

Preparing tomorrow's graduates today



2018 Annual Report

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Message from the Governor



Commonwealth of Kentucky
OFFICE OF THE GOVERNOR

Matthew G. Bevin
Governor

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Dear Fellow Kentuckians:

Access to affordable education is a vital resource for Kentuckians seeking to compete in today's fast-paced, technology driven, global economy. An educated workforce allows Kentucky to compete internationally to attract new business opportunities that will help grow our economy and improve our citizens' lives.

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 include a unique balance of need-based grants, merit-based scholarships, work-study opportunities, state-based loan products and college-savings plans. These resources can 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.

Not only do these agencies administer the state-based aid, but they also work to help families plan and prepare for college. They tirelessly counsel Kentuckians on the importance of continuing their education beyond high school.

I am proud of Kentucky's investment in education. With the service and commitment from agencies such as KHEAA and KHESLC, our citizens can achieve their educational goals and help make Kentucky more competitive in today's global economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew G. Bevin".

Matthew G. Bevin
Governor

Message from the Executive Leaders

Welcome to the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation's (KHESLC) Fiscal Year 2018 Annual Report.

KHEAA and KHESLC's ongoing mission is to expand educational opportunities by providing financial aid informational resources that enable Kentuckians to attain their higher education goals. We stand strong and passionate in our resolve to keep Kentucky's college-bound citizenry at the core of our mission.

Some of the ways in which we have accomplished these goals in FY2018 are through our robust outreach activities that extend to every county in the Commonwealth: helping students and families prepare and plan for college; expanding our contract services, KHEAA Verify and Cohort Default Management Services; lowering interest rates on our Advantage Education Loans for students and parents; and expanding the Advantage Refinance Loan program.

We continued to expand our private loan portfolio — in FY2018, we saw nearly a 63 percent increase in Advantage Education Loan volume, and our Advantage Refinance Loan saw over a 1,146 percent increase over the last fiscal year!

We'll save students and their families thousands of dollars with their loans.

We continued to provide Kentucky students with grants and scholarships to help fund their education. In FY2018, we provided over \$241 million in funding for Kentucky students pursuing higher education thanks to continued support from the Kentucky Lottery funding.



KHEAA/KHESLC Board Chair Charles Vinson, left, and Executive Director Eugene Hutchins

Our leadership team worked with education committees, as well as local, state and federal leaders, to help shape the face of higher education finance for the future. The agencies continued to participate in Enterprise Risk Management exercises to stay abreast of internal and external risks and threats.

We are proud of the role KHEAA and KHESLC's programs and services play in shaping Kentucky's future. We will continue to focus on our core mission and expand educational opportunities by developing innovative services to help our students, families and colleges.

Board Chair Charles Vinson
Executive Director Eugene Hutchins

History of KHEAA/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 share a common mission to ensure 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, the President of the Council of Postsecondary Education, the Secretary of the Finance and Administration Cabinet, the Commissioner of the Kentucky Department of Education and the Kentucky State Treasurer are 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.

Leadership

Leadership Team

Eugene Hutchins, Executive Director

Diana Barber, General Counsel

David Carlsen, Chief Financial Officer

Mary Lou Skelton, Chief Information Officer

Ted Franzeim, Senior Vice President of Customer Relations

Mary Henry, Senior Vice President of Operations

Erin Klarer, Vice President of Government Relations

Jodi Renn, Vice President of Internal Audit

David Bailey, Vice President of Guarantor Operations and School Services

Chris Thacker, Vice President of Asset Management

April Johnson, Corporate Controller

Board of Directors

Charles Vinson, Board Chair, Retired Financial Aid Director, Murray State University, Murray

Stephen Zeitz, Chair-Elect, Senior Banking Officer, Commonwealth Bank & Trust, Louisville

Becky Lamb, Past-Chair, VP Contracting, University of Louisville Physicians, Louisville

John Cheshire, Senior Portfolio Manager, Dividend Asset Capital, Beaufort

Michael L. Keck, Secretary-Treasurer, Investment Banker, Five Talents Financial Group, Science Hill

Lisa Payne, Economic Development Leader, LG&E and KU Energy, Louisville

Shelley Park, Student Financial Aid, Berea College, Richmond

Ex Officio Members

Dr. Gary S. Cox, Finance and Audit Chair, President, Association of Independent Kentucky Colleges and Universities, Frankfort

Allison Ball, Kentucky State Treasurer, Frankfort

Dr. Stephen Pruitt, Commissioner, Kentucky Department of Education, Frankfort

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

William M. Landrum III, Secretary, Kentucky Finance and Administration Cabinet, Frankfort

Kentucky Goes to College

Kentucky Goes to College is KHEAA's one-stop site for its major college access initiatives:

- Close the Deal
- Kentucky College Application Campaign
- College Decision Day

The website, at kygoestocollege.com, offers resources for schools and organizations interested in enhancing their college-going culture through these proven initiatives.

The site offers a variety of resources, links and activities to help school counselors, community leaders and college access providers implement one or more of these programs, as well as helping students who are going through the college application and financial aid process.

Schools or organizations that hosted a Close the Deal, College Application Campaign or College Decision Day program during the 2017–2018 school year were encouraged to register on the website. Registered schools received promotional materials, access to training webinars and the most up-to-date program news and updates.



Adair County High School students looking forward to college.



