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# U.S. Court Says "Show Me the Money" to For-Profit Colleges

HIGHER EDUCATION  
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A recent ruling by a Federal Court puts continued pressure on the nation's for-profit colleges. Those colleges have been under an increased level of scrutiny in recent years, and this ruling adds an additional level of regulation to these institutions.

The opinion affirms the right of the U.S. Department of Education to demand that for-profit institutions demonstrate that their students earn enough money to repay their student loan obligations incurred during their time in school.

The rules, which went into effect on July 1, are aimed at being a tool to prevent institutions from burdening their students with high levels of debt that the students may be unable to repay. The regulations require that a typical student's annual loan payments cannot exceed 20% of the discretionary income or 8% of their total earnings. This potentially jeopardizes a significant amount of aid for many for-profit institutions. The U.S. Department of Education initially sought this plan as a way to limit or curtail the practice of an institution seeking out low-income students in order to maximize the amount of aid that could be claimed.

As a result of these rules going in effect, the government estimates approximately 1,400 programs serving more than 840,000 students would not pass the new accountability standards set forth in the finalized rules. As such, there is a significant amount of federal funding at risk for these institutions.

These rules are just one of the points that are part of President Obama's agenda for additional oversight of higher education institutions. However, it is uncertain if these rules will be implemented, since the House Appropriations Committee has released a spending bill that would defund the U.S. Department of Education's ability to enforce these rules.

These rules are the latest in either proposed or enacted regulations facing higher education entities. A recent study commissioned by the Report of the Task Force on Federal Regulation of Higher Education notes that "the compliance problem is exacerbated by the sheer volume of mandates—approximately 2,000 pages of text—and the reality that the Department of Education issues official guidance to amend or clarify its rules at a rate of more than one document per work day."

Contact us with questions regarding for-profit colleges and read the [Our Thoughts On](#) blog for more articles on Higher Education.

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