

# KHEAA - KHESLC FY2013 ANNUAL REPORT

## New Destinations



# Guidance

## A MESSAGE FROM THE GOVERNOR



### Dear Fellow Kentuckians:

One of my top priorities as Governor is to ensure Kentuckians have access to affordable education. In this fast-paced, technology-driven world, it is vital for Kentuckians to pursue higher education in order to meet today's global economic challenges and opportunities.

Kentucky is fortunate to have several state-based financial aid programs — administered by the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation (KHESLC) — to help our citizens. These resources include a unique balance of need-based grants, merit-based scholarships, work-study opportunities, state-based loan products and college-savings plans to help students and their families achieve their educational goals at any of the Commonwealth's excellent public or private colleges and universities, community and technical colleges, trade schools or online programs.

These agencies help prepare families for and assist with funding the costs of higher education. Because of this important work, I again have designated KHEAA as the state agency to apply for the federally funded College Access Challenge Grant for the 2013 fiscal year. The monies received from this grant allow KHEAA to continue its nationally recognized outreach programs that counsel Kentuckians on the importance of continuing their education beyond high school.

I am proud of Kentucky's investment in education. With caring agencies such as KHEAA and KHESLC, our citizens will be able to achieve their educational goals and be prepared for the demands of the 21<sup>st</sup> century workforce.

Sincerely,

**Steven L. Beshear**  
Governor of Kentucky

# Leadership

## MESSAGE FROM EXECUTIVE LEADERS

Welcome to the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation's (KHESLC) 2013 Annual Report.

2013 has been a year of transition for both KHEAA and KHESLC. In business, as in life, there are some things we cannot foresee. But one thing is always predictable — change.

Some of the changes KHEAA and KHESLC witnessed in FY2013 were: selecting a new Chairman; installing a new Chief Executive Officer (CEO); servicing of federal student loans and augmenting KHEAA Verify and Cohort Default Management Services to provide more in-depth services to our school partners.

Additional changes are on the way for our next fiscal year as well. KHEAA was awarded a grant from the Kentucky Latino Educational Alliance to have select pages of [kheaa.com](http://kheaa.com) and publications translated into Spanish. The state-based loan program, Kentucky Advantage Education Loan for students and parents, will feature lower fixed interest rates. KHEAA began production and promotion of Getting the Facts, a free college cost comparison report geared to high school juniors and seniors.

Along with all the new and enhanced initiatives, we continue to provide Kentucky students with grants and scholarships. In FY2013, we provided more than \$199 million in funding for Kentucky students pursuing higher education. Additionally, we administered more than \$5.3 million in

loan forgiveness to Kentucky's eligible teachers, nurses and public attorneys through our Best In programs.

Numbers alone cannot effectively communicate the commitment of the board of directors and staff. KHEAA and KHESLC continue to grow to meet the changing demands of postsecondary education financing, as well as to develop innovative services to help our students, colleges and universities.

We look forward with pride in the knowledge that our programs and services are helping shape Kentucky's future. Our focus continues to be expanding educational opportunities by providing financial and informational resources that enable Kentuckians to attain their higher education goals.

**KHEAA/KHESLC  
Executive Leaders  
CEO Carl P. Rollins and  
Board Chairman  
John Cheshire.**



## **KHEAA and KHESLC's Board of Directors:**

**John Cheshire, Chair**, Lexington

**Lisa Payne, Chair-Elect**, Prospect

**Kristi P. Nelson, Past Chair**, Union

**Erica Horn, Finance and Audit Chair**,  
Lexington

**Brent A. McKim, Program Committee  
Chair**, Louisville

**David Allen**, Frankfort

**Elaine Farris**, Shelbyville

**Becky Lamb**, Louisville

**Barbara Sexton Smith**, Louisville

**J. Scott Wantland**, Shepherdsville

## **Ex Officio Members**

**Dr. Gary S. Cox, Secretary-Treasurer**,  
President, Association of Independent  
Kentucky College and Universities,  
Frankfort

**Todd Hollenbach**, State Treasurer, Frankfort

**Terry Holliday**, Commissioner, Kentucky  
Department of Education, Frankfort

**Robert King**, President, Council on  
Postsecondary Education, Frankfort

**Lori H. Flanery**, Secretary, Finance and  
Administration Cabinet, Frankfort

## **About KHEAA and KHESLC**

The 1966 Kentucky General Assembly created KHEAA as a governmental agency to improve access to college and technical training. KHEAA strives to expand educational opportunities by providing financial and informational resources that enable Kentuckians to attain their educational goals.