Outreach

Close the Deal

KHEAA's Close the Deal (CTD) is a one-day program that helps Kentucky high school students prepare to make the transition to life after high school by arming them with knowledge about college and career exploration and the college admission and financial aid processes. Schools, community leaders and business representatives work with local students in setting and meeting goals for college and their future careers. Students hear from community leaders about the importance of having a plan to attend college or a technical education program. They also have an opportunity to speak in small groups with:

- a college representative,
- a financial aid expert, or
- a local business leader or school alumnus.

Some schools choose to hold their CTD programs in the fall for seniors. Other schools plan spring events for sophomores and juniors to encourage earlier college exploration and planning.

The program is open to any school that wants to participate. A toolkit and implementation guide is available on kygoestocollege.com, allowing schools to customize their events.

Sixty schools registered to participate in the CTD program in the 2017–2018 school year.



Outreach Counselor Kevin Wilson delivers important financial aid and college planning information to students during a Close the Deal event at Bourbon County High School.

"The time your staff takes to come to this event and speak to our students is invaluable to us. I hope you know what an impact Close the Deal has on our school."

— High school college coach

"This program is so versatile. I've participated in Close the Deal events for every grade level in high school, and even for 8th-graders getting ready to transition to high school, and they've all been great."

— David Scott, (former) Central Kentucky Outreach Counselor

Outreach

Kentucky College Application Campaign

The 2017–2018 school year marked the seventh year in a row that KHEAA sponsored the Kentucky College Application Campaign (KCAC). Kentucky’s program is a part of the American College Application Campaign, a national effort to increase the number of first-generation and low-income students pursuing a college degree or credential by helping them complete admission applications.

Applying to college can seem overwhelming to many students, particularly those who do not have an immediate family member who attended college. For those students, not having someone who can help them navigate the college application process can be enough to prevent them from pursuing postsecondary education.

By implementing the KCAC program, KHEAA and partnering agencies and high schools ensure that all seniors have the opportunity to receive hands-on assistance as they complete one of the biggest steps in the college access timeline. The program is designed to build excitement around the college application process and encourage seniors to take this important step toward continuing their post-high school education.

Schools that registered on kygoestocollege.com by May 31 were given free promotional materials to help make their events special, including folders for students to organize application materials, “I Applied” stickers for students to wear after completing their applications, and posters to promote the event in the school and community. In addition, every school had access to an online toolkit with a variety of resources to help administrators, counselors and students. Registered participants also received access to training opportunities via webinar, as well as timely program news and updates via email.



Students and staff at Webster County High School celebrate applying to college at a KCAC event.

In an effort to spread the message of the program through social media, KHEAA also asked administrators, educators, students, parents and the general public to post to Facebook and Twitter using the *#whyapply*, *#iappliedky* and *#kygoestocollege* hashtags. There were hundreds of posts using the hashtags, including students touting their top college choices and schools showcasing their application activities.

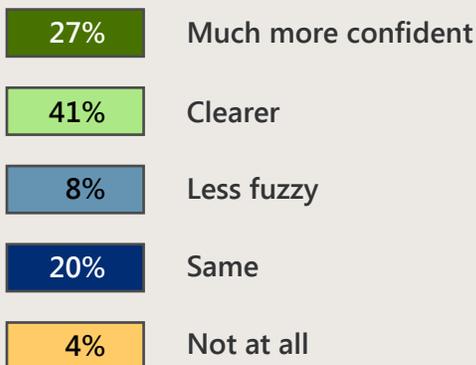
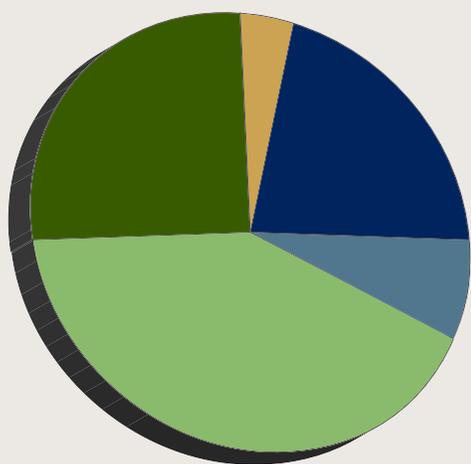
Schools were asked to submit the number of their participating students and the number of applications submitted during the event. Participating schools reported over 5,800 seniors submitted nearly 13,000 college admission applications. In addition, over 93 percent of the respondents on the school survey indicated that their students’ ability to complete college admission applications was enhanced by participating in the KCAC program and over 98 percent of respondents indicated that their school’s college-going rate was positively impacted by participating in KCAC.

Outreach

Kentucky College Application Campaign, continued

Students were also asked to complete an online survey about KCAC. The first chart below shows 76 percent of respondents said KCAC activities helped them feel better prepared to fill out college admission applications. The second chart below shows 69 percent of respondents thought the KCAC activities in their school changed their likelihood of going to college after they graduate high school.

How well prepared do you feel now about filling out your college applications?

