

College Student Loan Debt and Earnings: 2021



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Executive Summary

New data from the U.S. Department of Education's College Scorecard provide invaluable information on the median earnings and the median student loan debt for recent college graduates by program (college/major/level of degree). This study uses these data to explore earnings relative to student loan debt with the goal of helping students, parents, colleges, and policymakers distinguish between student loan debt that is worthwhile and student loan debt that is excessive. The data also allow for the introduction of new accountability metrics that will identify college programs that burden their students with excessive student loan debt. Two promising accountability metrics are Debt as a Percent of Earnings and Gainful Employment Equivalent. Based on our analysis, about 5% of college programs would lose eligibility to participate in the student loan programs under our recommended accountability systems.

Introduction

The latest headline figures of total student loan debt—currently \$1.6 trillion ([Federal Student Aid, n.d.](#))—are viewed by many as evidence of a troubling and worsening crisis. But some of this worry is misplaced. Like any other investment made with borrowed money, student loans can fund productive and worthwhile educational investments—or malinvestments. Student loan debt that is used to make reasonable and thoughtful educational investments can yield a lifelong return in the form of lucrative careers with higher salaries that more than compensate for the student loan debt. Investments of this type are highly productive and worthwhile, so the student loan debt that falls into this category is not a cause for worry—in fact, we should be worried if too few students were to consider incurring debt to be able to make these types of investments in their future. Conversely, debt can also be squandered on malinvestment. The student loan debt that falls into this category is frittered away on low-quality education that fails to improve the knowledge or skills of students, fails to prepare students for a career, or is used to fund a luxurious debt-fueled lifestyle. This type of student loan debt imposes high costs on students' financial future for little or no long-term benefit. This excessive student loan debt is indeed a cause for worry.

Student loan debt cannot be generalized as entirely worthwhile or entirely excessive. Rather, some student loan debt funds highly worthwhile educational investments, while other student loan debt funds financially hazardous malinvestments. Until recently, it was hard for students to tell the difference until long after they had enrolled in college and incurred the debt. Limited data availability only allowed for analyses that lumped all colleges or all majors at a college together, allowing for only an average assessment of whether student loan debt was worthwhile or excessive. But new, better, and more detailed data are available, so we can now look at individual programs on specific campuses rather than broad overall averages. New data reveal that, for most college programs, it can be worthwhile to incur student loan debt. But there are some college programs

Key Points

- New data from the U.S. Department of Education provide median earnings and median student loan debt for recent graduates.
- These data can help students, parents, colleges, and policymakers distinguish between college programs where student loan debt can be worthwhile and programs where student loan debt is excessive.
- Federal and state policymakers can also use these data to hold colleges accountable when they leave their students with excessive student loan debt.
- Two promising accountability metrics are Debt as a Percent of Earnings and Gainful Employment Equivalent.
- Around 5% of college programs would lose eligibility to participate in the student loan programs under our recommended accountability systems.

that leave their graduates with excessive debt which poses a financial danger to students.

This study aims to help students, parents, colleges, and policymakers distinguish between these two types of student loan debt: worthwhile or excessive. We do that by analyzing the U.S. Department of Education College Scorecard database, which contains new data on student loan debt and early-career salaries. We use these data to introduce two potential accountability metrics: *Debt as a Percent of Earnings* (DPE) and *Gainful Employment Equivalent* (GEE). DPE and GEE compare the median student loan debt (DPE) or debt payments (GEE) with median early-career earnings to identify programs where students cannot afford to repay their student loans. Under our recommended accountability thresholds for DPE, 6% of college programs would face a loss of eligibility for federal financial aid programs. Under GEE, 9% of college programs would lose eligibility. These results indicate that not all student loan debt is the same—some debt can be used to make worthwhile investments in a student’s future, while other debt can leave a student without much to show for it other than a heavy debt burden. These data on particular programs at specific colleges provide valuable information in the decision process than just broad national averages to better evaluate such a costly, important endeavor.

U.S. Department of Education’s College Scorecard Data

The U.S. Department of Education’s College Scorecard dataset includes the student loan debt and the post-graduation earnings of graduates by program. A program is a college/major/level of degree combination. For example, the bachelor’s degree major in accounting at the University of Texas at Austin would be one program. There are around 244,000 programs across the country that awarded almost 10 million certificates or degrees in 2014-15 and 2015-16.

However, around 50,000 programs are at branch campuses, which have some but not all their data pooled with their parent program on a main campus. For example, the number of degrees awarded is reported by branch, but the number of student loan borrowers is pooled. Since branch campuses’ student loan debt and earnings data are pooled into the main campus program, we pooled their degree data with their main campus and included only the main campus program.

In addition, roughly 50,000 programs had no graduates in 2014-15 or 2015-16. This leaves 146,312 programs that constitute the available college universe, which includes virtually every college graduate in 2014-15 or 2015-16.

However, not all of these programs and students have all of their data reported, and there are several additional caveats to be aware of.

First, the data of small programs are suppressed to protect student privacy. The Department of Education does not disclose the precise criteria used, but programs with few graduates, few federal financial aid recipients, and few graduates who entered the labor force have their data suppressed to protect student privacy. Depending on the measure, roughly two thirds of programs fall into this category.

Second, the College Scorecard data double-counts some but not all students who double majored. If both majors are in a closely related academic field (fields within the same 4-digit CIP code), a student will only appear in the data once, but if the majors are in sufficiently different academic fields (different 4-digit CIP codes), the same student will appear twice in the data, once under each field. This means that an unknown number of students are double-counted. For simplicity, we refer to degree totals as the number of students, acknowledging that some of these students are double-counted.

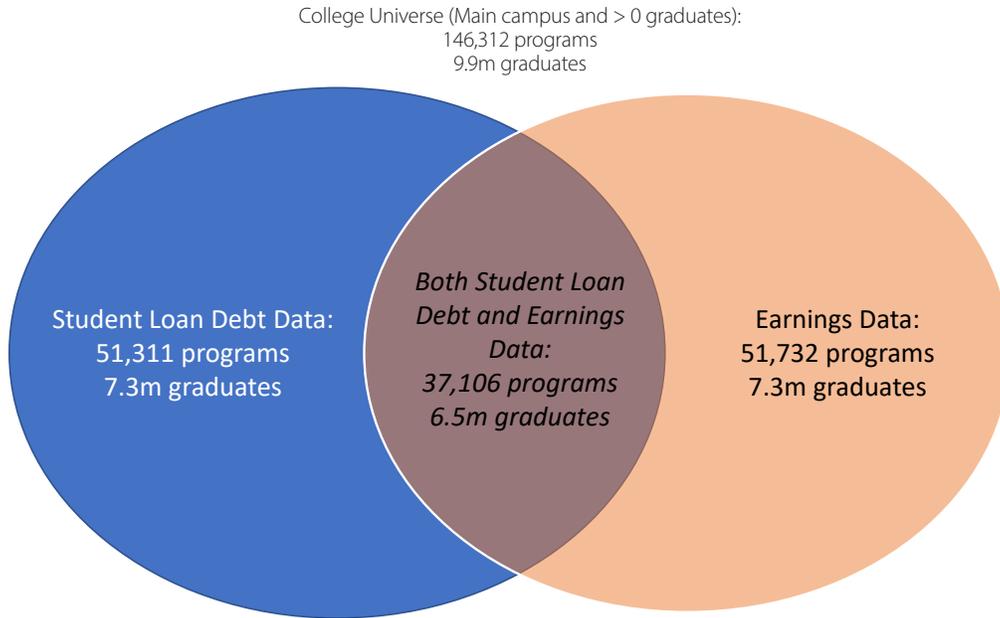
Third, the data examined in this study—student loan debt and post-graduation earnings—are only tracked for some students. Debt data are only reported for students who took out student loans (excluding non-borrowers), while earnings data are reported only for employed graduates who received federal financial aid.

These data availability issues leave three datasets that are used at various points in this study, as shown in **Figure 1**.

The earnings dataset is used in **Figures 3** and **4**, and the student loan debt dataset is used in **Figures 5** and **6**. Most other figures and tables use the overlapping dataset that has both student loan debt data and earnings data, unless otherwise noted (e.g., in some figures, we drop medical school programs).

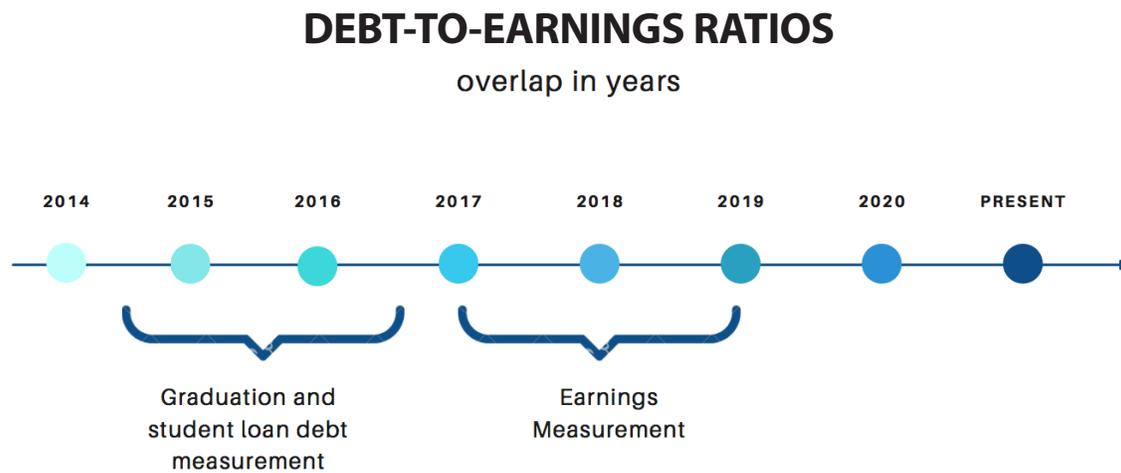
- **Earnings** are reported for students who received federal financial aid and then entered the labor force. Graduates who did not work, who enrolled in further schooling, or who died were excluded. Earnings are the “sum of wages and deferred compensation from all nonduplicate W-2 forms and positive self-employment earnings from IRS Form 1040 Schedules SE (Self Employment Tax) for each student measured” ([U.S. Department of Education, 2021, p. 4](#)). We focus on earnings 2 years after graduation for the cohort of students who graduated in 2014-15 and 2015-16.
- **Student Loan Debt** is the cumulative amount borrowed by graduates who borrowed through the Stafford or

Figure 1
Venn Diagram of U.S. Department of Education College Scorecard Data Availability



Note. Data from U.S. Department of Education and author's calculations.

