, so defaults should still be incorporated into a standard of performance.

One way to structure such a measure is to assess, in addition to defaults, the proportion of students who are not making progress in paying down their loan balance, even at a relatively slow pace. For example, a very simple metric would calculate the fraction of a cohort that has not paid a single dollar toward their loan principals. The formula for such a calculation would be as follows:

*<the number of borrowers in the cohort who defaulted or failed to pay at least \$1 toward principal over the measurement time period>*

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*<the number of borrowers in the cohort>*

This formula would provide a basic indication of progress in loan repayment and would be straightforward to calculate. On the other hand, making progress does not ensure that students will be able to repay their loans in any reasonable timeframe. Many students may be able to pay at least a modest amount toward their principal balance while still falling well short of what is required to pay the debt in a timeframe that is comfortable for policymakers.

A somewhat stricter standard would be to assess the proportion of borrowers who are not making enough progress to repay their loans within a certain number of years. For example, policymakers could develop a metric that looks like the following:

*<the number of borrowers in the cohort who default or whose payment amounts to date indicate they are not on track to fully repay their loan in [ten] years>*

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*<the number of borrowers in the cohort>*



This metric would ensure that schools are getting credit only for students who are making sufficient progress on their loan, rather than any progress at all. That said, there are two major challenges in devising a standard like this. The first challenge is determining the time period in which borrowers must be on track to repay their loans. While it is tempting to choose ten years given that that time period is the length of the standard repayment option, this is problematic in the sense that the federal loan program allows borrowers, through a variety of repayment options, to repay their loans over terms as long as 30 years. Thus, if one chooses ten years as the time period in which students are expected to repay their loans, a school could get a failing score with this repayment metric simply because a certain number of its former students have chosen long-term payment plans. Furthermore, federal loans have a number of income-driven plans that have variable terms. In light of these various plans, the best approach would be to choose, in the case of borrowers in a fixed-term repayment period, the length of the student's chosen payment plan, and in the case of borrowers in a variable-term plan, the length of the forgiveness term for that plan.

The second challenge is determining the calculation to use to assess whether a student is on track to repay within the chosen period. A basic approach to this question would simply choose the payment amounts needed to fully repay the loan if it were amortized over the student's chosen payment term (or, in the case of income-driven plans, the forgiveness term). However, if a student is in a graduated or income-driven repayment plan, his payments will likely be lower in the earlier periods of the payment term and higher near the end. This would not necessarily be indicative of a problem but could cause a school to fail this repayment metric simply because many students' payments would fall short of the amount necessary to repay the loan under a fixed-payment plan. A better approach would be to count a student as meeting the repayment standard if he is on track to pay the loan according to a fixed-payment plan, or in cases where the student is enrolled in an income-driven plan, is on track to pay the loan within the forgiveness window given some assumed rate of growth for his income.

Both of the aforementioned measures would hold schools accountable for ensuring borrowers are making a certain amount of progress, with the second setting a higher bar by focusing on whether students are on track to pay within a certain time period. Neither approach,

however, would reflect differences in loan balances across borrowers or the differing degrees to which borrowers might be making progress on their loans. For example, under the previous two measures, an institution might pass if it has a majority of students successfully repaying small debts, even if a sizeable number of its graduates are struggling with very large debts. A measure of repayment progress that assesses the percentage change, positive or negative, in a cohort's cumulative loan balance would address this challenge by measuring how a cohort as a whole is performing in repayment.

One concern institutions might raise about such measures is that some students simply choose not to make payments on their loans even when they can afford to do so. Thus, a rule based on defaults and repayment progress is measuring both students' ability to repay their loans as well as their willingness to do so. One way to address this issue is to use a debt-to-earnings or debt-to-income measure—similar to those used in the gainful-employment rule—that simply looks at a ratio of students' after-school income or earnings compared to the debt levels they've taken on to attend the institution. Using this approach has the advantage of more directly measuring students' ability to repay their loans independent of whether they decide to make payments or not. That said, some may view this same characteristic as a downside because it means that the rule holds schools accountable without consideration for the actual repayment performance of their former students.