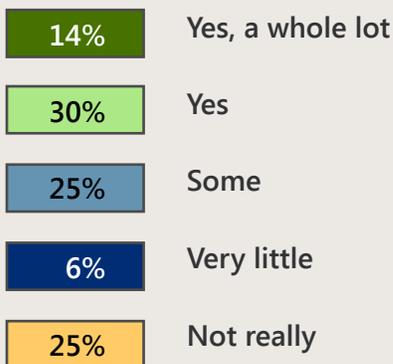
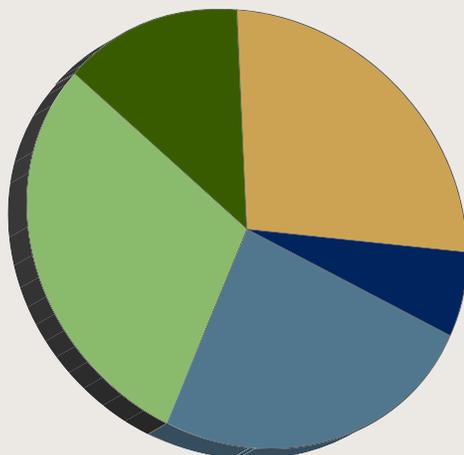


(Recipients who answered: 1,174)

76%

KCAC activities helped respondents feel better prepared to fill out college admission applications (top 3 categories)

Do you think your school's College Application Campaign information and activities changed the likelihood that you'll go to college or technical school somewhere after you graduate?



(Recipients who answered: 1,124)

69%

KCAC activities in their school changed their likelihood of going to college after they graduate high school

Outreach



#WhyApply

Students and counseling staff at Louisville Male High School show why applying to college is important for the #WhyApply social media campaign.

"I love the resources you provide, especially the folders and that they emphasize all they need to know to apply and keep on track for senior year." — High school counselor

"Having our KHEEA outreach counselor and college admissions reps there to help answer all of our students' questions was one of the best things about our application event." — High school counselor

"I attended a College Application Campaign event where students not only had the opportunity to complete applications but could also ask questions about transcripts, the ACT, essay writing and anything about the college admission process. Many of the seniors at this school will be first-generation college students, and the event was very successful in helping them navigate through college applications." — Steven Held, KHEEA Outreach Counselor

"My friends seem to have everything figured out, but I just don't. It's good to know there are other students like me who need help too." — High school senior

"It's a relief to have my applications done! I was a little nervous to do them on my own because I didn't want to mess up. I'm glad my school had this." — High school senior

Outreach

College Decision Day

In spring 2018, schools across the state held College Decision Day programs to celebrate and recognize seniors for making educational plans beyond the high school level. Decision Day events are typically held on or around May 1 and are designed to coincide with the date that most seniors must inform a college of their plans to enroll. College Decision Day is inspired by the NCAA's National Signing Day to reinforce that excellence in the classroom should be given as much recognition as athletic excellence.

The desire to recognize and celebrate all college-bound high school seniors, not just student athletes, has gained momentum on the national level in recent years through former First Lady Michelle Obama's Reach Higher initiative and is supported by organizations like Better Make Room and American College Application Campaign.

In early spring, KHEAA offered a training webinar for participating high schools to provide details of the event and to share tips and best practices for implementing the program. Most events take place in April or May and involve recognition from school and district leaders for their seniors and a culminating moment when the students sign certificates indicating where they plan to attend college after high school.



Seniors at Nicholas County High School celebrating College Decision Day with KHEAA's mascot, Morty the Mortarboard.

"This program has quickly become one of my favorite things we do all year. We not only recognize our college-bound students but also our military, apprenticeship and workforce students.

When they see people applauding the choices and plans they've made for their futures, it's really powerful."

— High school counselor

Outreach

FAFSA Support

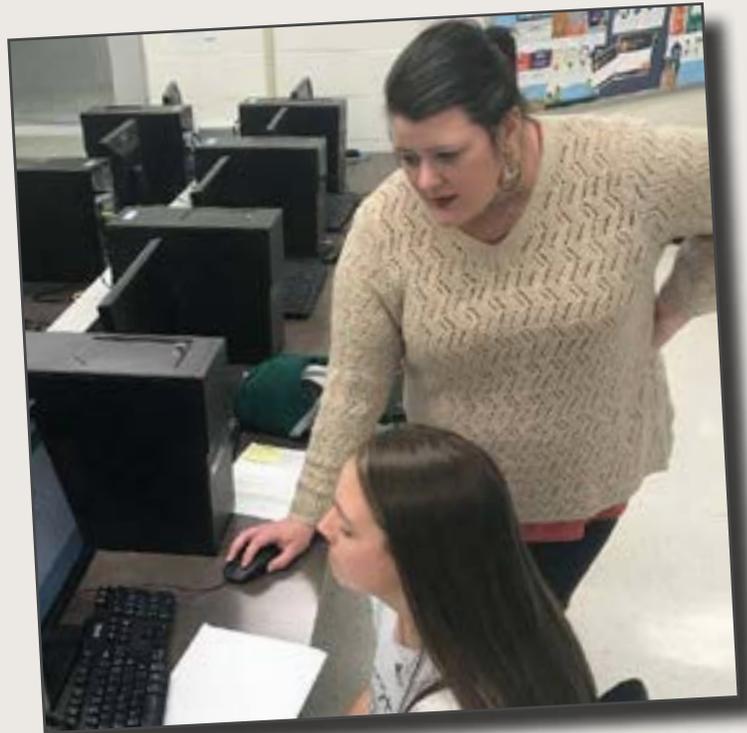
With the release of the 2018–2019 FAFSA on October 1, 2017, outreach staff began providing FAFSA completion assistance at high schools, adult education centers and community organizations all across their regions.