Figure 2
Timeline for the Measurement of Student Loan Debt and Earnings



Graduate PLUS loan programs. Parent PLUS and Perkins loans are not included. Debt does not include any accrued interest ([U.S. Department of Education, 2021, pp. 4-5](#)). We focus on student loan debt for the cohort of students who graduated in 2014-15 and 2015-16.

Most of the analysis in this study uses the portion of the data with both student loan debt and earnings, which includes 37,106 programs that awarded approximately 6.5 million degrees in 2014-15 and 2015-16, about 65% of all certificates or degrees awarded. However, the coverage varies by credential, with data for 83% of bachelor's degree graduates yet only 18% of doctoral degree graduates. **Figure 2** illustrates the timeline used for measuring student loan debt and earnings for these students and notes the difference between academic years and calendar years.

Note that the earnings and student loan debt are tracked for different subsets of students—earnings data is collected on all financial aid recipients who work, whereas debt data is collected on borrowers regardless of their labor market status. Thus, an unemployed college graduate who took out student loans would be included in the student loan debt data but not the earnings data. Similarly, an employed

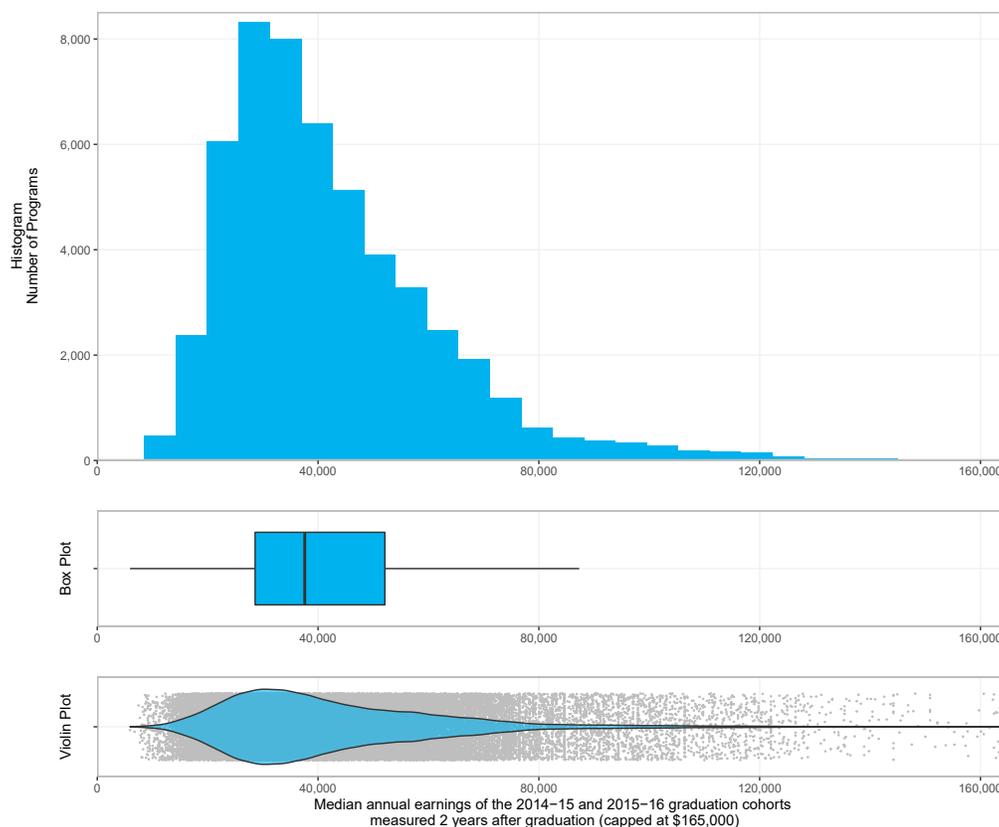
college graduate who received a Pell Grant but did not take out student loans would be included in the earnings data but not the student loan debt data. Therefore, we treat the student loan debt and the earnings figures as representative for the subset of college graduates who borrowed and entered the labor force. The extent to which this composite student—a student loan borrower who had a job 2 years later—is representative of a college's or a program's overall student population will vary.

College Earnings and Student Loan Debt

Figure 3 shows the distribution of college graduate earnings by program 2 years after graduation.

The top portion of **Figure 3** is a histogram, which shows the number of programs in each earnings bin. The next portion shows the same distribution as a box plot. In a box plot, the shaded box shows the middle 50% of observations, with the line representing the median value. The whiskers show the range of values close to the median. The bottom portion shows the same distribution as a violin plot. In a violin plot, each program is a small grey dot, and the blue shape represents the relative frequency of values.

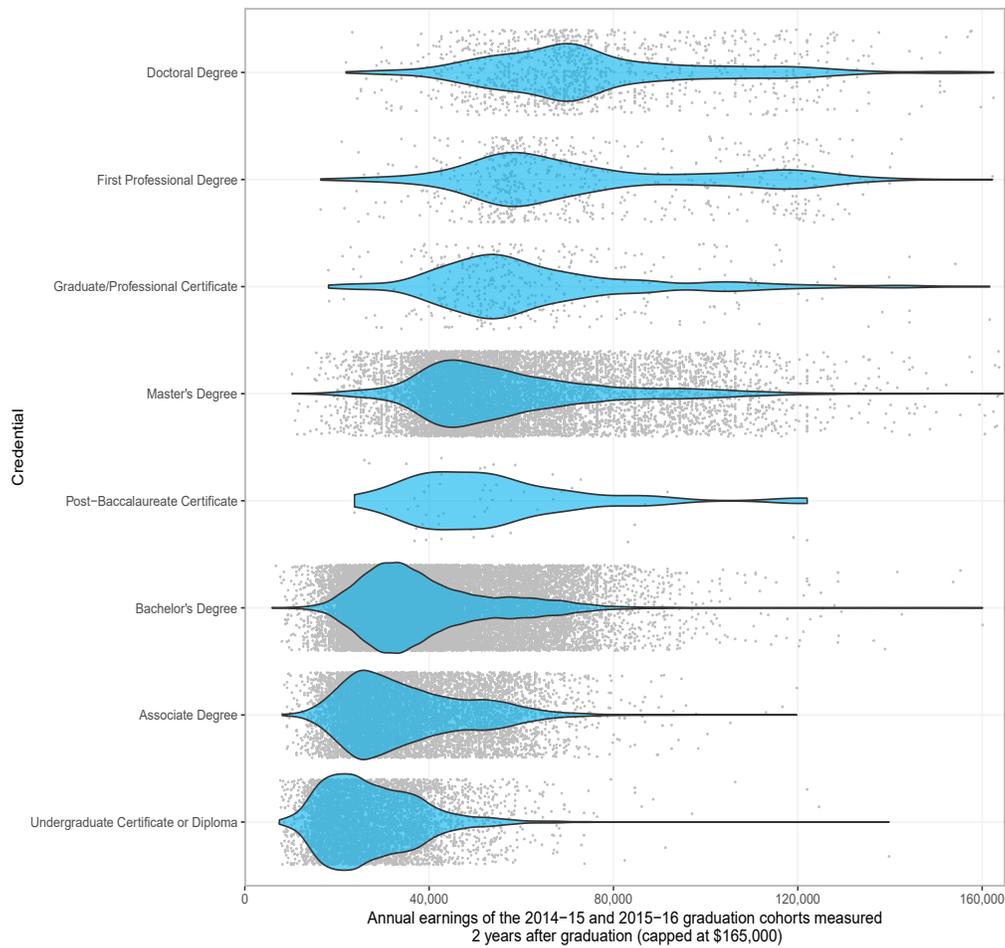
Figure 3
Distribution of College Graduate Annual Earnings



Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed in the box plot.

Figure 4 shows a violin plot of college graduate earnings by credential. The bulge at the beginning of the associate degree plot indicates a relatively concentrated distribution, where most programs have similar median earnings, whereas the longer and flatter shape for doctoral degrees indicates that median earnings among these programs are much more variable.

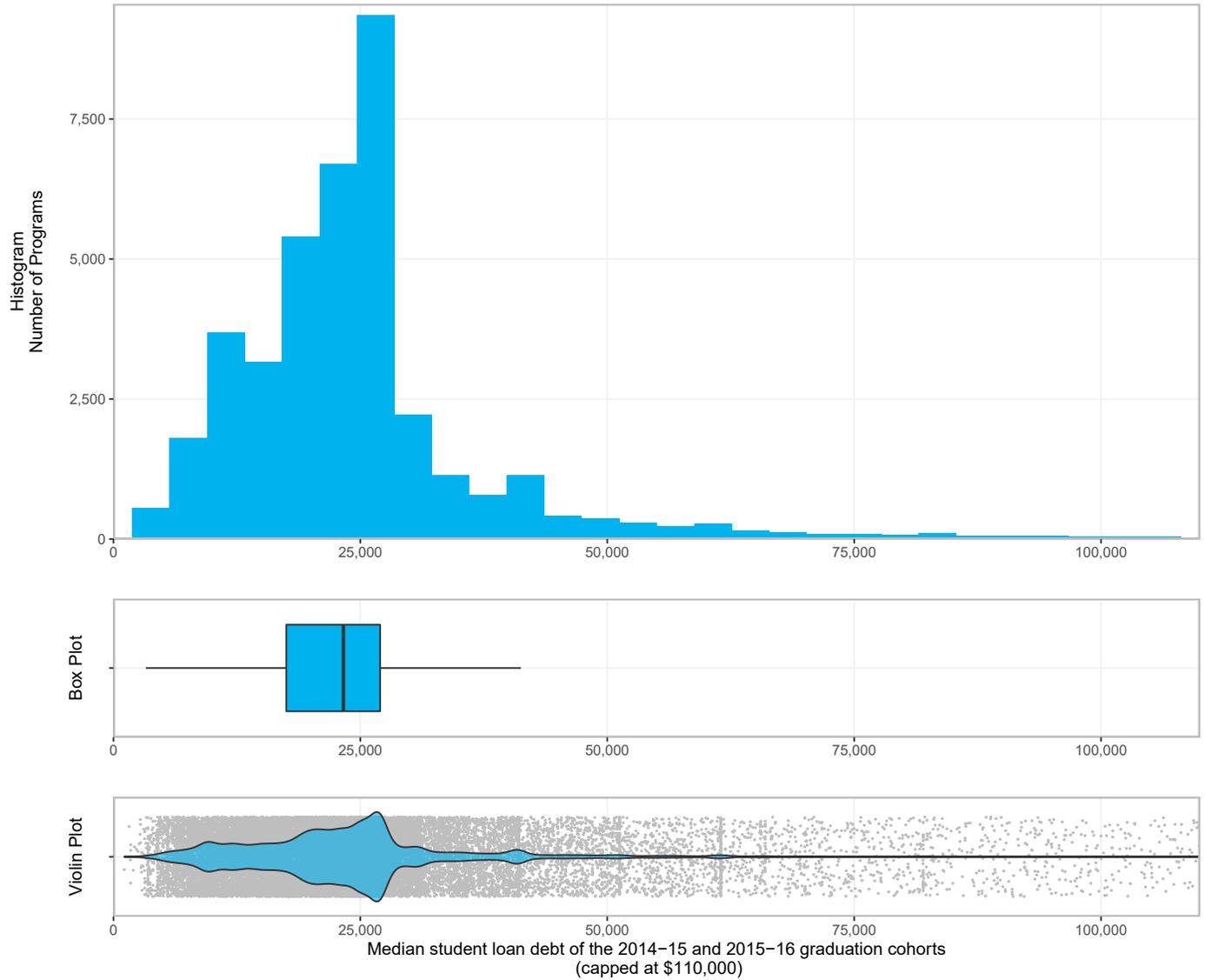
Figure 4
College Graduate Annual Earnings by Credential



Note. Data from U.S. Department of Education and author's calculations.

