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TRUMP ADMINISTRATION REVOKES OBAMA-ERA RULE ON FOR-PROFIT UNIVERSITIES

DeVos, other administration officials have argued that the mandate unfairly targeted for-profit schools and allowed poor-performing programs at nonprofit colleges to continue without scrutiny

By Michelle Hackman
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WASHINGTON – The Trump administration has formally jettisoned an Obama-era mandate that would have cut off federal funding to the worst-performing for-profit colleges and essentially forced them to close.

The move Friday is the latest, and perhaps most significant, step by Education Secretary Betsy DeVos to safeguard the for-profit college industry, which the administration believes creates competition in higher education.

The Obama administration drafted the rule, known as the “gainful employment” provision, to crack down on career-education schools, many of which operate as for-profits, if students graduate without meaningful job opportunities and with debts they cannot pay off.

If a particular major or certificate program required students to take out too much student debt relative to earnings, the program under the Obama-era rule would no longer be eligible for federal financial aid.

The gainful-employment rule formed the Obama administration’s main response to soaring student debt levels and allegations of deceptive recruiting tactics, particularly at for-profit colleges that specialize in two-year degrees and career certificates.

For-profit schools taught about one-tenth of all undergraduates at their peak but have been a disproportionate driver of the run-up to \$1.5 trillion in total U.S. student debt, as well as a sharp rise in defaults.

Mrs. DeVos and other administration officials have argued that the Obama rules unfairly targeted for-profit schools and allowed poor-performing programs at nonprofit colleges to continue without scrutiny.

“The department’s rules should be designed to support all students and treat all schools fairly,” Mrs. DeVos said in a statement. “The previous administration’s rule did neither.”

Congressional Democrats and advocates for students criticized the repeal, essentially calling it a gift to the for-profit college industry.

“Scrapping these common-sense regulations will lead to students racking up debt for worthless degrees,” said Aaron Ament, president of the National Student Legal Defense Network.

In place of the rule, the Education Department has moved to require colleges and universities—for-profits, nonprofits and public schools—to publish more detailed data on the finances of their graduates, part of a broader effort to make higher education more market-driven and focused on consumer choice. The data will drill down to individual college majors or degree programs, allowing people to see how much debt students take out to complete certain degrees and how much they earn in the few years after they leave.

Mrs. DeVos is wagering that this data will steer students to make smarter financial choices. The philosophy mirrors a push the Trump administration has made to force hospitals to publish data on their pricing models.

Steve Gunderson, who heads Career Education Colleges and Universities, a trade group representing for-profit schools, said Mrs. DeVos's approach was fairer than the Obama-era rule.

"Instead of picking and choosing winners and losers in higher education, the department will make available, in a student-friendly and transparent manner, key data points at a program level for all programs at all schools," said Mr. Gunderson in a statement.

In addition to repealing the gainful employment mandate, Mrs. DeVos's agency has taken other steps to help for-profit schools. She has all but halted processing applications for a debt-relief program for students defrauded by their colleges, most of whom attend for-profit schools, despite a court order to enforce that Obama-era rule.

The department has also been signing off on for-profit schools looking to convert to nonprofit status, which makes them subject to less federal oversight.

The repeal will formally go into effect in one year, though the Education Department has essentially halted it already by not collecting the data needed to make determinations about which majors or programs to shutter.