Conducting FAFSA completion workshops is one of the most highly demanded services provided by KHEAA Outreach, and outreach counselors conducted more than 1,860 FAFSA workshops during the fiscal year.

The first 2018–2019 FAFSA filed nationwide came from Kentucky, and Kentucky ranked #1 in FAFSA completions nationally from October 1 through the first week of December (source: [Form Your Future FAFSA Tracker](#)).

In addition, KHEAA's *FAFSA Checklist* was touted as an essential component to successful FAFSA completion in Kentucky. The checklist is available for download on kheaa.com, and hard copies can be requested through the online publication order form, as well as through outreach staff.

With the FAFSA process starting in October, outreach counselors also had additional time and opportunities to help guide students and families through the FAFSA follow-up and verification process into the spring and summer months. Outreach staff conducted over 460 FAFSA follow-up sessions in the 2017–2018 school year.



Southern Kentucky Senior Outreach Counselor Audrey Price helps a student with her FAFSA.

“KHEAA’s dedication to providing FAFSA help to the community is such a huge asset. I love seeing our patrons taking advantage of the KHEAA workshops.”

— Youth librarian

Outreach

"A student came to see me this afternoon, and he was literally BEAMING! He is so incredibly thankful for your help (with the FAFSA). And I thank you! You have made, and are making an incredible difference, not just for our student's futures but for our community financially as well. I am so grateful for your help. You are AWESOME!"

— High school counselor

"Your guidance on this application (FAFSA) has been so helpful and crucial. Thank you so much."

— Parent

"My son and I really appreciate all you did for us. This FAFSA thing is stressful and neither his father nor I have done this before. You made it look easy."

— Parent

"We are so thankful for you for taking your Sunday to help our parents and students with their FAFSAs."

— High school counselor

"I am so glad you are here! I was locked out and thought I could never get back in. You are so helpful. Thank you for helping me finish this FAFSA!"

— Student



West Central Kentucky Outreach Counselor Toni Wiley helps a student with his FAFSA application.

Outreach

College Coaches

KHEEA participates in the Kentucky College Coach (KCC) Program, which is funded in part with a grant to the Kentucky Campus Compact through Serve Kentucky, the Commonwealth's State Service Commission. AmeriCorps members are placed to serve as near-peer college coaches in high schools across the state.

Working with whole school populations in grades 9–12 and with a core group of up to 60–80 students at each high school, coaches provide services and resources that prepare high school students for postsecondary opportunities at our 31 participating sites. KHEEA selected the 31 sites by identifying public high schools with traditionally low college-going rates and high free-and-reduced lunch eligibility that were being served by few or no college access programs. The 2017–2018 academic year marked the eighth consecutive year that KHEEA has served as an intermediary partner in the KCC Program.



Kentucky College Coaches preparing to march to the swearing-in ceremony during the AmeriCorps Launch Day, September 11, 2017.

Program Statistics

- 508 core students graduated high school in 2017–2018
- KCC core students were offered more than \$6.8 million in scholarships (This does not include grants or any other type of financial aid.)
- 31 KHEEA KCCs served over 33,800 hours during their 10-month service term

Outreach

Kentucky College Coaches Schools FY2018

Anderson County High School
Belfry High School
Breckinridge County High School
Caldwell County High School
Calloway County High School
Casey County High School
Christian County High School
Edmonson County High School
Fleming County High School
Gallatin County High School
Grant County High School
Holmes High School
LaRue County High School
Lynn Camp High School
Marion County High School
McCracken County High School
McCreary Central High School
Meade County High School
Nicholas County High School
North Bullitt High School
North Hardin High School
Ohio County High School
Pendleton County High School
Powell County High School
Southern High School
South Floyd High School
Tates Creek High School
Valley Traditional High School
Warren East High School
West Carter High School
Whitley County High School



From left to right: Grant County High School KCC Lauren Grant, Holmes High School KCC Jennifer Holt, Gallatin County High School KCC Nathan Messenger, and Tates Creek High School KCC Faith Christian are recognized at a Lexington-Fayette County Urban County Government Council meeting during National Service Recognition Day.

"This partnership has been a huge success at the school. Our coach is phenomenal, and we are thankful to have them on board."

— High school principal

"This experience has inspired me to want to pursue a career in college access and, specifically, helping students obtain financial aid."

— Kentucky College Coach

"Our Kentucky College Coach has been so helpful to our students. She relates well to the students, and they listen to what she has to say. She has been a real asset to our school. I can see her becoming a school counselor one day."

— High school counselor

Outreach

College Info Road Show

Sessions on board KHEAA's mobile unit, the College Info Road Show, provide an overview of student financial aid programs and services. Visitors can:

- access KHEAA account information and more by creating a MyKHEAA account on kheaa.com.
- find helpful resources for career assessment, test preparation and scholarship searches.
- file their FAFSA applications.
- request a personalized Getting the Facts report with assistance from the onboard counselor.

The College Info Road Show visits middle schools, high schools, adult education centers, public libraries and a variety of other venues, providing college access and financial aid planning services directly to students and families all over the Commonwealth.

The unit is equipped with Internet access, indoor and outdoor projection units and screens, and 11 individual workstations, making it a great addition to any school or community event.