Figure 5 shows the distribution of the student loan debt.

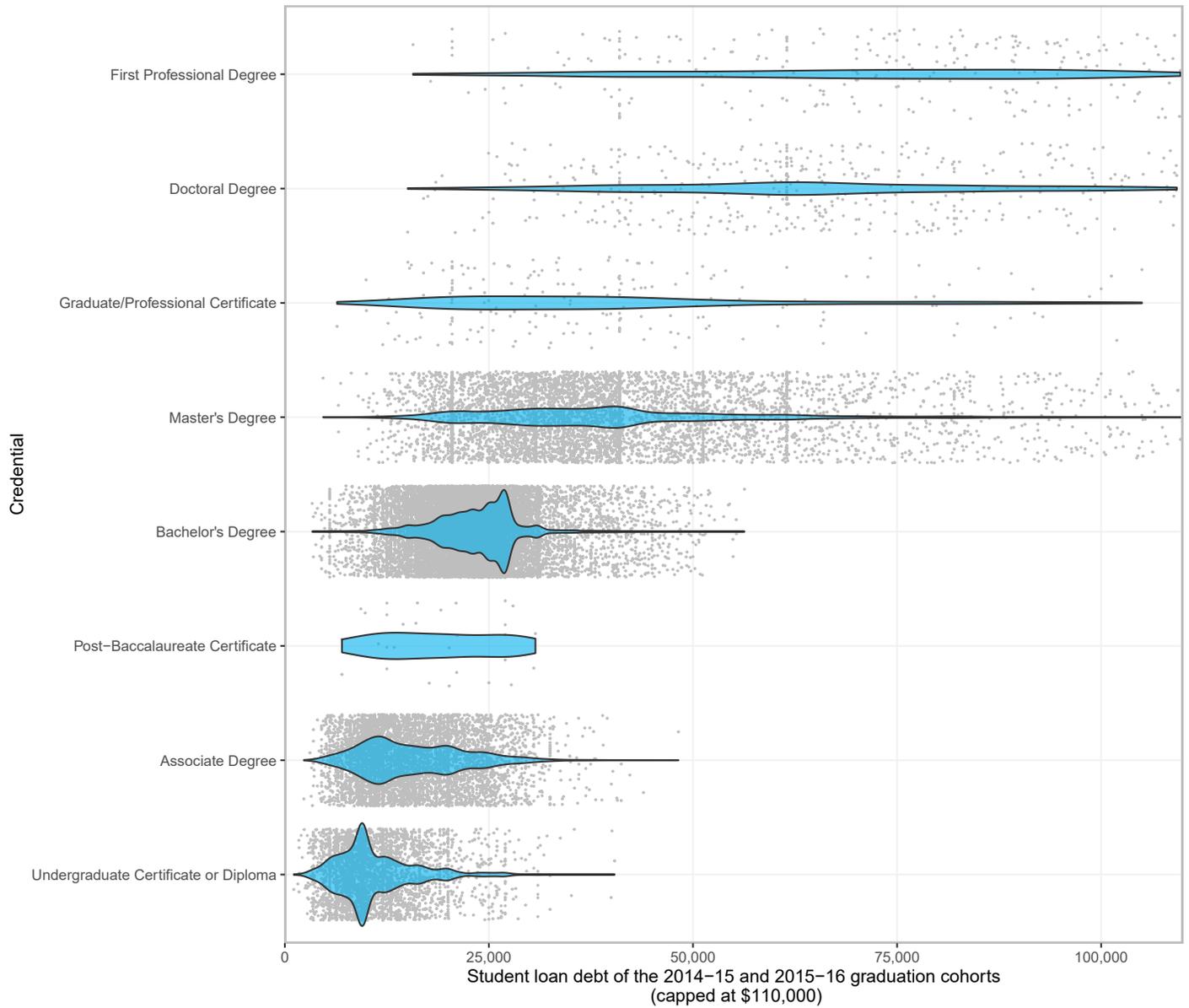
Figure 5
College Graduate Student Loan Debt



Note. Data from U.S. Department of Education and author’s calculations; outliers have been suppressed in the box plot.

Figure 6 shows violin plots of student loan debt by credential.

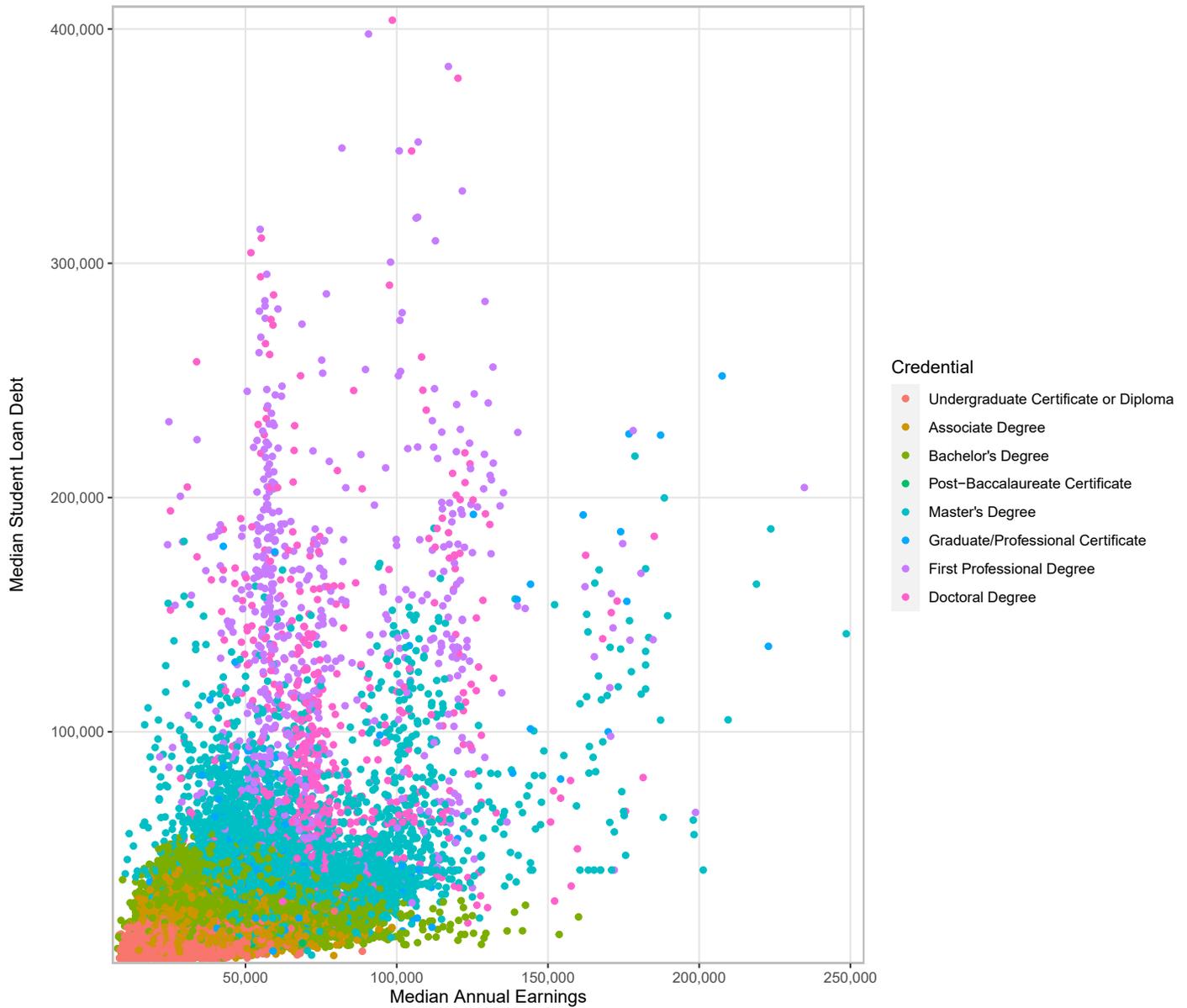
Figure 6
College Graduate Student Loan Debt by Credential



Note. Data from U.S. Department of Education and author's calculations.

Figure 7 combines the earnings and student loan debt into a scatterplot where each college program is represented by a dot, with different colors for different credential levels.

Figure 7
College Graduate Earnings and Student Loan Debt by Credential



Note. Data from U.S. Department of Education and author's calculations.

The higher debt and earnings of some graduate programs have the effect of obscuring most undergraduate programs in the lower-left corner, so **Figure 8** is limited to only bachelor's degree programs, classified by the control of the university (public, private nonprofit, or private for-profit).

Figure 8
College Graduate Earnings and Student Loan Debt by Control: Bachelor's Degree



Note. Data from U.S. Department of Education and author's calculations.

Holding Colleges Accountable for Excessive Student Loan Debt

The federal government spent \$143 billion on student financial aid in 2019-2020 ([College Board, 2020](#)), and there is surprisingly little accountability for this massive spending.