KHEAA is attached to the Finance and Administration Cabinet for administrative purposes.

In 1978 the state legislature created KHESLC, an independent de jure municipal corporation, to ensure funding would be available to Kentuckians to promote the availability of higher education opportunities by making, purchasing and financing low-cost student loans.

KHEAA and KHESLC are united in pursuing their mission to ensure that

all students seeking to further their postsecondary education are successful. Our vision is to connect all Kentuckians to higher education.

The agencies are governed by a shared board of directors appointed by the Governor. In addition, the President of the Association of Independent Kentucky College and Universities, President of the Council on Postsecondary Education, Secretary of the Finance and Administration Cabinet, Commissioner of the Kentucky Department of Education and Kentucky State Treasurer serve as voting members.

The Board appoints the Executive Director and adopts rules and regulations to govern agency operations.

By statute, the Executive Director of KHEAA also serves as the CEO of KHESLC.

# Purpose

## OUTREACH SERVICES

KHEAA and KHESLC Outreach Services made a great impact on Kentucky's college-going rate by providing individually relevant information about higher education opportunities. Our programs help students make informed decisions about pursuing higher education and choosing wisely from the financial aid options available to them.

Governor Beshear and the U.S. Department of Education again designated KHEAA to administer the federal College Access Challenge Grant Program. KHEAA fulfilled the program's purpose of fostering relationships among federal, state and local entities and organizations to significantly increase the number of underrepresented students who enter and remain in postsecondary education.

Outreach activities provide comprehensive programs that increase participation and completion rates as well as being responsive to the college-bound students and families' needs. Kentuckians can access free information on our websites, [kheaa.com](http://kheaa.com) and [kheslc.com](http://kheslc.com), as well as follow us on [Facebook](#) and [Twitter](#).

In FY2013, staff counseled more than 186,000 Kentuckians on preparing for and reaching their higher education goals and touched the lives of citizens in all 120 Kentucky counties.

KHEAA constantly searches for other agencies and groups that can help us accomplish our goal of reaching Kentuckians. In FY2013, we partnered with numerous community, state, regional and national college access programs, retention initiatives and organizations to improve the college-going rates among Kentuckians and to help students succeed through degree completion.



**Students from Sacred Heart Academy** in Louisville were featured in FY2013 KHEAA/KHESLC publications after a student there won the Promote Your School essay contest.



Of the students who reported College Application Week activities:

**63.2%**

said activities made them more confident when filling out admission applications

**71.2%**

said activities changed the likelihood that they would go to college after high school graduation

**75.7%**

filled out one or more applications during their school's event

**91.4%**

felt they had a better than 50% chance of getting accepted into a college of their choice

## Kentucky College Application Week

KHEAA's Kentucky College Application Week is part of the American College Application Campaign (ACAC) initiative, which helps graduating high school seniors fill out college admission applications. For many students, particularly those who do not have an immediate family member who attended college, applying to college can seem overwhelming and can be enough to prevent them from pursuing a postsecondary education. College Application Week ensures that seniors receive hands-on assistance as they take the first big step towards continuing their education following high school.

In FY2013, over 50 high schools across the state conducted a College Application Week program, and more than 8,200 students participated in the activities.

KHEAA sponsors Kentucky College Application Week as an initiative funded by the federal College Access Challenge Grant and partners with the following agencies, which provide support through resource materials and field staff counselors:

- 55,000 Degrees
- Association of Independent Kentucky Colleges and Universities
- College Access Partnership
- Council on Postsecondary Education
- GEAR UP Alliance
- Jefferson County Public Schools
- Kentucky Association for Collegiate Registrars and Admissions Officers
- Kentucky Association of Educational Opportunity Program Personnel
- Kentucky Association of Student Financial Aid Administrators
- Kentucky Campus Compact
- Kentucky College Coaches Program
- Kentucky Counseling Association
- Kentucky Department of Education
- Kentucky School Counselor Association
- Southern Regional Education Board

## Outreach Counselor Jo Newton and KHEAA/KHESLC CEO Carl Rollins attended a Close the Deal event at Gallatin County High School.