"What a great service to have for free. Thank you so much for bringing the vehicle to our school."

— High school counselor

"KEES money is going to make a huge difference for me, WOW!"

— High school student

"The bus is so much fun, and all of the kids have been buzzing about it."

— High school counselor

"Thank you so much for bringing the Road Show. It is such a great advertising tool and really draws people in."

— Event coordinator

"This is by far the most fun we've had all day!"

— Student

State Grants and Scholarships

KHEAA remains committed to our mission of helping Kentuckians achieve their educational goals. The student financial aid programs we administer play a vital role in achieving those goals.

The Work Ready Kentucky Scholarship is a new program designed to help Kentuckians afford the education needed to attain an industry-recognized postsecondary credential in a high-demand workforce sector. The qualifying areas for FY2018 were advanced manufacturing, business and information technology, construction, healthcare, and transportation and logistics.

The Dual Credit Scholarship provides funding for Kentucky students to take two free college courses while in high school. The program also limits the amount of participating colleges can charge for all dual credit offered, so students can take additional coursework at the same low rate. As a result, students are able to reduce the cost and time to degree completion following high school graduation.

Revenue from the Kentucky Lottery funds 98 percent of state student aid awards disbursed by KHEAA. The remainder is funded by Coal Severance Tax, Tobacco Settlement Funds, federal funds, 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 FY2018, KHEAA disbursed over \$241 million in the form of grants, scholarships and work-study programs.

Programs	Awards	Funds Disbursed
Kentucky Educational Excellence Scholarship (KEES)	70,400	\$115,277,200
College Access Program (CAP) Grant	47,650	\$73,413,000
Kentucky Tuition Grant (KTG)	11,600	\$29,700,500
Kentucky National Guard Tuition Award	1,100	\$6,736,900
Dual Credit Scholarship	22,400	\$5,993,800
Kentucky Coal County College Completion Scholarship	660	\$2,943,200
Work Ready Kentucky Scholarship	1,200	\$2,885,000
Teacher Scholarship (transfer to Best in Class repayment)	900	\$1,400,000
Early Childhood Development Scholarship	590	\$762,600
Osteopathic Medicine Scholarship	60	\$394,600
Coal County Scholarship for Pharmacy Students	55	\$638,000
Teacher Scholarship (to students)	160	\$538,600
KHEAA Work-Study	270	\$363,600
Early Graduation Scholarship	120	\$230,800
Go Higher Grant	175	\$171,000
Totals	157,340	\$241,448,800

Publications and Social Media

KHEAA produces and distributes free college and career resources to Kentuckians, through counselors, college admission and financial aid officers, adult centers, public libraries and college fairs. These resources are also available on kheaa.com.

Most materials are targeted to specific audiences, such as middle school, high school and adult students. Other materials address specific topics, such as financial literacy and financial aid programs. Both federal and Kentucky-specific data are included.

During FY2018

- Number of publications distributed saw a 7.7 percent increase.
- Subscriptions to eNewsletters dropped by 0.6 percent.

Social Media

Both KHEAA and KHESLC have Facebook pages and Twitter accounts. These social media sites are used to send information to our followers about important deadlines and current events that impact their educational funding and about other critical details pertinent to furthering their educational experience.

Important figures to note for FY2018

- KHESLC Facebook page likes rose 11.8 percent.
- KHESLC Twitter followers increased 15.2 percent.
- KHEAA Facebook page likes rose 9.8 percent.
- KHEAA Twitter followers increased 9.4 percent.

Publications

Adults Returning to School is geared to nontraditional students, listing Kentucky colleges, degrees offered and the current year's costs. This publication also gives 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 and to students attending school in Kentucky.

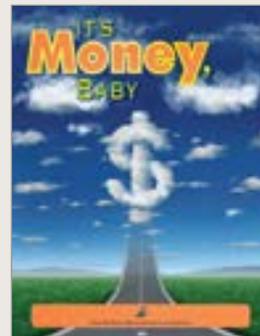
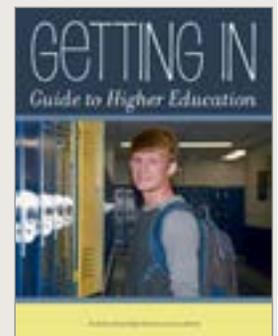
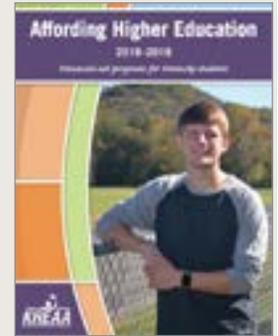
The College Circuit contains information about careers, college preparation, student financial aid and financial literacy. It is suitable for students from middle school to adult learners.

Getting In lists Kentucky colleges, degrees offered and the current year's costs. Copies are sent to high schools for distribution to all juniors. Parts of two chapters are available in audio on the kheaa.com website.

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

Surviving College offers advice to students before and during their first few semesters of college. Topics such as dealing with roommates, how to study for exams, money management and commuting to classes are covered. An online Spanish version is available on kheaa.com.

Surviving College for Adults offers tips to older students going to college for the first time or returning to complete a degree. Topics such as how to juggle work demands and school, how to set aside time to study, where to go for help and money management are covered.