The only accountability metric related to student lending is the *Cohort Default Rate*—the percent of a college’s students who default on their student loans within 3 years. While there is nothing wrong with default rates being *an* accountability metric, they should not be *the* accountability metric. For starters, the default rate cutoffs are extremely generous. A college can have a 29.9% default rate, meaning that just under 3 out of 10 students default on their student loans within 3 years, and remain fully eligible to participate in the student loan programs. In addition, the rise of income-driven student loan repayment programs is rendering default rates obsolete. These repayment plans tie monthly student loan payments to the graduate’s income. If a graduate loses their job, their student loan payment drops to \$0, resuming once they find a new job (with their new loan payment based on their new salary). Under these income-driven repayment plans, even when the student has a payment of \$0, they are considered current on their student loan payments.

These income-driven repayment plans are a dramatic improvement over the standard fixed monthly payment plan ([Gillen, 2020](#)), but they also completely neuter cohort default rates as an accountability mechanism because defaults are all but eliminated under income-driven repayment plans. As default rates become obsolete, there will be virtually no accountability for colleges that encourage their students to take on excessive student loan debt. The federal government should move to replace cohort default

rates with repayment rates—the percent of students who are paying down their balance.

But merely replacing a soon-to-be-obsolete metric is not enough. Federal and state policymakers should also introduce new accountability metrics that more directly track labor market outcomes. There are many promising candidates, and this paper focuses on two new metrics that can be implemented using the new Department of Education College Scorecard data: Debt as a Percent of Earnings and Gainful Employment Equivalent.

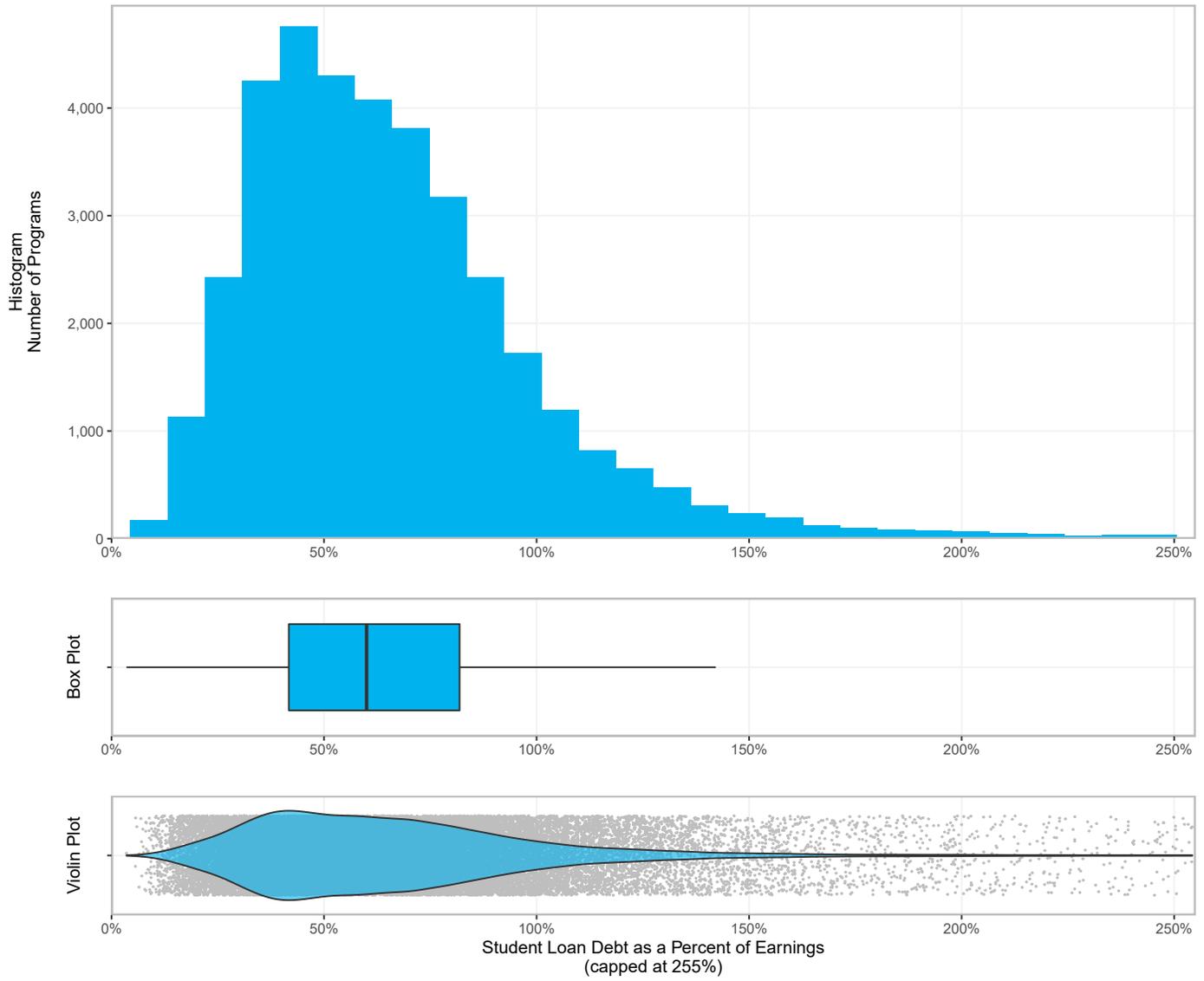
Debt as a Percent of Earnings

The first promising accountability metric proposed for use by federal and state governments is Debt as Percent of Earnings (DPE), which is simply median student loan debt as a percent of median earnings. For example, a program with median student loan debt of \$25,000 and a median salary of \$50,000 would have a debt as a percent of earnings value of 50%. If median debt increased to \$75,000 while the median salary stayed at \$50,000, the program’s debt as a percent of earnings value would be 150%. The lower a program’s DPE, the better for students.

Debt as Percent of Earnings does a better job of evaluating whether the student loan debt incurred to make an educational investment is worthwhile or excessive by relating the median amount of student loan debt to the median early-career salary. A low DPE indicates that student loan debt is low relative to a graduate’s salary, which indicates that enrolling in the program can be a worthwhile educational investment. In contrast, a high DPE means that student loan debt is high relative to a graduate’s salary, indicating that enrolling in the program is likely to result in excessive student loan debt.

To get a sense of the range of how colleges rate on this metric, **Figure 9** shows the distribution of college programs' debt as a percent of earnings.

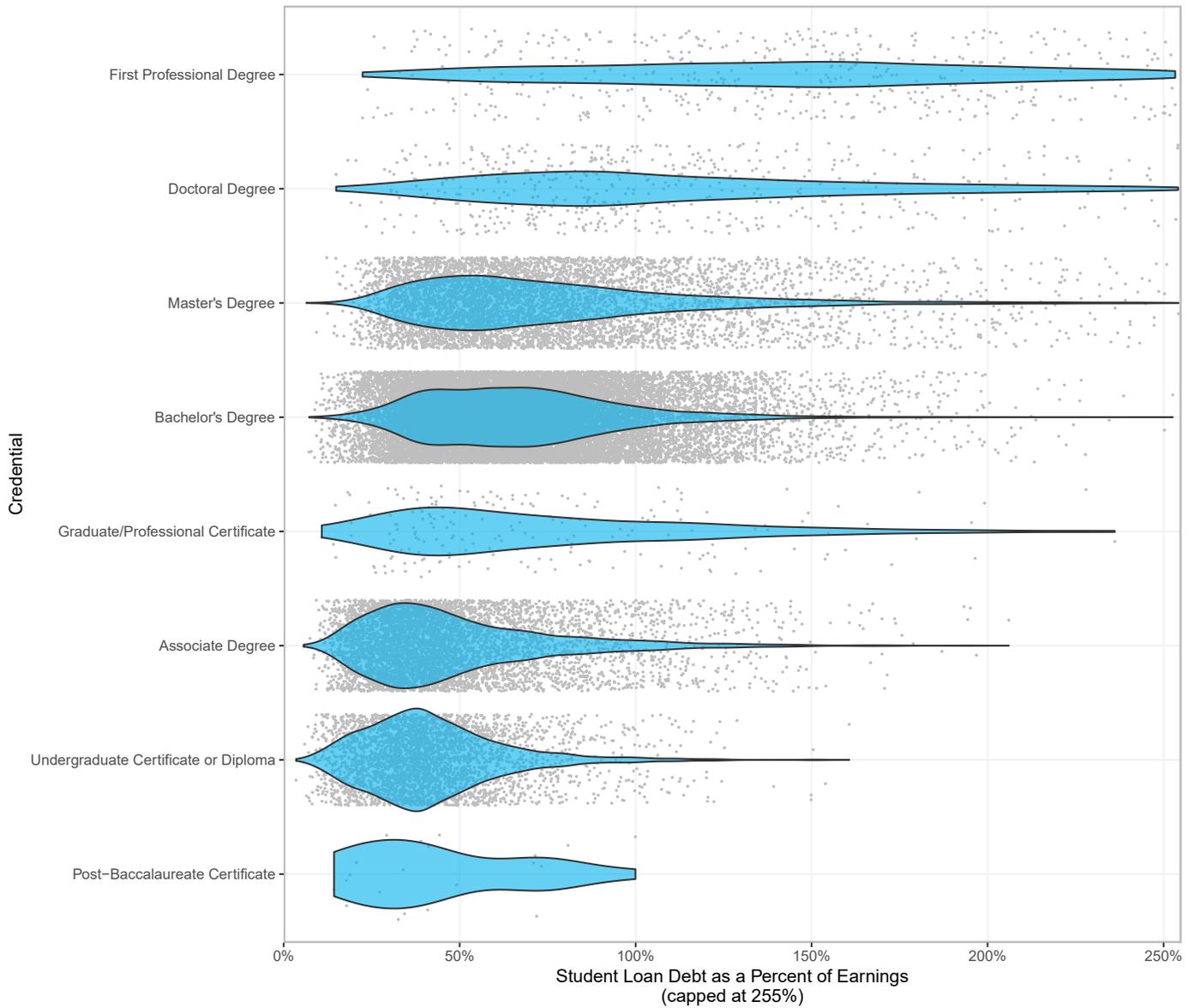
Figure 9
Debt as a Percent of Earnings



Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed in the box plot.

Figure 10 shows violin plots of debt as a percent of earnings by credential.