### Kentucky College Coaches Program

The Kentucky College Coaches Program is a collaboration between KHEAA and four other college access groups: AmeriCorps, Berea College, Northern Kentucky University and the Kentucky Campus Compact.

College Coaches are recent college graduates who are placed in select high schools across the state. The coaches provide access services to the entire student body at each assigned school, paying close attention to high-risk students who have demonstrated potential to be successful in higher education programs.

Many coaches work with their regional KHEAA outreach counselor to plan and implement College Application Week activities and help students gather information for completing their FAFSA, prepare for the ACT and take college tours. Coaches also work with students to complete their *College Cost and Planning Reports*, which helps them to make informed decisions about their higher education options.

This program serves up to 100 core students at each of the 53 high schools selected across the state. KHEAA sponsors 30 of the 53 coaches.

### Close the Deal

KHEAA outreach counselors participated in Close the Deal events, which were created by Lieutenant Governor Jerry Abramson while he was Mayor of Louisville. Building upon his passion for helping students and the success of the program, Lieutenant Governor Abramson expanded the Close the Deal initiative to three pilot schools across the state.

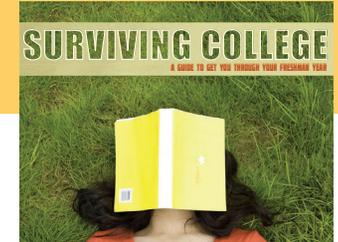
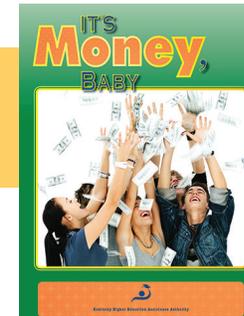
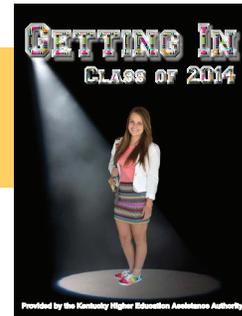
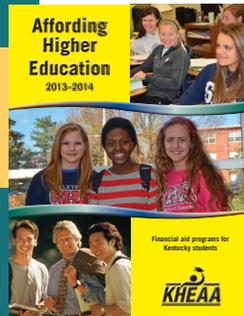
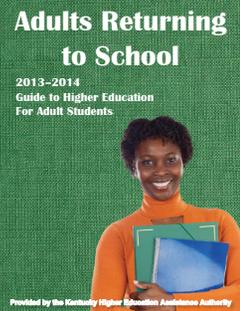
The program supports high school seniors as they move from high school to college. Close the Deal brings community and business leaders, college admissions and financial aid representatives together for the good of the student. The goal is to have every member of the school's graduating class apply and send a transcript to at least one college/postsecondary program. In addition, every member of the class is also encouraged to complete a financial aid form. Bullitt Central, Campbell County and Lawrence County High Schools were selected as participants for this year's events.

### KESPT Celebrates 25<sup>th</sup> Anniversary

The Kentucky Education Savings Plan Trust (KESPT) celebrated its 25<sup>th</sup> anniversary with a ceremony at the Capitol Rotunda on May 29, 2013. The event held on national "5/29 Day," recognized key leadership, past and present, who helped develop and administer the college savings program in Kentucky over the past 25 years. KESPT also acknowledged a current participant who won the "How KESPT Changed My Life" contest.

As of June 30, 2013, KESPT has \$152.6 million in investments with 13,910 account owners. In FY2013, 2,055 students received \$8.9 million.

**Kentucky's Affordable Prepaid Tuition (KAPT) allows families to prepay tuition. (KAPT enrollment is currently closed and is reassessed annually.) 1,705 students received \$14.0 million in FY2013.**



## Publications

KHEAA takes pride in producing and distributing free college and career resources to Kentucky residents. The publications are made available to school counselors, college admission and financial aid offices, adult centers, public libraries and college fairs. They are also available on [kheaa.com](http://kheaa.com).

Resources are designed using feedback from our partners. Many are targeted to specific audiences, such as middle school, high school and adult students. Others address specific topics, such as financial literacy and financial aid programs. They include both federal and Kentucky-specific data.