Legislative Update

State

The 2018 legislative session was a difficult one, with revenue shortages and budget cuts felt throughout state government. Kentucky families were the beneficiaries of funds provided by the Governor and General Assembly using Kentucky Lottery revenue, which adequately funded KEES, CAP, KTG, the Dual Credit Scholarship, the Work Ready Kentucky Scholarship, and the Kentucky National Guard Tuition Award. Without these programs, college access and affordability would be out of reach for many Kentucky families.

- Following the federal Tax Cuts and Jobs Act of 2017, KHEAA and KHESLC oversaw the successful passage of HB 434, an act relating to the Kentucky Education Savings Plan Trust. Technical amendments were necessary to modify statutory language to allow for the state-sponsored 529 savings plan to be used for K–12 tuition expenses, up to \$10,000 per year.
- HB 132, an act relating to financial literacy, finally passed after several years of being considered and fine-tuned by both chambers. While not an agency bill per se, the legislation requires students to complete a financial literacy course prior to high school graduation.

Federal

- KHEAA and KHESLC, along with several other state guaranty agencies, effectively advocated for continued account maintenance fees in February's continuing resolution/budget deal. This resource directly supports our outreach efforts and allows us to continue our mission of removing barriers to postsecondary education.
- Passed in FY2018, to be enacted in FY2019, the Departments of Labor, Health and Human Services, and Education Appropriations Act also contained language helpful to state-based non-profit servicing organizations, like KHEAA and KHESLC, for future opportunities with the U.S. Department of Education.

Loan Servicing

In FY2018, KHESLC's Loan Servicing, Loan Administration and Operations Support areas continued work on improving the borrower's experience. Loan Servicing reached out to borrowers by making over 380,000 calls to help them with their loan repayment. Loan Administration processed over 50,000 tasks to keep borrowers on track to successful repayment. A cross-functional team continue to work on enhancements to borrowers' online and mobile payment capability via a new and improved kheslc.com.

Asset Management Operations

The Asset Management department is responsible for all collection activities for the defaulted student loan portfolios. There are three areas within Asset Management:

- **Debt Recovery (DR), Louisville**

DR staff perform all call center functions for the department, placing outbound calls and receiving incoming calls from borrowers whose loans have defaulted. Staff members assist borrowers to resolve default and counsel them on how to repay their student loans.

- **Operations, Louisville**

Operations staff provide training and perform quality assurance reviews to ensure that borrowers receive excellent service and counseling. Operations staff also generate performance reports and queries which are critical resources to the management team.

- **Debt Recovery Administration (DRA), Frankfort**

DRA staff perform multiple activities related to the administration and oversight of defaulted federal student loans, such as identifying loans that are eligible for rehabilitation repurchase and facilitating the Treasury Offset Program. DRA also ensures that account updates received from the U.S. Department of Education are processed in an accurate and timely manner.

Asset Management recovered \$114.2 million in defaulted Federal Family Education Loans in FY2018, which generated more than \$21 million in revenues. The gross recovery rate was 27.66 percent, which was an increase from 25.84 percent the previous year. Total loan rehabilitations were \$60.2 million, which accounted for more than half of the total amount recovered during the year. Staff assisted 3,265 borrowers to complete rehabilitation, which brought those borrowers' loans out of default, back into good standing, reinstated their eligibility for Title IV benefits and improved their credit histories.

KHEAA Verify

KHEAA offers a web-based, full-service verification program to institutions of higher education to fulfill the U.S. Department of Education's requirement that colleges must verify specific information reported on selected students' FAFSA applications.

KHEAA Verify is offered to colleges and universities across the country. The service contracts with a wide variety of schools from small, private community colleges to large public universities.

Each institution's students are given the same attention ensuring their FAFSA data is verified correctly and in a timely manner.

The verification process comes at a time when the financial aid offices are at their busiest. With KHEAA Verify, a college or university can contract with KHEAA to conduct the verification process on the school's behalf.

KHEAA verifies the student's and parent's information, collects the necessary documentation and submits any corrections to the Central Processing System to create a new report for the student and the school.

This valuable service allows the school staff to focus on other pressing tasks. Students and their families can feel confident their information has been corrected and submitted, and the student's aid will be awarded promptly.



24%

KHEAA Verify saw a 24 percent increase in the number of contracts signed in FY2018.



59%

KHEAA Verify saw a 59 percent increase in the number of students verified over the last fiscal year.

Cohort Default Management Services

When students do not make payments on their federal student loans, they may go into default. Defaulted federal loans not only impact the borrower and the lender but also the school that certified the loan.

The U.S. Department of Education releases the Cohort Default Rate (CDR) for every school that receives federal aid each year. If a school's CDR is above 30 percent for three consecutive years, it cannot participate in any federal aid program, which would be devastating for that school.

KHEAA's Cohort Default Management Services are offered to colleges and universities across the country. The service contracts with a wide variety of schools from small, private community colleges to large public universities.

KHEAA's Cohort Default Management Service offers schools three levels of service to help them manage and lower their CDR.

Student Transition Service

Email messages and videos provide students the right information at the time it is needed. Messages are written in a format that is easy to understand and begin when the student is accepted into college and continue through graduation.

Early Intervention Service

KHEAA staff contact students who have recently graduated, withdrawn or dropped below half-time status. The students are advised that their student loans will be entering repayment soon and are counseled on the different repayment plan options, deferments and forbearances available to them.