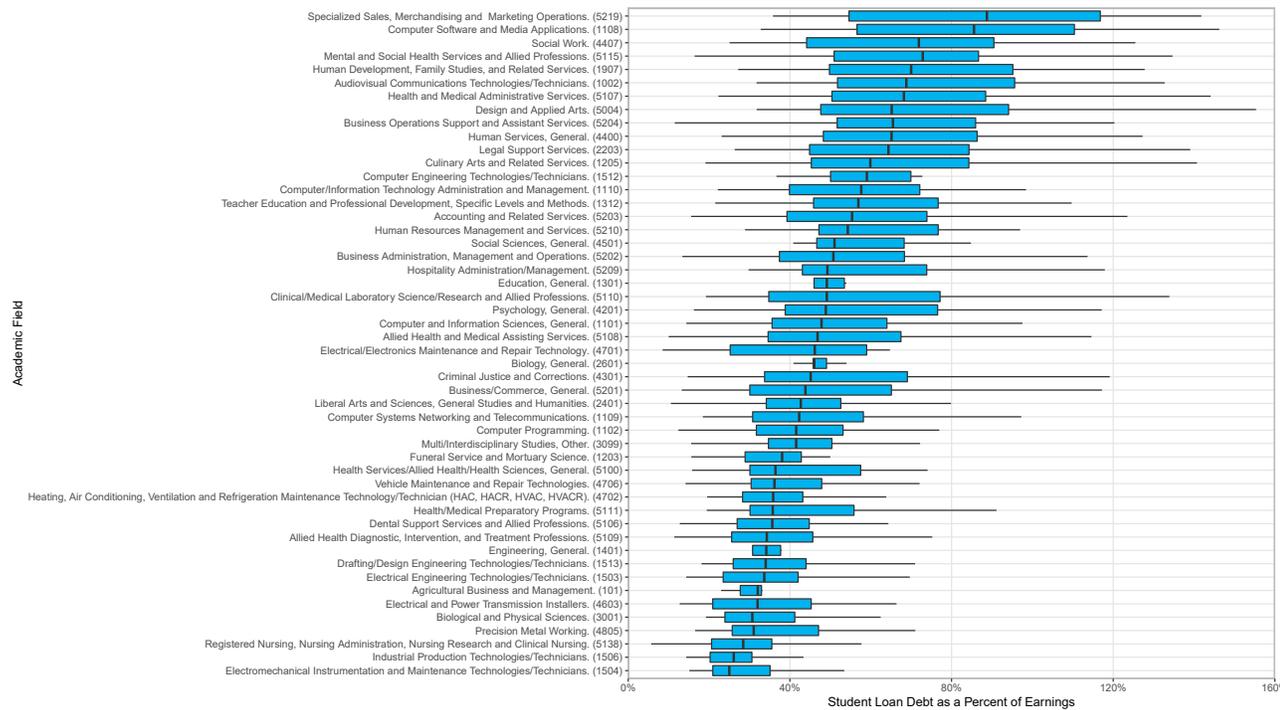
Figure 10
Debt as a Percent of Earnings by Credential



Note. Data from U.S. Department of Education and author's calculations.

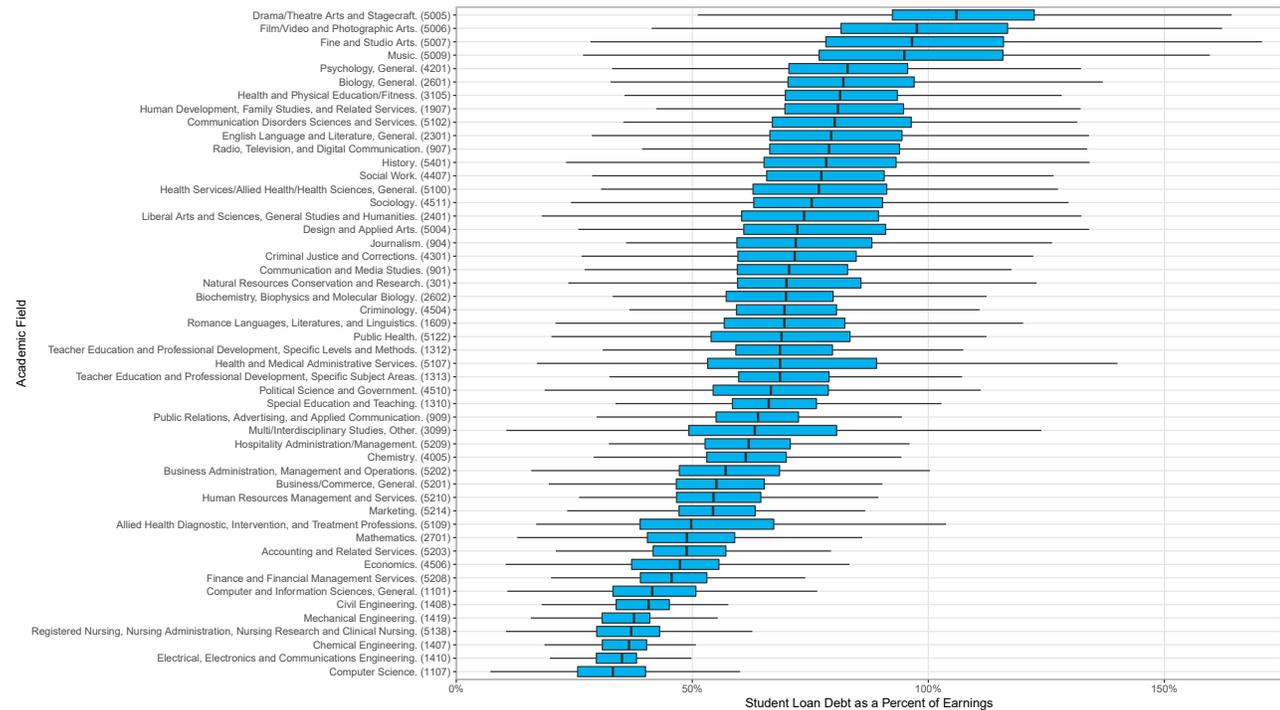
There is considerable variability in debt as a percent of earnings by academic field and credential. **Figures 11-15** show the distribution of debt as a percent of earnings by academic field and credential.

Figure 11
Debt as a Percent of Earnings by Academic Field: Associate Degree



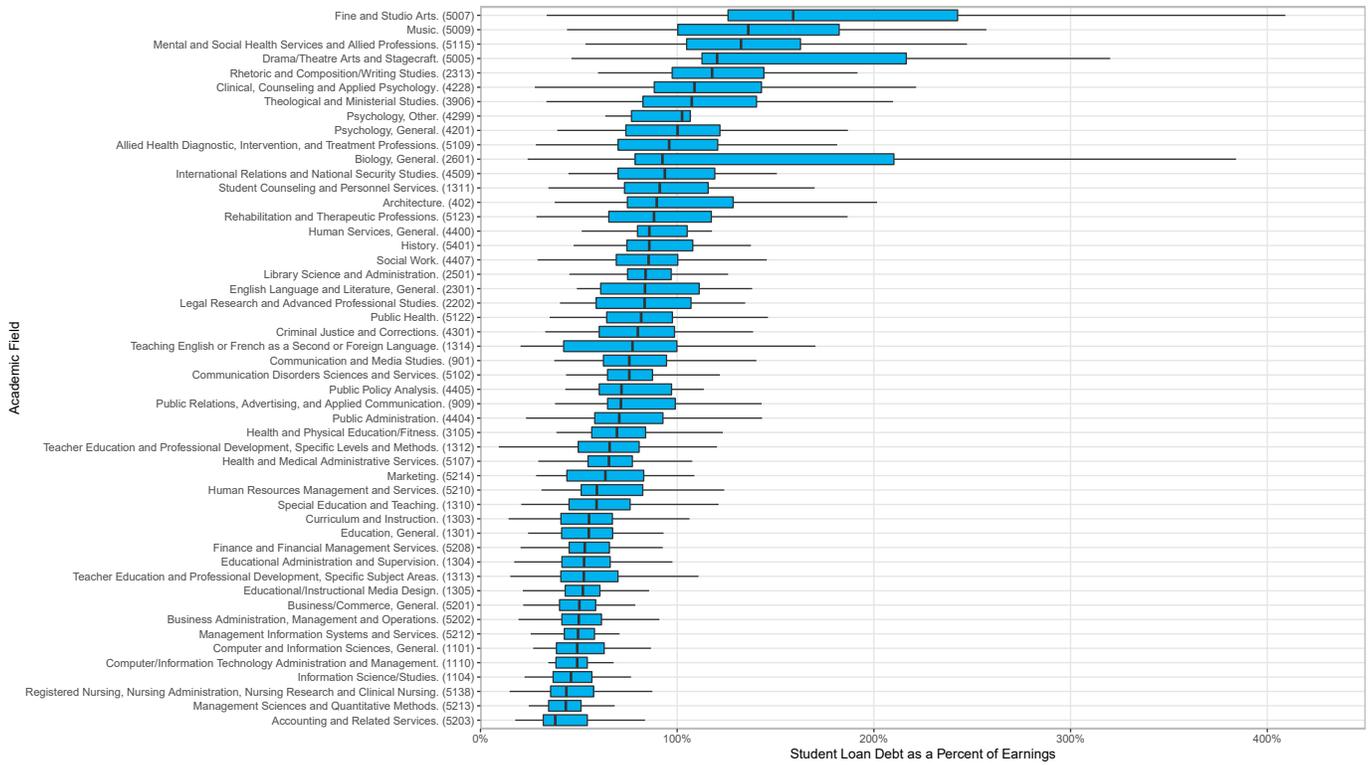
Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed.

