

Do It Carefully and Get It Right

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There are certainly legitimate issues to be addressed in evaluating the performance of for-profit higher education, as there are in evaluating the performance of non-profit higher education institutions. (I make these comments as a 12-year former president of a non-profit liberal arts and engineering college.) As one who has been actively involved in the debate on the appropriateness of the debt-to-income formula that was being considered by the Department of Education as a standard for students at for-profit schools, I found the proposed formula to meet the definition of "arbitrary and capricious" in its conception and execution. There is no basis in the law or in sound economics for the 8 percent ratio of debt-to-income that was being proposed. The formula would have put the for-profit sector at a huge competitive disadvantage and would threaten the ability of President Obama to meet his goal of dramatically increasing the number of students attending post-secondary institutions.

The Department should be commended for holding back in the proposed regulations on its debt-to-income proposal for further study. It did, however, propose that these schools provide the public and the Department with far more information on costs, debt obligations, completion rates, and outcomes. This will be a major new burden for the for-profit sector but one which ultimately should prove helpful in determining the value provided by it. (Consideration should be given to requiring similar data from the non-profit sector.) At the same time, I believe that the Department and the Congress should have the opportunity to review the information provided before moving to some new formula. The Department should not feel constrained to develop some new formula in a short time frame so as to meet an arbitrary deadline. The contributions of for-profit schools and any attendant concerns about them should be carefully studied with the relevant data before new restrictions are placed on institutions that are providing significant value to millions of students, generally those with lower incomes. Careful and thoughtful analysis of the issue and the data would benefit everyone.