Default Prevention Service

Staff contact all borrowers in a school's cohort to explain the different repayment plan options, deferments and forbearances available. The emphasis is to advise students of the steps they can take to avoid defaulting on their loans.



11%

In FY2018, KHEAA saw an 11 percent increase in new Cohort Default Management Services contracts, and maintained existing ones, resulting in continued growth.

Cohort Default Management Services

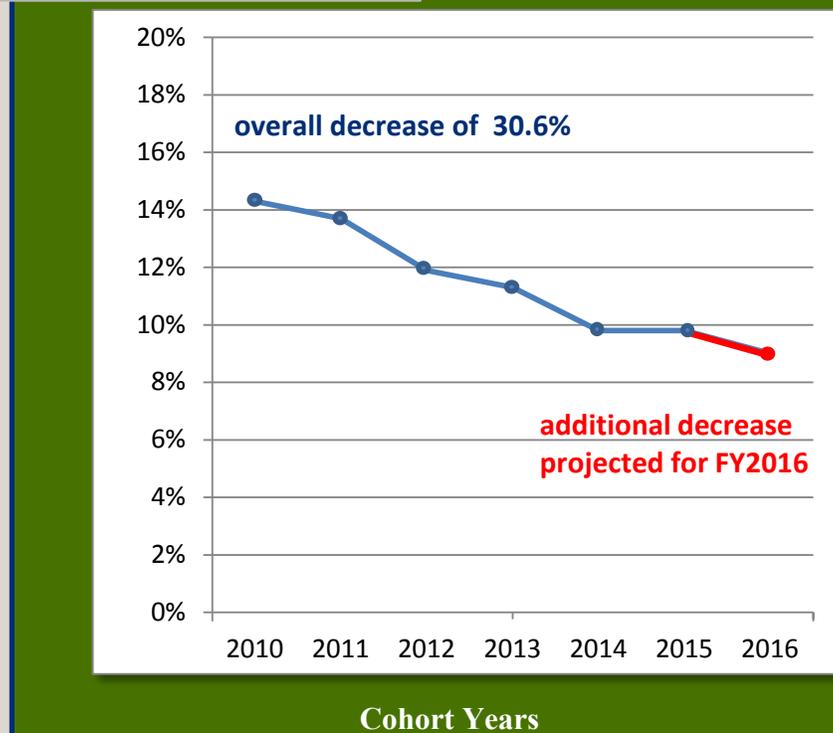
A case study for a four-year university shows KHEAA's efforts.

KHEAA had worked with this institution since 2014 when its FFY2010 Official Cohort Default Rate was 14.3 percent.

KHEAA addressed the school's FFY2013 and subsequent cohorts and lowered the institution's CDR by 30.6 percent to the current Draft Rate of 9.8 percent for FFY2015.

Current projections indicate the institution is on track to see an additional reduction when the FFY2016 Draft CDR is released in February 2019.

School's Official 3-year



Advantage Education Loan Program



Advantage Education Loan for students and parents

Benefits of the Advantage Education Loan and the Advantage Parent Loan continue to be among the most competitive in the nation.

In FY2018, interest rates on the Advantage Education Loans remained constant at a time when rates for the Federal PLUS loans increased significantly. The autopay benefit was decreased by a quarter of a percent, but with increased marketing efforts and expanded territories, our loan volume increased nearly 63 percent over FY2017!

Advantage Loans are the only state-based loans offered in Kentucky. We offer borrowers a fixed interest rate based on the repayment plan they choose.

In FY2018, the repayment and interest rate options were:

Immediate Repayment of principal plus interest

- 4.05 percent to 6.59 percent
- FIXED interest rate with NO fees
- 0.25 percent interest rate reduction for autopay

Immediate repayment of interest only

- 4.79 percent to 6.59 percent
- FIXED interest rate with NO fees
- 0.25 percent interest rate reduction for autopay

Postponed repayment

- 5.69 percent to 6.99 percent
- FIXED interest rate with NO fees
- 0.25 percent interest rate reduction for autopay

Advantage Refinance Loan

The Advantage Refinance Loan offers low fixed interest rates to borrowers who have already graduated and want to refinance or consolidate their education debt.

Borrowers can roll their private and federal student loans into one convenient loan and save on interest charges and get out of debt faster.

In FY2018, the loan offered NO fees, interest rates starting at 3.99 percent, flexible terms, a 0.25 percent interest rate reduction for autopay and a cosigner release after 36 months of timely payments.

In FY2018, interest rates remained constant. The autopay benefit was decreased by a quarter of a percent, but with increased marketing efforts and expanded territories our loan volume increased more than 1,146 percent over FY2017!

All loans are credit based, and cosigners are encouraged.

Borrowers applying for a loan must complete an online application.

KHESLC provides the funding for the loans and conducts the servicing and collection (if necessary), while KHEAA originates and disburses the funds.

Kentucky Education Savings Plan Trust



KENTUCKY Education Savings Plan Trust

For FY2018, the Kentucky Education Savings Plan Trust (KESPT) had total assets of \$211.7 million. This represented a 6.2 percent increase in fund value from FY2017.

The total number of accounts at the end of FY2018 was 17,794, an increase of 4.9 percent in open accounts from FY2017.

For the year, KESPT generated 2,118 new accounts, which represents the second highest yearly total in the 29-year history of the program!