While there are trade-offs involved in each approach, given that a comprehensive repayment-rate standard has never been implemented, it might be prudent for policymakers to opt for the simplest measure—the fraction of an institution's former students who default or fail to repay a dollar of principal within a given time period—and revise as necessary. As mentioned earlier, even this simple measure would be a more effective tool than our current CDR metric because schools would be assessed on whether students are making progress on their loans—not whether they were able to avoid default.

It's important to note that policymakers need not set a criterion-referenced threshold for this standard when determining which institutions will maintain eligibility for federal aid. That is, it's possible to use a norm-referenced threshold, which would compare each institution's performance to the national average (or some other measure) for all institutions. For example, institutions with repayment rates that are more

than two standard deviations below the national median could face restrictions on their access to Title IV aid, while those who are farther below could suffer a loss of eligibility. Using this approach could alleviate concerns about setting an arbitrary cutoff, particularly for a standard that is still relatively new and untested. In addition, a norm-referenced standard would adjust with fluctuations in the economy and other trends that impact the performance of the higher-education system as a whole.

In addition to choosing the elements that make up this metric as well as the standard for eligibility, policymakers should also consider the number of years after which to measure a cohort's repayment rate. The window for CDR is three years, and this length of time seems appropriate for a repayment-rate standard as well. Specifically, the goal of a performance floor is to cut off institutions that are performing extremely poorly from federal aid. Therefore, it's important that the window be on the shorter side so as to limit such institutions' access to federal funds quickly. Doing so will help protect both students and taxpayers.

Policymakers should consider creating separate standards and accountability systems for Pell Grant and loan eligibility. First and foremost, separate standards would help ensure that institutions continue to be held accountable for their participation in the Pell Grant program even if they drop out of the loan program. Furthermore, creating a separate standard for Pell focused on the goals of that program would help to address concerns raised by institutions that are worried that, if they fail to meet the CDR standard, they risk losing their eligibility for Pell Grants as well. As higher-education scholar Robert Kelchen has argued, this concern is particularly acute at low-cost institutions like community colleges where the fraction of students taking out loans is often quite low, and thus CDR may be a suboptimal accountability measure for the Pell program.<sup>169</sup>

When it comes to Pell Grants, institutions should share in the risk that low-income students may not succeed and the reward when they do. (Government and taxpayers benefit from students' success through more tax revenue from higher rates of employment and less social spending on Pell Grant recipients who are employed.)

On the risk side, eligibility for Pell Grants could be tied to a number of measures, such as the retention and graduation rates for Pell Grant recipients, as well as the number of degrees awarded to students in that category (as Kelchen proposes). An alternative approach that would

protect against lowering standards and ensure that institutions get credit for students that learn key skills but do not graduate would be to tie Pell eligibility to a measure of poverty among alumni. For instance, policymakers could use an earnings threshold, such as the federal poverty line or the minimum wage, and require that a certain fraction of an institution's alumni be earning above that threshold in order for the school to maintain its Pell eligibility. Some will raise the concern that we shouldn't solely focus on earnings when looking at institutional outcomes. But given that the Pell Grant program is first and foremost about opportunity, institutions should not be able to maintain their eligibility if they have not demonstrated an ability to help a reasonable fraction of their graduates live above the poverty line.

Many institutions will respond to stronger accountability measures by changing practices and program offerings to better ensure that students are prepared for life after graduation. Others will simply refuse to take as many low-income students or close their doors altogether. This is not entirely a bad thing: In general, it would be better for students to attend institutions that are focused on providing a quality education at an affordable price.

