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TRUMP ADMINISTRATION DELAYS ENFORCEMENT OF OBAMA-ERA RULES ON FOR-PROFIT COLLEGES

Sector's stocks have been rising amid hope for a reprieve from 'gainful employment' rule

By Josh Mitchell
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WASHINGTON—The Trump administration said Monday it would delay implementing new rules designed to punish career-training schools that leave students with high levels of debt but weak job prospects.

The move delays new rules known as “gainful employment” that formed a key piece of former President Barack Obama’s higher-education agenda. It could ultimately help for-profit colleges avoid sanctions if they prove the government data underpinning the rules is flawed.

The Education Department said Monday it will give schools until July 1 to file appeals, pushing back an original deadline of Friday. “This action is taken to allow the Department to further review the GE regulations and their implementation,” the agency said.

The rules are designed to cut off access to federal money for career-training programs if multiple classes of their graduates spend at least 20% of their discretionary income, as defined by a formula, or 8% of their total earnings each year, paying off student debt.

When programs fail the rules twice within three years, the plan calls for the government to prohibit students from taking out federal loans and grants to cover the programs’ tuition – jeopardizing the schools’ survival. Most for-profit schools rely on student aid for the majority of their revenue.

In January, the Education Department, under Mr. Obama, released the first year of student-debt and earnings data under the new rules, identifying 800 programs in danger of failing. Those schools would lose funding as early as this year if they fail the metric when the next set of data is published.

For-profit colleges must hire independent auditors to show that the government data on their students’ earnings and debt are flawed to avoid sanctions, an Education Department official said. Schools have voiced concerns to the administration about running afoul of federal privacy laws if they submit student data to a third party, the official said.

The extended deadline is intended to address those concerns and ensure the schools comply with privacy data while mounting appeals, the official said.

For-profit college stocks have soared since President Donald Trump’s election victory in part due to investor hopes that Mr. Trump’s administration would roll back the gainful employment regulation.