The program had a higher than normal, \$1.7 million, amount of rollovers to other 529 college savings plans for the year. This fund movement continues a trend for KESPT, as well as for other direct- sold 529 programs nationwide that do not offer their residents a state tax incentive to save with the state-sponsored college savings program.

FY2018 Activities Report

Program Fund Value	\$211,679,555
Number of Accounts	17,794
Average Account Balance	\$11,896
New Accounts	2,118
Closed/Exhausted Accounts	1,201
Net New Accounts	917
Online Enrollments Online enrollments for new accounts opened: FY2018 — 54.9% of all accounts FY2017 — 58.9% of all accounts FY2016 — 47.3% of all accounts	1,155
FY2018 Investment Gain/Loss	\$12,500,000
Benefit Disbursements: Amount Number of Beneficiaries Average Dollar Amount Disbursed	\$15,772,010 3,844 \$4,103
Cancellations (Non Qualified Withdrawals) Amount Number Average Account Value of Cancellation	\$818,506 330 \$2,480
Rollovers Amount Total rollovers out of KESPT Average Account Value of Rollover	\$1,684,371 110 \$15,312

Kentucky's Affordable Prepaid Tuition

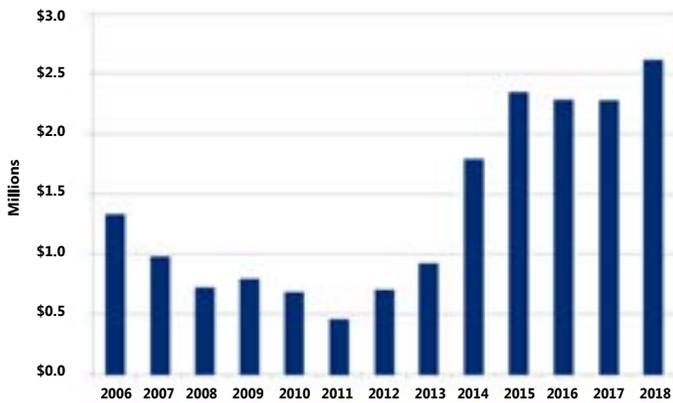


KAPT

The Kentucky Affordable Prepaid Tuition (KAPT) program had total investment assets of \$68.9 million for FY2018. This represented a 15.5 percent decrease in fund value from FY2017, primarily due to \$16.2 million in redemptions (cancellations and disbursements) by account owners.

The total number of accounts at the end of FY2018 was 3,731, a 10.0 percent decrease in the number of open accounts from FY2017. For the year, KAPT had 147 account cancellations, which continues the upward trend that can be attributed largely to the KRS changes that were enacted in 2014.

KAPT Account Cancellation Dollars by Year



**KAPT Benefit Disbursements
Average Payout & Number of Beneficiaries**



Financial Information

As of June 30, 2018, and for the fiscal year then ended
Dollars expressed in thousands

	GOVERNMENTAL AND FIDUCIARY FUNDS					PROPRIETARY FUNDS		
	Governmental Fund	KHEAA			Kentucky Education Savings Plan Trust	KHESLC		
		Federal Student Loan Reserve Fund	Kentucky's Affordable Prepaid Tuition			Agency Operating Fund and Internal Service Fund	Operating Fund and Education Finance Fund	
Current assets	\$ 49,430	\$ 25,751	\$ 70,444	\$ 212,194	\$ 22,459	\$ 33,490		
Loans, net	—	—	—	—	—	962,394		
Noncurrent assets	9,317	—	309	—	87,322	58,330		
Deferred outflows of resources	—	—	—	—	2,467	25,915		
Total assets and deferred outflows of resources	58,747	25,751	70,753	212,194	112,248	1,080,129		
Current liabilities	3	806	18,750	518	2,492	70,246		
Noncurrent liabilities	—	3,106	89,381	—	14,276	948,466		
Deferred inflows of resources	—	—	—	—	976	17,443		
Total liabilities and deferred inflows of resources	3	3,912	108,131	518	17,744	1,036,155		
Total net position	\$ 58,744	\$ 21,839	\$ (37,378)	\$ 211,676	\$ 94,504	\$ 43,974		

STATEMENT OF NET POSITION/FUND BALANCE

Current assets	\$ 49,430	\$ 25,751	\$ 70,444	\$ 212,194	\$ 22,459	\$ 33,490
Loans, net	—	—	—	—	—	962,394
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STATEMENT OF ACTIVITIES

Program revenue/additions	270,448	87,140	4,792	103,528	24,010	23,361
Direct expenses/deductions	242,465	84,847	9,281	91,176	20,829	35,571
Total	27,983	2,293	(4,489)	12,352	3,181	(12,210)
Transfer to General Fund	—	—	—	—	—	—
Interfund transfers	—	—	—	—	—	—
Change in net position	27,983	2,293	(4,489)	12,352	3,181	(12,210)
Net position at beginning of year, as restated	30,761	19,546	(32,889)	199,324	91,323	56,184
Net position at end of year	\$ 58,744	\$ 21,839	\$ (37,378)	\$ 211,676	\$ 94,504	\$ 43,974



Kentucky Higher Education
Assistance Authority

P.O. Box 798
Frankfort, KY 40602-0798
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kheaa.com



Kentucky Higher Education
Student Loan Corporation

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