However, to help ensure that hard-working, disadvantaged students can continue to access such programs, policymakers must also consider the reward side of the ledger. Specifically, the Department of Education could pay a bonus to institutions for each Pell Grant recipient that they graduate. Such a bonus would help institutions cover the additional costs that typically come with helping Pell students enroll and graduate, and would create a financial incentive to continue to enroll such students. Critically, the size of the bonus should be inversely proportional to the student's EFC (an average of their EFCs over a set number of years would be best). Institutions would get the largest bonus by helping the poorest students graduate, and that bonus would phase out as Pell-eligible students' income grows. This would help avoid creating a stark threshold effect where students just below the Pell cut-off are much more valuable to schools than those just above it, which could create an incentive to compete for one set of students and ignore "near poor" students just above the cut-off.<sup>170</sup>

Some may raise concerns that basing a Pell bonus payment on graduation might encourage institutions to inflate grades. This is a valid concern. However, because the bonus would be limited to a subset of

each institution's overall student enrollment, institutions would likely face only small incentives to inflate grades. And if the bonus was implemented in concert with a baseline standard for eligibility tied to post-enrollment success in the labor market, then institutions that lower standards and hand out diplomas should stand out on those measures.

Policymakers should turn their attention to accreditation agencies as well, and give them clear authority to adopt a "risk-based" approach. In general, accreditation agencies review most institutions within their purview on the same schedule and with the same intensity, even though some of those colleges perform at a consistently high level while others struggle financially and academically. This imposes unnecessary costs on high-functioning institutions and distracts accreditation agencies from providing the scrutiny needed to detect poor performance and the guidance needed to help remedy it. And because accreditation is a binary variable, the set of schools that successfully renew their accreditation are all categorized under the "accredited" category despite meaningful differences in the level of risk they entail for students and taxpayers.<sup>171</sup>

Many have argued that a differentiated or risk-based review process would be more efficient and effective in that it would focus accreditor time, resources, and intervention on institutions that struggle to meet accreditor standards and reduce the burden on schools that excel. One proposal along these lines, from two members of the National Advisory Committee on Institution Quality and Integrity (the independent accreditation watchdog), calls for the creation of an expedited review process for previously accredited institutions, provided they can provide audited proof of their financial sustainability and key measures of quality.<sup>172</sup>

Unfortunately, as a Senate task force on regulation argued in December 2015, "there is disagreement as to whether accrediting agencies can use a 'differentiated review' process to review institutions with a record of stability and successful performance."<sup>173</sup> A Department of Education guidance letter from April 2016 attempted to clarify that accreditors retain the flexibility under current law to employ a risk-based approach, stating that the intent of the guidance was "to encourage accrediting agencies to focus their resources most heavily on standards that are particularly important to student achievement and on institutions of particular concern."<sup>174</sup> The department explained that differentiation could be in terms of the time and resources spent on different campuses or the terms of recognition.

To allay any further confusion, Congress should clearly spell out in

legislation accreditors' power to engage in differentiated review while also working to reduce the number of requirements imposed on accreditation agencies by the Department of Education. Regulators at the Department of Education, in their periodic reviews of accreditation agencies, should acknowledge agencies that have developed a differentiated process and ensure that regulations that might conflict with differentiated review are repealed.<sup>175</sup>

Although accreditors should have the ultimate say in determining which institutions earn an expedited review (such as lengthening the time period between renewals and requiring a simple notice for substantive changes like adding a location or increasing a degree level), accreditors could differentiate between institutions based on demonstrable, verified evidence that an institution's student outcomes meet certain thresholds. For example, an institution that individually or in combination demonstrates that its students persist in school over three consecutive semesters, graduate from college, transfer to another institution, or achieve job placements or scores on licensure or graduate-school exams (such as the NCLEX, MCAT, or LSAT) above national averages deserves flexibility and relaxed oversight. This will also allow accreditors to have additional time to concentrate on those schools that, while meeting accreditation standards (and thus are not worthy of being placed on probation or some other warning status), are not helping students achieve the results we want from our institutions of higher education.

#### RADICAL REFORM

There is yet another set of reforms that would go much further, removing entirely the flawed standards of the current system and replacing them with far more useful ones that would serve students, institutions, and taxpayers far better.