Figure 12
Debt as a Percent of Earnings by Academic Field: Bachelor's Degree



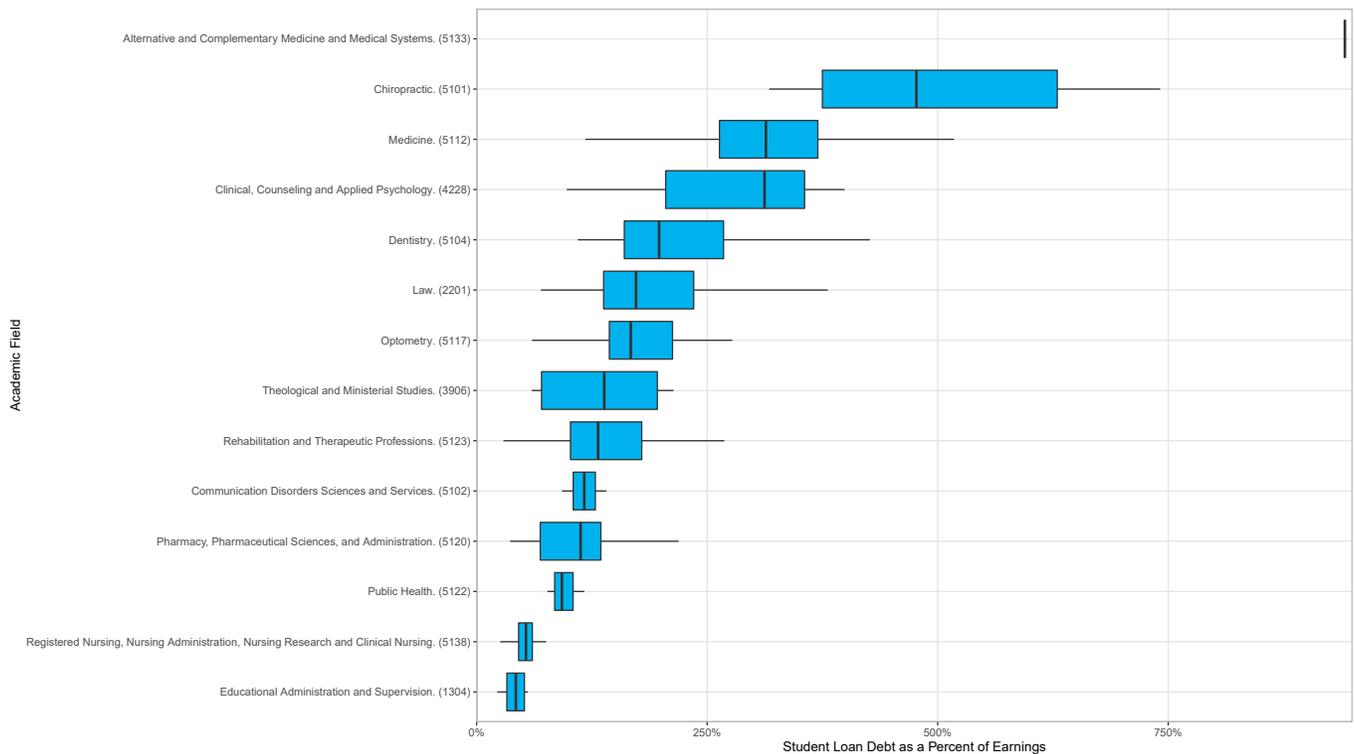
Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed.

Figure 13
Debt as a Percent of Earnings by Academic Field: Master's Degree



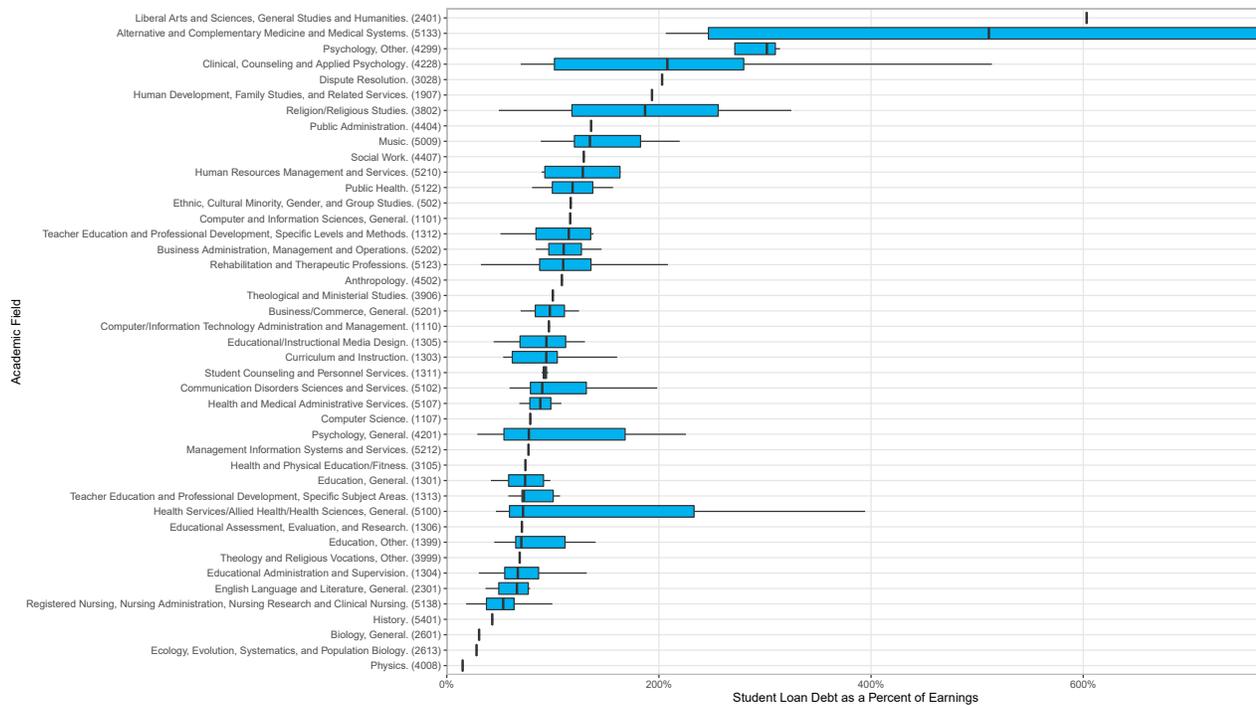
Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed.

Figure 14
Debt as a Percent of Earnings by Academic Field: Professional Degree



Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed.

Figure 15
Debt as a Percent of Earnings by Academic Field: Doctoral Degree



Note. Data from U.S. Department of Education and author's calculations; outliers have been suppressed.

Setting Accountability Thresholds for Debt as a Percent of Earnings

Debt as a percent of earnings enables the identification of worthwhile educational investments where the student loan debt incurred can be justified by the salary students earn after graduating. It also allows for the identification of financially hazardous educational malinvestments where students incur excessive student loan debt relative to their salary.

Policymakers should use debt as a percent of earnings as an accountability metric. But where should policymakers set the thresholds? To find appropriate thresholds, we encourage policymakers to keep the following key factors in mind.

First, accountability systems should use both carrots and sticks. Historically, accountability from the perspective of colleges has entailed only higher administrative burdens and the possibility of sanctions and punishments. With no potential rewards and only potential punishments, it is no surprise that colleges have traditionally resisted the accountability movement. But it does not have to be that way. Carrots, such as regulatory oversight exemptions or financial bonuses,¹ can and should be incorporated into accountability systems to complement the traditional sticks (e.g., termination of a program's eligibility for federal financial aid programs). By rewarding high performers while

punishing bad performers, accountability might no longer be reflexively resisted.

Second, avoid all-or-nothing determinations by using multiple categories of performance and sliding scales. Higher education's existing accountability systems tend to have a binary approach—a college faces either no sanctions or a fatal sentence. For example, a college in good standing can enroll an unlimited number of students using federal financial aid. But a college that fails the cohort default rate test is cut off from all federal financial aid programs, even for students one semester away from graduating. This bipolar approach can and should be avoided. Accountability systems should use more than two categories of performance and use a sliding scale when possible.

Third, tailor the accountability carrots and sticks to the accountability metric. For example, debt as a percent of earnings is specifically measuring student loan debt relative to earnings, so the natural sanction for failing programs would be to curtail future access to the federal student loan programs, not necessarily all federal financial aid. Pell grants serve a different purpose than student loans, so separate accountability metrics (e.g., sufficient graduation rates for Pell Grant recipients) could be used to determine a program's future access to Pell grants.

¹ Spending on bonuses to reward high-performing programs should be funded with some of the reduced spending on poor-performing programs.

Fourth, many financial aid experts, such as Mark Kantrowitz, who is a well-established expert in this field, urge a rule of thumb that students should not borrow more than their starting salary ([Kantrowitz, 2021](#); [Shaffer, n.d.](#); [Lux, 2020](#)). This rule of thumb corresponds with a debt as a percent of earnings of 100%.

Fifth, rather than assessing a program based on the debt as a percent of earnings for the median student, it would be better to evaluate the distribution of a program’s debt as a percent of earnings. For example, a DPE threshold of 100% for a program’s median student might seem adequate since it is just meeting the rule-of-thumb recommendation of financial experts. But it also means that almost half of the program’s graduates are in risky financial territory by having a DPE above 100%. Thus, policymakers might want to say that 80% or 90% of a program’s graduates need to be under a DPE of 100%. While we would prefer such an examination, the College Scorecard data currently only reports the median earnings of graduates, which means that our calculations and recommendations are all based on the median student.

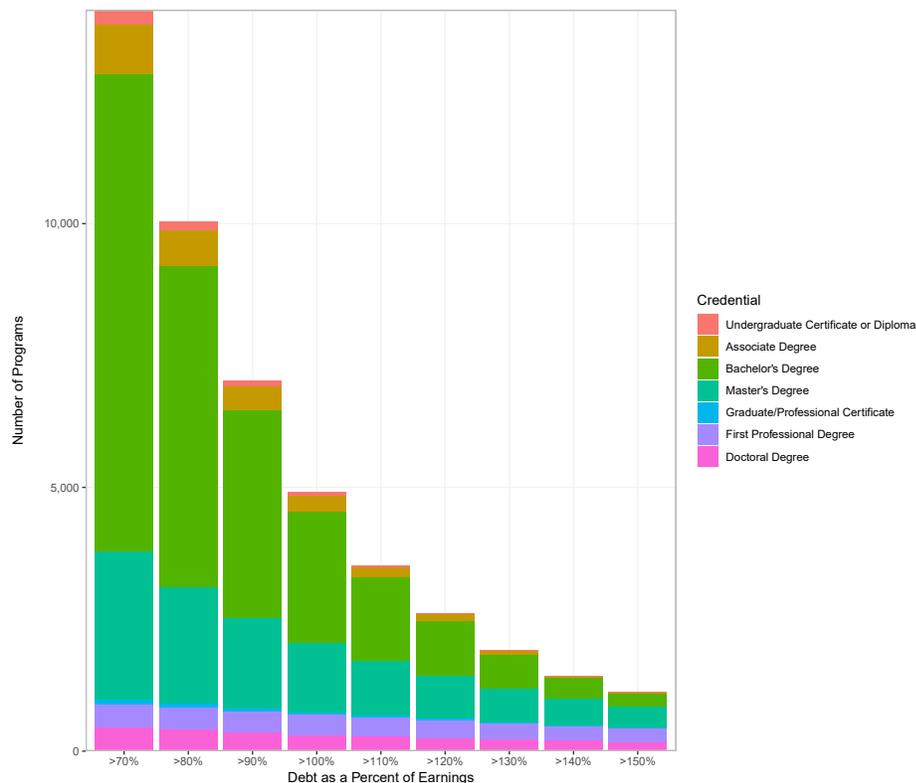
Sixth, some fields may warrant special alterations. For example, medical schools are a special case because many

new doctors pursue a form of on-the-job training through residency programs. Residency programs do pay a modest salary but are better thought of as a type of apprenticeship program rather than the first job medical doctors work after graduating. Rather than use medical doctor’s salaries while in residency, it would be better to evaluate their outcomes after their residency programs. Since the College Scorecard does not yet have their post-residency salary, we have excluded medical schools from this section (we will be able to include them in future reports once the College Scorecard has additional years of data available).