**Adults Returning to School** is geared to nontraditional students. It contains a list of colleges, their degrees offered and the current year's prices for most institutions of higher education in Kentucky. Additionally, it provides the reader with tips on preparing for going back to school and ways to locate funding.

**Affording Higher Education** lists more than 5,000 financial aid programs available to Kentucky residents or to students attending school in Kentucky.

**The College Circuit** contains information about careers, college preparation, student financial aid and financial literacy which is suitable for students of all ages.

**Getting In** is a complete list of colleges, their degrees offered and the current year's prices for most institutions of higher education in Kentucky. Copies are sent to high schools for distribution to all juniors.

**It's Money, Baby** provides information on how to use money wisely. Topics such as credit scores, credit cards, savings and checking accounts, identity theft and much more are covered.

**Surviving College** offers advice to students before and during their first few semesters of college. Topics such as coping with homesickness, study habits, dealing with roommates, how to study for exams, money management, commuting to classes and much more are covered.

State Student Aid Expenditures — FY2013		Recipients	Amount
GRANTS	<b>College Access Program (CAP) Grant</b> Provides access to students with financial need.	36,368	\$57.2 million
	<b>Kentucky Tuition Grant (KTG)</b> Helps students with financial need attend an independent institution.	11,185	\$29.8 million
	<b>Go Higher Grant</b> Assists financially needy adult students attending part-time.	194	\$190,270
SCHOLARSHIPS	<b>Kentucky Educational Excellence Scholarship (KEES)</b> Recognizes students based on GPAs/ACT scores.	68,661	\$102.3 million
	<b>Drive the Dream Scholarship</b> Assists academically talented GEAR UP students.	465	\$525,580
	<b>Early Childhood Development Scholarship</b> Assists students working in early childhood education.	743	\$853,505
	<b>Mary Jo Young Scholarship</b> Pays for dual credit courses for high school students.	863	\$405,385
	<b>Kentucky Coal County College Completion Scholarship</b> Assists students from a 9-county region of eastern Kentucky.	409	\$1.1 million
MILITARY	<b>Kentucky National Guard Tuition Award</b> Pays tuition for active National Guard members in good standing.	1,025	\$4.6 million
CONVERSION SCHOLARSHIPS/LOANS	<b>Coal County Scholarship Program for Pharmacy Students</b> Assists upperclassmen from Kentucky coal counties.	27	\$253,800
	<b>Minority Educator Recruitment and Retention Scholarship</b> Helps minority education majors.	258	\$1.0 million
	<b>Teacher Scholarship</b> Assists financially needy education majors.*	190	\$412,275
	Loan forgiveness for fulfilling service agreements.	175	\$429,933
	<b>Osteopathic Medicine Scholarship</b> Helps students at Kentucky College of Osteopathic Medicine.*	109	\$667,117
	Loan forgiveness for fulfilling service agreements.	40	\$479,204
	<b>John R. Justice Grant*</b> Helps public defenders and prosecutors repay student loans.	54	\$96,934
WORK-STUDY	<b>KHEAA Work-Study</b> Enables students to earn wages to help pay for college.	543	\$401,282

\* Students must repay the scholarship plus interest if program and service requirements are not met.

## State Grants and Scholarships

KHEAA is passionate about our mission of helping Kentuckians achieve their educational goals. Our administration of student financial aid programs for Kentucky's college-going citizens plays a vital role in helping them reach those goals.

The Kentucky Educational Excellence Scholarship (KEES), Kentucky's merit scholarship program, rewards academic achievement and encourages the best and brightest students to stay in Kentucky. Also, the KEES program is an incentive for students who would not have considered going to college. The money earned through KEES encourages these students to continue their education beyond high school.

The College Access Program (CAP) Grant and Kentucky Tuition Grant (KTG) help financially needy students pay for college.

Kentucky Lottery revenue funds the vast majority of state student aid awards disbursed by KHEAA. The remainder is funded by Coal Severance Tax, Tobacco Settlement Funds, federal funds and civil penalties under KRS 199.990.

**KHEAA pays all costs in administering student aid programs, ensuring that every state-appropriated dollar goes directly to students.**

During FY2013, KHEAA disbursed over \$199 million in the form of grants, scholarships and work-study programs.