To start, reformers should replace 90/10, CDR, and GE with a minimum repayment-rate standard and a risk-sharing system for federal student loans. As highlighted earlier, the 90/10, CDR, and GE rules all have significant flaws that limit their effectiveness and, particularly in the case of 90/10, create unintended consequences. The 90/10 Rule is built around the source of institutional revenues, a poor proxy of institutional quality. And while GE relies on improved proxies of quality, the rule only applies to a subset of institutions and programs, most notably the entire for-profit sector. Finally, measuring defaults through CDR

is quickly becoming a dated measure of loan-repayment performance as more students opt to take advantage of forbearance, deferment, and income-driven repayment options.

Instead of trying to tweak each of these rules, then, policymakers should consider replacing them with a new system with two components: a repayment-rate standard that governs eligibility for student aid (discussed above) and a risk-sharing requirement for institutions that meet the minimum standard. Under a risk-sharing (or “risk retention”) system, institutions would share in the risk of loss on the federal loans that their students take on. More specifically, institutions would take on some portion of the first losses on federal loans their students either default on or fail to make sufficient progress on repaying. When students do not pay back their loans in a timely fashion, it costs the government money. Institutions should therefore bear some responsibility to remunerate the government for those losses. Combined with a bonus for Pell Grant recipients who graduate and a separate standard for Pell Grant eligibility (see both proposals above), a systemic accountability reform of this nature would offer greater incentives to all schools, particularly those performing just above the minimum standards, to be cognizant of the debts their students are taking on and of steps they can take to ensure students will be able to repay those obligations.

The federal Perkins Loan program, which is a campus-based aid program, already features such risk retention. Institutions must provide one-third of the loan principle that students borrow under Perkins (the feds provide the other two-thirds), and the institution bears the full financial responsibility when students do not repay the institutional portion.<sup>176</sup> As the head of the National Association of Financial Aid Administrators has remarked, “institutions have shown great commitment” to the “decades-old, successful program.”<sup>177</sup> Presumably, one reason the program functions so well is that it requires the feds, the schools, and the students to share in the risk of taking on the loans.

One approach to setting up a risk-sharing system then would be to mimic the Perkins structure as closely as possible. That is, institutions are responsible for some fraction of the losses the federal government ultimately incurs on its loans. This approach would most directly represent the core idea of risk sharing.

The first consideration in extending a risk-sharing system to other

federal loan programs is the point in time at which the policy should evaluate the repayment progress of a particular cohort for the purposes of assessing financial liability. There is a practical challenge here, however: It can take the government decades to determine whether some loans have made a profit or loss. Specifically, borrowers who have defaulted or simply chosen a long-term repayment option can be on the government's books for 20 or 30 years—or even longer in the case of defaulted loans. This time horizon may simply be impractical for many institutions to manage. As an alternative, policymakers could choose an earlier point in time—ten years, for instance—and use a formula at that point to identify loans that appear likely to generate losses for the government.

Other risk sharing proposals opt for even shorter timelines: For example, Temple University economist Doug Webber put forth a proposal that calculates a risk-sharing penalty two years into the repayment process.<sup>178</sup> A proposal by Kristin Blagg and Matt Chingos of the Urban Institute goes even further, arguing for a risk-sharing system based on graduation rates because of the strong relationship between degree completion and default rates, as well as the fact that a cohort's completion rate is known within a short time period after students' enrollment.<sup>179</sup>

In addition to choosing the point in time at which institutions will be evaluated, policymakers must also devise a formula to determine the portion of the delinquent loan balances that an institution will have to reimburse in order to cover the government's losses. The options for choosing which borrowers' loans will be included in an institution's penalty calculation mirror the options discussed previously for creating a repayment measure in a performance-floor metric. That is, policymakers could include all borrowers who haven't repaid a dollar of principal within the risk-sharing measurement window. For example, legislation introduced by Senators Jeanne Shaheen and Orrin Hatch, the Student Protection and Success Act (S. 1939), calculates risk-sharing penalties based on the balances of borrowers who have not paid a dollar of principal in the three years since their loans entered repayment.<sup>180</sup> In addition to measuring the number of borrowers who haven't paid a dollar of principal, policymakers could also include the balances of borrowers who have defaulted. (To see another proposal built around both cohort repayment and default rates, see Nick Hillman's "Designing and Assessing Risk-Sharing Models for Federal Student Aid")<sup>181</sup>