To get a sense of how many programs would be affected by various cutoffs, **Figure 16** shows the number of programs exceeding various debt as a percent of earnings thresholds by level of credential.

We recommend the following system as a reasonable starting point for debt as a percent of earnings (noting that data availability only allows for the calculation of DPE for the median student, whereas, ideally, the DPE of a student in the 80th or 90th percentile would be better). When using Debt as a Percent of Earnings, we recommend an accountability system with four performance ratings: Reward, Monitor, Sanction, and Sunset.

Figure 16
Number of Programs with Debt as a Percent of Earnings Above Various Thresholds



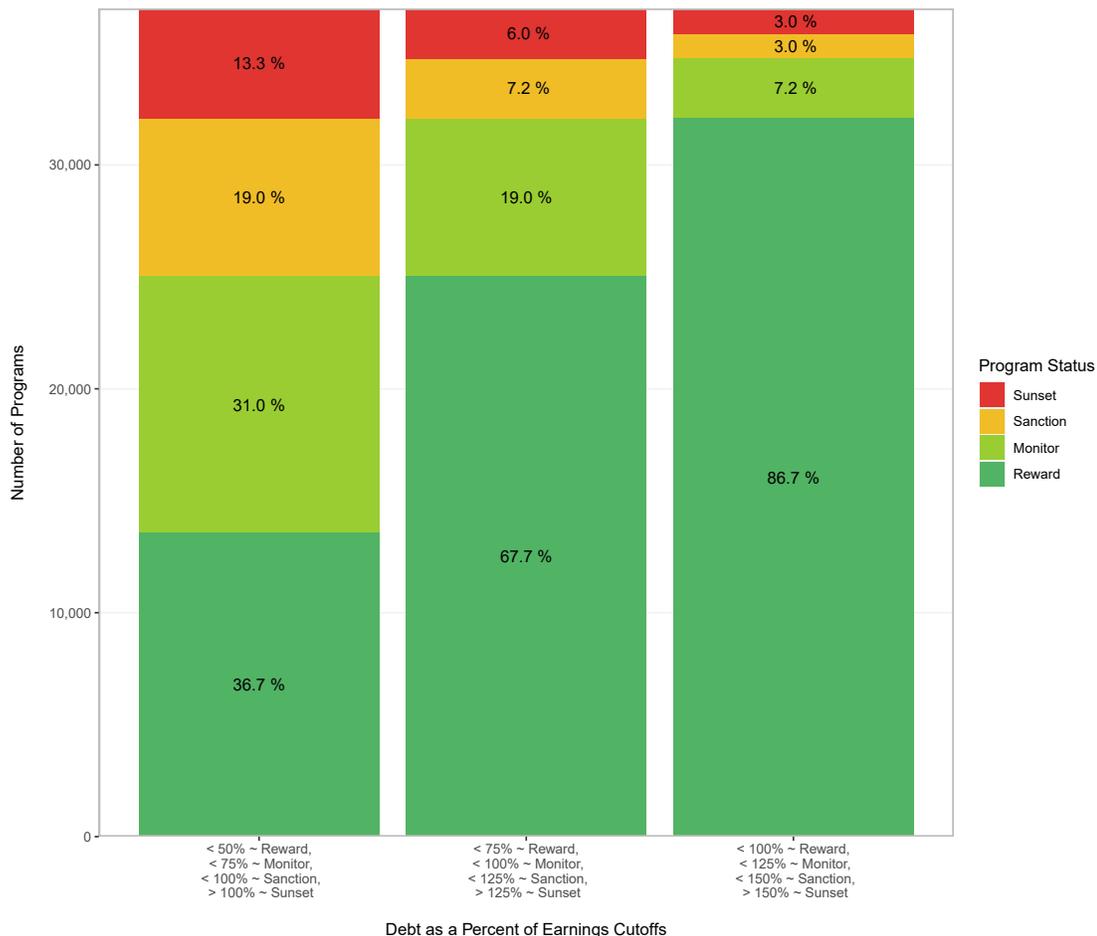
Note. Data from U.S. Department of Education and author’s calculations.

- **Reward** (Debt as a Percent of Earnings $\leq 75\%$). Programs meeting this threshold would be subject to
 - Exemptions from most regulatory oversight, including waivers of accreditation requirements at the lower end.
 - Performance bonuses.
 - Unrestricted expansion of enrollment by students using federal student loans.
- **Monitor** ($75\% < \text{Debt as a Percent of Earnings} \leq 100\%$). Programs meeting this threshold would be subject to
 - Some regulatory relief.
 - Some restrictions on enrolling new students using federal student loans at the upper end of the range.
- **Sanction** ($100\% < \text{Debt as a Percent of Earnings} \leq 125\%$). Programs meeting this threshold would be subject to
 - Increased regulatory oversight.
 - Increased financial aid counseling for current and future loan-taking students.
- Restrictions on enrolling new students using federal student loans.
- **Sunset** (Debt as a Percent of Earnings $> 125\%$). Programs meeting this threshold would be subject to
 - Increased regulatory oversight.
 - Increased financial aid counseling for current loan-taking students.
 - No enrollment of new students using federal student loans.

Figure 17 shows the number of college programs by debt as a percent of earnings status under our recommended thresholds, as well as two alternative sets of thresholds.

Under our recommended thresholds, 67.7% of programs would be in the Reward category, 19% would be in the Monitor category, 7.2% would be in the Sanction category, and 6% would be in the Sunset category.

Figure 17
College Performance on Debt as a Percent of Earnings



Note. Data from U.S. Department of Education and author's calculations.

Gainful Employment Equivalent

Another promising accountability metric would be to fix and resurrect the *Gainful Employment* regulations. Gainful Employment is the common name given to a set of regulations introduced in 2010, struck down by a court in 2012, then reintroduced in 2014, then abandoned in 2019. We have developed *Gainful Employment Equivalent* to resurrect the parts of the original regulations that are worth salvaging.

It is possible to closely mimic the main calculations from the original regulations. In particular, the College Scorecard data allow for similar calculations for the Annual Earnings Rate (AER; annual student loan payments divided by annual earnings) and the Discretionary Income Rate (DIR; annual student loan payments divided by annual earnings minus 150% of the poverty line). A program with an AER less than 8 or a DIR less than 20 would pass, an AER between 8 and 12 or a DIR between 20 and 30 would be on probation (officially called “Zone”), and an AER greater than 12 or a DIR greater than 30 would fail. A program’s best performance on the two tests was their official rating (e.g., a program with a passing AER but a failing DIR would pass), and if a program failed in 2 out of 3 years or did not pass for 4 years, the students would no longer be able to pay for the program using federal financial aid programs such as Pell grants and student loans ([Lindsay & Gillen, 2020](#)).

One option for Gainful Employment Equivalent would simply use these same cutoffs. However, a case can be made that new cutoffs should be used due to differences in the original Gainful Employment (GE) data and the new College Scorecard (CS) data. In particular,

- Program definition. CS aggregates programs into larger groups than the GE data. For example, all subfields of economics are grouped in the 4-digit CIP code 45.06 in the CS data, but the GE data separates these out by subfield (e.g., 45.0604 for Development Economics and International Development). This will not affect any calculations per se, but it entails greater aggregation than the original GE regulations.

- Earnings. The CS data do not include students who did not work, whereas the GE data did. Earnings are also measured at different times, with the CS earnings being measured 2 years after graduation and the GE data being measured 3-6 years after graduation.
- Debt. The CS debt data exclude non-borrowers, whereas the GE data included non-borrowers. GE data also include some private lending, whereas the CS data do not.

Thus, instead of using the original GE cutoffs, a case can be made to use alternative cutoffs. There are two straightforward approaches to finding new cutoffs. The first approach uses regression analysis on programs that appear in both the GE data and the CS data to determine the relationship between the AER in the GE data and the AER for those programs in the CS data. Such an analysis indicates that AERs in the CS data are about 98% of the AER in the GE data. This indicates that the regression-adjusted cutoffs can be found by multiplying the original GE cutoffs by 0.98.

Another reasonable approach is to search for cutoffs that generate similar passage rates as the original GE cutoffs. In the GE data, about 77% of programs passed. However, Gainful Employment was originally introduced in 2010 before being invalidated in court, and then a modified version was introduced in 2014 and survived court challenges. This means that many programs that would have failed saw the writing on the wall and may have wound down operations before 2017, the first year GE’s accountability mechanisms kicked in. Indeed, the Department of Education estimates that 22% of programs that would have been subject to the regulations closed prior to 2017 ([U.S. Department of Education, 2017](#)). Under the assumption that these programs would not have passed, this implies an adjusted passage rate of around 63%. The passage rate GEE cutoffs are the thresholds that would recreate these same passage rates.

