

***Creating an Environment for Accountability
and Innovation in Higher Education***

***Proposed Modification of the Forthcoming
Gainful Employment Rule***

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About Regency Beauty Institute

- Regency is privately held and headquartered in Minnesota.
- We have 6,000 students at 80 campuses in 19 states, all of whom are engaged in cosmetology certificate programs approximately 1 year in length.
- We provide training in a physical environment that is convenient and looks and feels like a professional salon.
- We centralize all of our support and administration functions to enhance compliance and enable our faculty to maintain a laser-like focus on student education.
- Our views and recommendations are based on our experience in vocational education.

Policy Views

- We believe higher education institutions should be accountable to students and taxpayers.
- We support the creation of a new regulatory framework—across the triad—that creates the competitive and regulatory dynamics to incent schools to focus on quality improvement and cost containment in addition to access.
- Implementation of quantitative measures that help ensure alignment of education cost with return should be part of the regulatory framework.
- The forthcoming gainful employment rule should be constructed to minimize harm to students and existing higher education infrastructure.

Proposed Modifications

Debt to Income Metric

- The metric that best ensures a positive return on education investment is a debt-to-income metric using mean or median BLS earnings and loan data.
- Rationale for recommended DTI metric
 - This approach is simple and transparent,
 - reflects career earning potential,
 - provides the certainty and stability necessary for students and schools to plan and invest appropriately in education, and
 - reduces fairness issues. Schools have no means to challenge calculations based on SSA data.

Loan Repayment Metric

- The loan repayment test alternative is of questionable value. It is a more complicated and less direct means of getting to the desired outcome than is DTI. It is redundant with the cohort default rate requirement.

Proposed Modifications

Implementation Proposals

- Implementation timing: July 2013; first disqualifications July 2015.
- Cure period: three strikes you're out, like cohort default rate. Gives schools two annual cycles to cure before disqualification from Title IV occurs.