Policymakers must also define a structure of penalties for the



risk-sharing system. A basic way to do this would be to require institutions to repay a flat percentage of the unpaid balances for any borrowers who have defaulted or who are on track to receive forgiveness according to the formula defined earlier. For example, institutions could be required to repay 5% of the unpaid balances for borrowers identified in the formula. A flat penalty structure would be straightforward and would put pressure evenly on all institutions to reduce defaults. The downside to this approach is that policymakers may be hesitant to impose penalties on institutions with relatively low default rates. Alternatively, policymakers could create a sliding scale of penalties, an approach that would be more punitive for institutions with poorer repayment performance. In this case, it would be best to avoid cliffs—default- or repayment-rate points at which penalties suddenly jump rather than increasingly continuously—that would result in institutions with very similar repayment performance being treated very differently, something that could encourage gaming behavior on the part of institutions. A number of recent risk-sharing proposals incorporate a sliding scale of penalties.<sup>182</sup>

Given that a risk-sharing system would be a new addition to the Title IV accountability system, policymakers should probably start with a simpler design and lower penalty rates until they have developed more experience with the system. For example, policymakers could choose a relatively short timeframe, such as five years, and require that institutions pay penalties for any borrowers' loan balances that are in default (and have not been rehabilitated) or where a borrower has not repaid a single dollar of principal over that time window. For the penalty rate, policymakers could choose a fixed rate, such as 5%, or a norm-referenced rate. In the latter case, policymakers might take the difference between the average repayment performance across all institutions in a broad sector (two-year or four-year colleges) and an institution's specific repayment performance. The result could be divided by a constant (10, for example) to arrive at a penalty rate that ranges between 0% and 10%. Finally, to address macroeconomic fluctuations, policymakers could exempt a proportion of the loan balances subject to penalty that is equal to the national unemployment rate at the time (or an average of such rates over some number of years prior).

Aside from setting the terms of a risk-sharing system, there is one significant administrative design decision that policymakers should consider. Specifically, policymakers must decide whether institutions will

continue to receive all of their federal aid funding upfront and then be required to make penalty payments in the future (if required), or whether a certain fraction of an institution's federal aid will be withheld upfront and only paid out once it becomes clear that an institution will not be subject to penalty under the risk-sharing system. To be clear, in the latter case, where payments are withheld, students would still receive the full amount of aid they deserve to cover the price of attendance. But a portion of those federal dollars would be held in escrow to cover any risk-sharing payments in the future. The benefit of the former approach is that institutions will not face a potential cash-flow crisis if they do not have enough cash on hand to handle a reduction in federal aid, even if temporary. The downside, however, is that the federal government may not fully recover penalty amounts if poorly-run institutions close their doors with insufficient cash reserves to cover their penalty obligations.

One middle-ground approach would be to vary the amount of money that is withheld based on an institution's past performance. That is, institutions with a poor track record would have most of the potential penalties withheld and only paid to them after a cohort has demonstrated adequate repayment performance. Institutions with strong repayment performance, on the other hand, could have the benefit of receiving all of their federal aid upfront. Such a mechanism would create an additional accountability mechanism for poor-performing institutions by forcing them to borrow in private markets (or petition state governments) to meet their immediate liquidity needs, something that would be difficult to do if markets felt that the institution was not sustainable under the risk-sharing program. Another variation of this approach is a risk-sharing proposal by the Manhattan Institute's Beth Akers that would require institutions to pay a premium upfront that varies based on institutions' previous cohorts' performance in repaying their loans.<sup>183</sup>