# Adaptability

## MOVING FORWARD

### Kentucky Advantage Education Loans

In FY2013, our state-based loan programs, the Kentucky Advantage Education Loan and Kentucky Advantage Parent Loan, continued to grow in popularity, experiencing a 116 percent increase over the last fiscal year!

The loans are made to Kentucky students attending school anywhere; to students, regardless of residency, attending school in Kentucky; and to Kentucky parents for their children attending school anywhere.

The Advantage Loans are the only state-based education loans in Kentucky, but that isn't all that sets us apart from other competitors. These loans offer borrowers a fixed interest rate determined by the repayment plan they choose.

The loans' repayment options are:

- Immediate repayment of principal and interest (7.25 percent with a 2 percent guarantee fee)
- Immediate repayment of interest only (7.25 percent with a 2 percent guarantee fee)
- Postponed repayment of principal and interest (7.75 percent with a 3 percent guarantee fee)

Borrowers who sign up to have their loan payments made via auto debit also receive a 0.50 percent interest rate reduction. All loans are credit based, and co-signers are encouraged.

To apply, borrowers must complete an online application. KHESLC provides the funding for the loans and conducts the servicing, while KHEAA originates and disburses the funds to the schools.

### Best In Awards (for FFELP Borrowers)

Each year, KHESLC sets aside revenue to fulfill its commitment to Kentucky teachers, nurses and public service attorneys who qualify for the Best In Class, Best In Care and Best In Law benefits.

In FY2013, KHESLC distributed over \$5.3 million in Best In awards to 4,702 qualified applicants.

- Best In Class      \$3,494,092 to 2,576 Kentucky teachers
- Best In Care      \$1,773,814 to 2,094 Kentucky nurses
- Best In Law      \$27,164 to 32 Kentucky public service attorneys

**Caroline Hockenbury**, a Sacred Heart junior, won the FY2013 Promote Your School scholarship essay contest.



## Federal Loan Servicing

KHESLC's Federal Loan Servicing Group went through a rigorous process to prepare for servicing loans owned by the U.S. Department of Education. All staff were required to pass a 5/6c position of trust federal security clearance. In addition, enhancements to the facility's security had to be made, additional staff had to be hired and trained and our hours of operation had to be expanded to meet federal requirements.

We were able to meet all the requirements to become a federal loan servicer! We loaded the first group of federal loans onto our system on November 1, 2012. The federal loans we serviced in FY2013, on behalf of the Department, included borrowers from each of the 50 states and U.S. territories.

From November 1, 2012 to June 30, 2013, the Federal Loan Servicing Group provided customer service, default prevention and forms processing to 111,469 borrowers with 324,377 loans, totaling more than \$2.6 billion in federal assets. Besides the core Federal Loan Servicing staff, employees from across the organization assisted in this venture.

## Debt Recovery

No one ever takes out a student loan with the idea of defaulting; but, unfortunately, borrowers default on student loans every day in the United States. As a guaranty agency, KHEAA is responsible for the recovery of Kentucky's Federal Family Education Loan Program defaulted loans, and KHESLC's debt recovery division collects them on behalf of KHEAA.

During FY2013, KHESLC's Debt recovery division recovered more than \$128.8 million in defaulted student loans from 42,432 borrowers.

More than \$53 million in recoveries resulted from borrowers who committed to and completed a rehabilitation program. Rehabilitation is a federal program that helps borrowers return their loans to good standing.

Once the rehabilitation process is complete, borrowers are eligible to apply for additional federal financial aid and start the process of reestablishing a more favorable credit score.

With KHEAA and KHESLC's efforts, thousands of students were able to rehabilitate their student loans and begin the process of restoring their financial health. The information and education the debt recovery division provides to struggling borrowers is essential to their future success.



**Kentucky senior Chase O'Connor** was excited to learn about college options from our Outreach staff.

## KHEAA Verify

Each year the U.S. Department of Education requires institutions of higher education to verify specific information reported on a student's Free Application for Federal Student Aid (FAFSA). Many colleges require FAFSA verifications to be completed prior to disbursing financial aid.

The verification process comes at a time when the institution's financial aid offices are at their busiest. Colleges and universities contract with KHEAA Verify to conduct their verification activity on the school's behalf. KHEAA verifies the student's and parent's information, collects the necessary documentation and corrects the FAFSA.