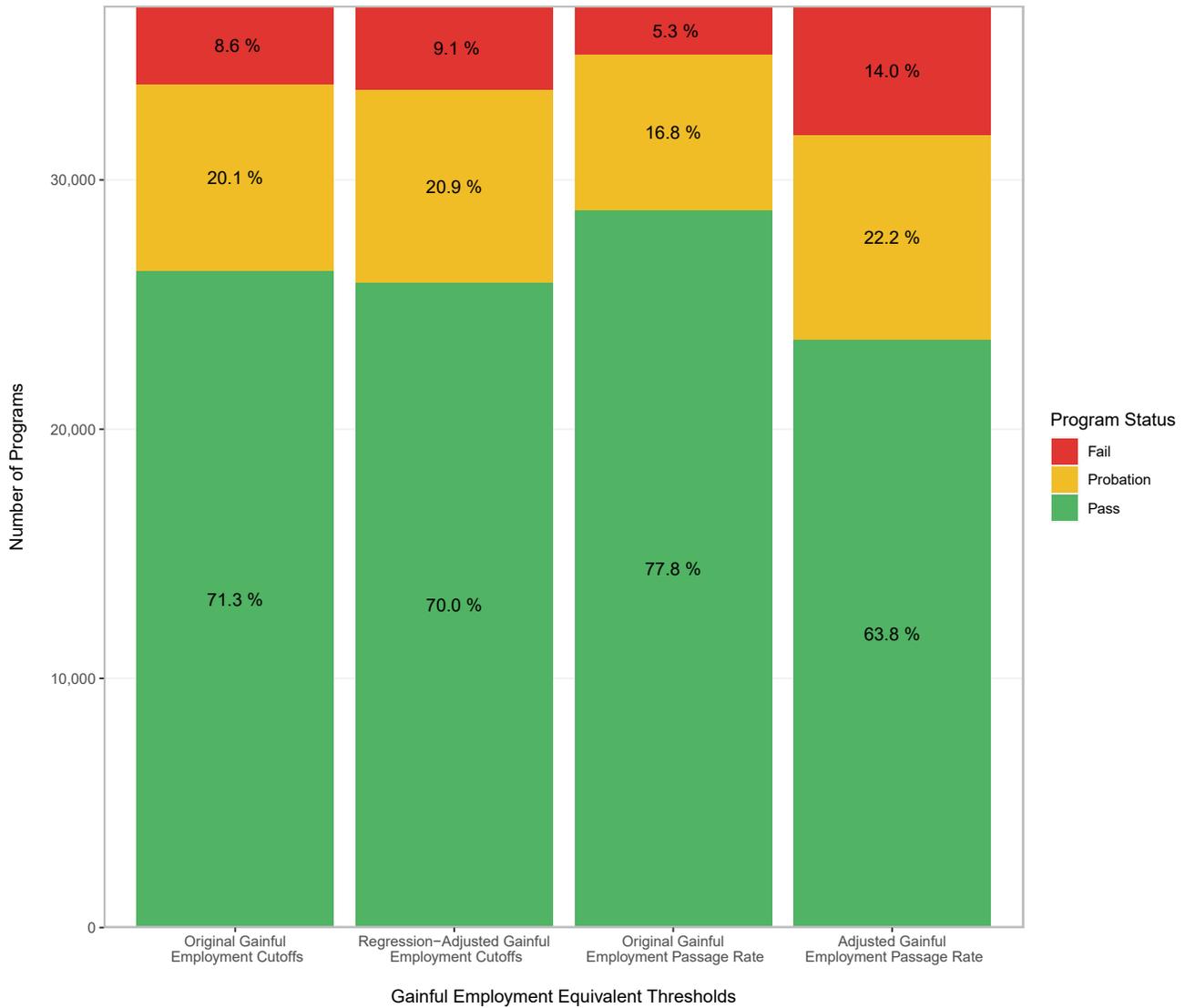
The cutoffs for the original regulations as well as for the alternative options are presented in **Table 1**.

Table 1
Gainful Employment Cutoffs

	PASS	PROBATION	FAIL
Original Gainful Employment	AER ≤ 8 DIR ≤ 20	8 < AER ≤ 12 20 < DIR ≤ 30	AER > 12 DIR > 30
Regression-Adjusted Gainful Employment	AER ≤ 7.8 DIR ≤ 19.6	7.8 < AER ≤ 11.8 19.6 < DIR ≤ 29.4	AER > 11.8 DIR > 29.4
Original Gainful Employment Passage Rate	AER ≤ 9 DIR ≤ 22.5	9 < AER ≤ 13.5 22.5 < DIR ≤ 33.75	AER > 13.5 DIR > 33.75
Adjusted Gainful Employment Passage Rate	AER ≤ 7 DIR ≤ 17.5	7 < AER ≤ 10.5 17.5 < DIR ≤ 26.25	AER > 10.5 DIR > 26.25

Figure 18 shows the number of programs by their Gainful Employment Equivalent status for each of the four sets of cutoffs.

Figure 18
College Performance on Gainful Employment Equivalent



Note. Data from U.S. Department of Education and author's calculations.

The regression-adjusted cutoffs have the strongest case to replicating the original GE regulation. Under that set of cutoffs, 70% of college programs pass, 20.9% of programs would be on probation, and 9.1% of programs would fail.

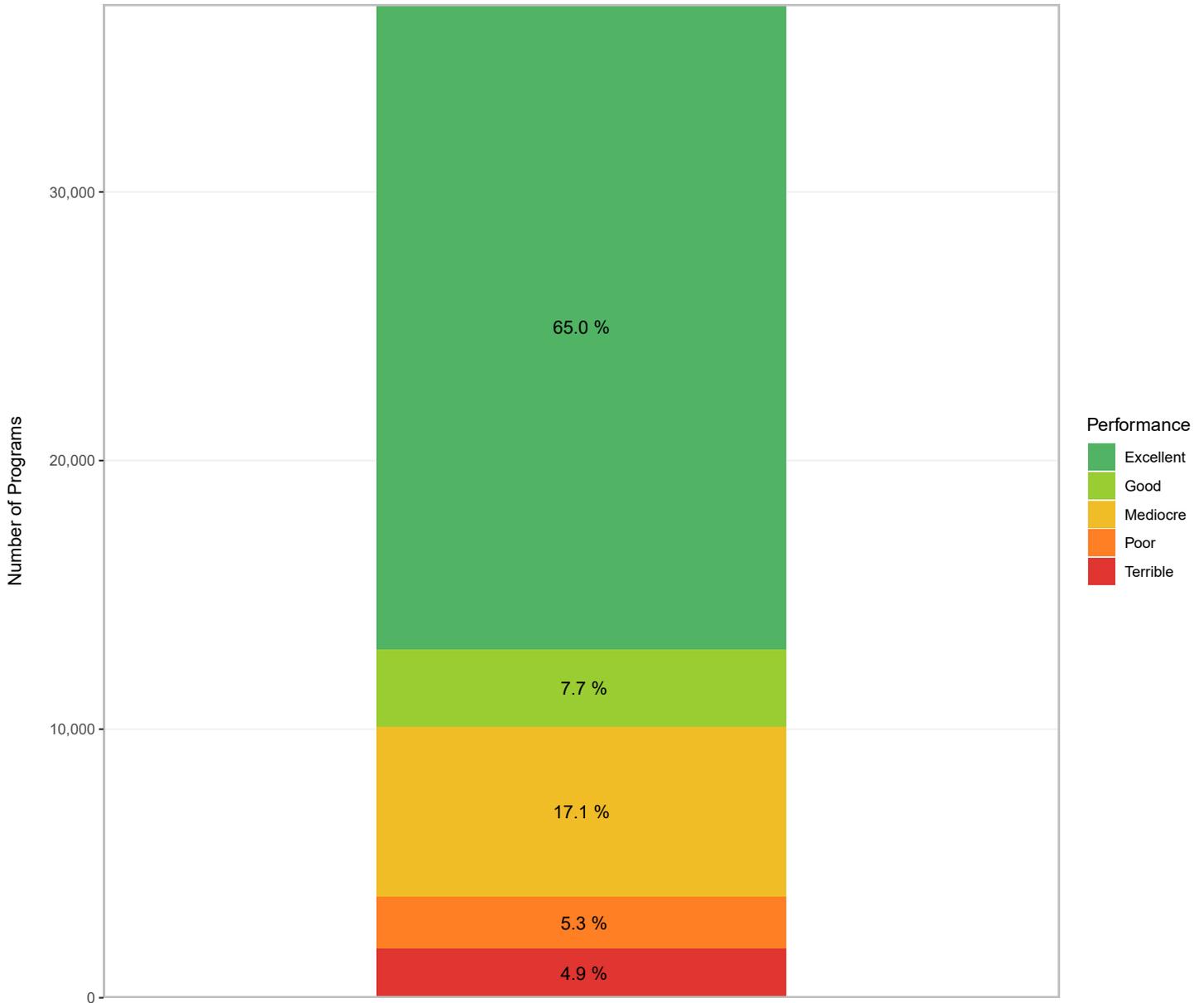
Table 2
Performance Summary Categorization

		GAINFUL EMPLOYMENT EQUIVALENT RATING		
		Pass	Probation	Fail
<i>Debt as a Percent of Earnings Rating</i>	Reward	Excellent	Good	Good
	Monitor	Good	Mediocre	Poor
	Sanction	Good	Mediocre	Poor
	Sunset	Good	Poor	Terrible

Combining Debt as a Percent of Earnings and Gainful Employment Equivalent

Policymakers can use both DPE and GEE, in which case it can be helpful to combine the various test results in a summary measure of performance. **Table 2** shows our recommended method of combining DPE and GEE. Using our recommended DPE and GEE thresholds, **Figure 20** shows the overall performance of higher education programs.

Figure 20
Higher Education Program Performance



Note. Data from U.S. Department of Education and author’s calculations.

Under this combined approach, 65% of programs have excellent outcomes, 7.7% have good outcomes, 17.1% have mediocre outcomes, 5.3% have poor outcomes, and 4.9% have terrible outcomes.

Conclusion

Student loans can fund worthwhile educational investments, or they can be wasted on malinvestments that accomplish little for the student while imposing a heavy burden on the student's financial future. New data from the Department of Education can help students, parents, college administrators, and policymakers distinguish between worthwhile and excessive student loan debt by revealing the typical earnings and student loan debt of recent college graduates.

Students should be cautious about incurring debt at programs with poor or worse outcomes, which account for 10.2% of all higher education programs. They should also

think twice before enrolling in the 17.1% of programs with mediocre outcomes.

Colleges should consider shutting down programs that consistently lead to bad outcomes for their students and lowering tuition so that students do not need to take out so much debt.

Finally, we encourage policymakers to hold colleges accountable for their role in excessive student loan debt. Two promising accountability metrics they could use are debt as a percent of earnings and Gainful Employment Equivalent. Based on our analysis, we find that between 4.9% and 9.1% of college programs would face severe sanctions under these accountability systems. ★

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Andrew Gillen, PhD, is a senior policy analyst at the Texas Public Policy Foundation and an adjunct professor of economics at Johns Hopkins University. Dr. Gillen's recent work has focused on how to reform federal financial aid, how state disinvestment is a myth, and how post-college earnings and debt should be used to inform student choice and government accountability.

Prior to joining the Foundation, Dr. Gillen spent over a decade at nonprofit and philanthropic organizations researching and trying to improve higher education. He was a program officer for the Charles Koch Foundation and served in research roles for American Institutes for Research, Education Sector; the American Council of Trustees and Alumni; and the Center for College Affordability and Productivity. He was also on the U.S. Department of Education's Advisory Committee

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