One way to phase in such a system would be to start with a risk-sharing demonstration project, under which the secretary would waive other accountability measures (CDR and 90/10) for institutions that are willing to sign onto a risk-sharing agreement and updated accountability metrics with the Department of Education. Such an experiment would allow the department to identify unforeseen implementation challenges and unintended consequences, thereby informing future rounds of policymaking. Regulators could evaluate cohort repayment at multiple points in time (five years, 10 years, and 15 years out),

acknowledging that the payoff to college sometimes takes years to materialize. Each year, then, a given institution might be responsible for three cohorts of students—those who entered repayment five years prior, 10 years prior, and 15 years prior. Such a system would provide an opportunity for institutions to recoup some penalties if, say, a cohort that lagged behind at five years performed above average at ten and 15 years.)

## FRAMING REFORM

Finally, a point on framing. In pursuing reforms around the accountability metrics highlighted above or a risk-sharing system, it is important to distinguish between efforts to measure institutional quality and those designed to protect taxpayers and students. Many institutional representatives will rightly argue that the outcomes of a repayment-rate metric or risk-sharing system are not direct indications of academic quality—that is, they are not directly measuring student gains in knowledge. That doesn't mean these reforms are without value, however. Instead, these tools are designed to protect students from assuming loan obligations they may not be able to repay, and to uphold a fiduciary obligation to taxpayers with respect to the oversight of the federal loan program. Framing the reforms in this manner—rather than as “quality assurance”—will help avoid misunderstandings about the underlying goals of the policy.

Along with replacing the current accountability standards with a minimum repayment-rate standard and a risk-sharing system for federal student loans, ambitious reformers should revise the criteria for recognition of accreditation agencies to focus on educational effectiveness. They should also eliminate existing requirements that are unrelated to educational effectiveness.

The Department of Education itself has admitted that, “[w]hile an accreditor must assess institutions or programs for all of the required factors as well as for the agency’s own standards and policies....there are certain factors ‘that we believe are the most relevant to ensuring quality education,’ and on which the Department will ‘focus with more depth.’”<sup>184</sup> This raises the question of why there are so many more “required factors” beyond those that are “most relevant.” It suggests a need to rewrite—and simplify dramatically—what Congress expects of accreditors. Specifically, Congress should use the reauthorization of the Higher Education Act

to provide a much clearer mandate that accreditation agencies' primary job is assuring the educational effectiveness of an institution or program through the examination of quantitative and qualitative evidence of student achievement and measures of student learning.

In the process, Congress should clear out many of the requirements that the feds have placed on accreditation agencies over the years. Reformers should focus in particular on the requirements that call on accreditors to focus on questions of financial sustainability and responsibility,<sup>185</sup> to assess whether institutions are complying with federal rules governing Title IV aid,<sup>186</sup> and to ensure consumer protection.<sup>187</sup> The first two requirements are the purview of the federal government, while the third should be the responsibility of the state where the provider is authorized. Clarifying what Congress expects of accreditors and eliminating requirements that they are ill-suited to enforce—coupled with reforms that allow new organizations to act as accreditors (see next section)—could refocus accreditor energy on what used to be their core business: certifying educational quality.

## *Policy Reforms to Strengthen Higher Education*

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168. Senate Task Force on Federal Regulation of Higher Education, *Recalibrating Regulation of Colleges and Universities*.
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186. *Ibid.*: “The agency’s accreditation standards effectively address the quality of the institution or program in the following areas... (x) Record of compliance with the institution’s program responsibilities under Title IV of the Act, based on the most recent student loan default rate data provided by the Secretary, the results of financial or compliance audits, program reviews, and any other information that the Secretary may provide to the agency.”
187. *Ibid.*: “The agency’s accreditation standards effectively address the quality of the institution or program in the following areas... (vii) Recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising... (ix) Record of student complaints received by, or available to, the agency.”

### REFORMS TO INCREASE TRANSPARENCY IN HIGHER EDUCATION

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