This service benefits the schools by eliminating some of their work-load, allowing them to focus on other pressing tasks. Students and their families can feel confident their information has been corrected and submitted.

In FY2013, KHEAA secured contracts with institutions ranging from small private and community colleges to large four-year institutions.

## Cohort Default Management Services

When students don't pay on their federal student loans, they go into default. Defaulted federal loans not only impact the lender and the borrower, but also the college or university that certified the loan for the student.

Each year, the U.S. Department of Education releases the Cohort Default Rate (CDR) for every school that receives federal aid. If a school's CDR becomes too high, it may lose the ability to participate in any federal aid programs.

KHEAA created the Cohort Default Management Services to give schools a way to manage their CDR.

Cohort Default Management Services offers schools the following options to lower their rates:

- **Early Intervention:** KHEAA staff will work with students who have recently graduated, withdrawn or dropped below half-time status. These students will be contacted to advise them that their student loans will be entering repayment and to offer counseling on the best ways to manage repayment.
- **Default Prevention:** Staff will contact borrowers in repayment status who have missed or been late on a payment. The emphasis will be to advise students of the steps they can take to avoid defaulting on their loans.
- **Student Transition Services:** Topical email messages and videos are designed to provide students the right information at the time the information is needed. Messages are provided in easily digested increments beginning when the student is accepted into college and continuing through graduation.

In FY2013, KHEAA secured 22 contracts to provide Cohort Default Management Services.

# Stewardship

## SELECTED FINANCIAL INFORMATION

As of June 30, 2013, and for the fiscal year then ended.

Dollars expressed in thousands.

	GOVERNMENTAL AND FIDUCIARY FUNDS				PROPRIETARY FUNDS	
	Governmental Fund	Federal Student Loan Reserve Fund	KHEAA Kentucky's Affordable Prepaid Tuition	Kentucky Education Savings Plan Trust	Agency Operating Fund and Internal Service Fund	KHESLC Operating Fund and Education Finance Fund
<b>STATEMENT OF NET POSITION</b>						
Current Assets	\$ 19,583	\$ 20,542	\$ 116,397	\$ 152,763	\$ 23,559	\$ 35,041
Loans, Net						1,331,674
Noncurrent Assets	8,377		2,685		60,818	97,856
Total Assets	27,960	20,542	119,082	152,763	84,377	1,464,571
Current Liabilities	291	609	70	174	2,082	15,672
Noncurrent Liabilities		11,531	171,915		3,760	1,287,110
Total Liabilities	291	12,140	171,985	174	5,842	1,302,782
Deferred Inflows of Resources						24,773
Total Net Position	\$ 27,669	\$ 8,402	\$ (52,903)	\$ 152,589	\$ 78,535	\$ 137,016
<b>STATEMENT OF ACTIVITIES</b>						
Program Revenue/Additions	\$ 212,016	\$ 103,641	\$ 13,169	\$ 59,501	\$ 28,605	\$ 58,709
Direct Expenses/Deductions	202,720	101,606	11,592	43,483	22,863	47,121
Total	9,296	2,035	1,577	16,018	5,742	11,588
Transfer to General Fund						
Interfund Transfers			25		(25)	
Change in Net Position	9,296	2,035	1,602	16,018	5,717	11,588
Net Position at Beginning of Year	18,373	6,367	(54,505)	136,571	72,818	125,428
Net Position at End of Year	\$ 27,669	\$ 8,402	\$ (52,903)	\$ 152,589	\$ 78,535	\$ 137,016

KHEAA and KHESLC's audited financial statements are available at [kheaa.com](http://kheaa.com) and [kheslc.com](http://kheslc.com) or by calling (502) 696-7421.



Kentucky Higher Education Assistance Authority  
P.O. Box 798  
Frankfort, KY 40602-0798  
Toll Free (800) 928-8926  
[www.kheaa.com](http://www.kheaa.com)



Kentucky Higher Education Student Loan Corporation  
P.O. Box 24266  
Louisville, KY 40224-0266  
Toll Free (888) 678-4625  
[www.kheslc.com](http://www.kheslc.com)

**KHEAA and KHESLC do not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or services and provide, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and services. Posted 1/14.**