

# *2011 Annual Report*



KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY  
and  
KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

*Helping Kentucky families reach their higher education goals for 45 years.*



## A MESSAGE FROM THE GOVERNOR

Dear Fellow Kentuckians:

As Governor of Kentucky, education has been and will continue to be one of my top priorities. Now more than ever it is important for Kentuckians to pursue higher educational opportunities, especially in today's fast-paced, technology-driven world. As a state and as individuals, we must position ourselves to be more competitive in this demanding global economy.

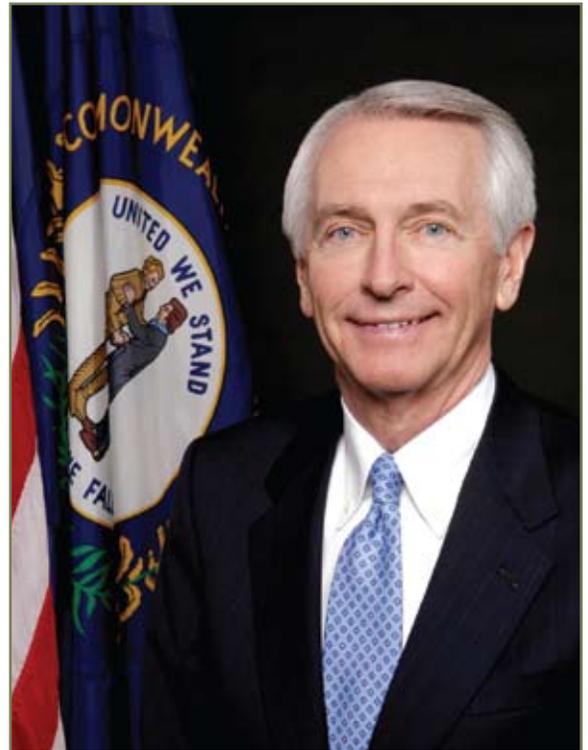
We are extremely fortunate to have several state-based financial aid programs administered by the Kentucky Higher Education Assistance Authority (KHEAA) and Kentucky Higher Education Student Loan Corporation (KHESLC) to help our citizens further their education beyond high school and to strengthen our educated workforce.

Again this year, I have designated KHEAA as the state agency to apply for the federally funded College Access Challenge Grant. The grant allows KHEAA to expand its nationally recognized outreach programs that counsel Kentuckians on the importance of higher education and the opportunities available here in Kentucky.

Our investment in education will generate substantial returns in the coming years. Working together with other agencies and organizations, KHEAA and KHESLC will continue to ensure all Kentuckians realize the value of higher education and help provide the resources to achieve their educational goals.

Sincerely,

Steven L. Beshear  
Governor of Kentucky





## A MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER



Kristi P. Nelson  
Chairman of the Board

Welcome to the Kentucky Higher Education Assistance Authority (KHEAA) and Kentucky Higher Education Student Loan Corporation's (KHESLC) 2011 annual report. Whether you are a valued colleague or a prospective customer looking for more information about our agencies, we hope you find the pages that follow informative and stimulating.

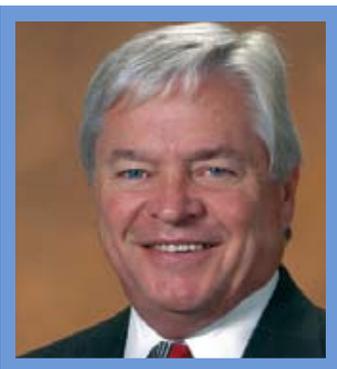
KHEAA and KHESLC's mission is to expand educational opportunities by providing financial and informational resources that enable Kentuckians to attain their higher education goals, and we stand strong in our resolve to keep Kentucky's college-bound citizenry at the core of our mission.

In FY 2011, we introduced new products such as the Kentucky Advantage Education Loan and the Kentucky Advantage Parent Loan, Kentucky's only state-based loans with fixed interest rates and other unique features. Revenues received from new products and services allow us to continue our mission of helping Kentucky's students succeed.

We have increased our outreach efforts to ensure all Kentuckians realize the importance and the feasibility of obtaining a higher education.

The amount of grants and scholarships administered through KHEAA has continued to grow even in this tough economic climate.

We look forward with pride in the knowledge that our programs and services are helping shape Kentucky's future. We will continue to stay focused on the students – current, past and future – and are confident KHEAA and KHESLC will continue to play a vital role in helping Kentuckians pursue their educational goals.



Edward J. Cunningham  
Chief Executive Officer

# ABOUT KHEAA AND KHESLC

The 1966 Kentucky General Assembly created the Kentucky Higher Education Assistance Authority (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 the Kentucky Higher Education Student Loan Corporation (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.

KHEAA and KHESLC are governed by a shared board of directors appointed by the Governor. In addition, the President of the Association of Independent Kentucky Colleges 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 ex officio members.

The Board appoints the Executive Director/CEO and adopts rules and regulations to govern agency operations. By statute, the Executive Director/CEO of KHEAA also serves as the CEO of KHESLC.

## LEADERSHIP

KHEAA and KHESLC's Board of Directors for FY 2011 consists of:

- Kristi P. Nelson, Chair, Union
- Barbara Sexton Smith, Chair-Elect, Louisville
- John Cheshire, Past Chair, Lexington
- David L. Allen, Secretary/Treasurer, Frankfort
- Erica L. Horn, Finance and Audit Chair, Frankfort
- Brent A. McKim, Program Committee Chair, Louisville
- Carla Blanton, Lexington
- Lawrence L. Jones, Prospect
- Becky Lamb, Prospect
- Lisa Payne, Prospect

### *Ex Officio Members*

- Dr. Gary S. Cox, President, Association of Independent Kentucky Colleges 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



*Green County High School students pose with the College Info Road Show mobile classroom.*

## OUTREACH SERVICES

KHEAA and KHESLC staff reach out to potential college and university students and provide individually-relevant information about higher education opportunities. Programs support students to make informed decisions about pursuing higher education and choosing wisely from the financial aid options that are available.

As the Kentucky agency designated by Governor Beshear and the U.S. Department of Education to administer the federal College Access Challenge Grant Program, KHEAA fulfills 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 are designed to meet the primary objective of providing comprehensive outreach programs that increase participation and completion rates, responding to the needs of Kentucky families and are

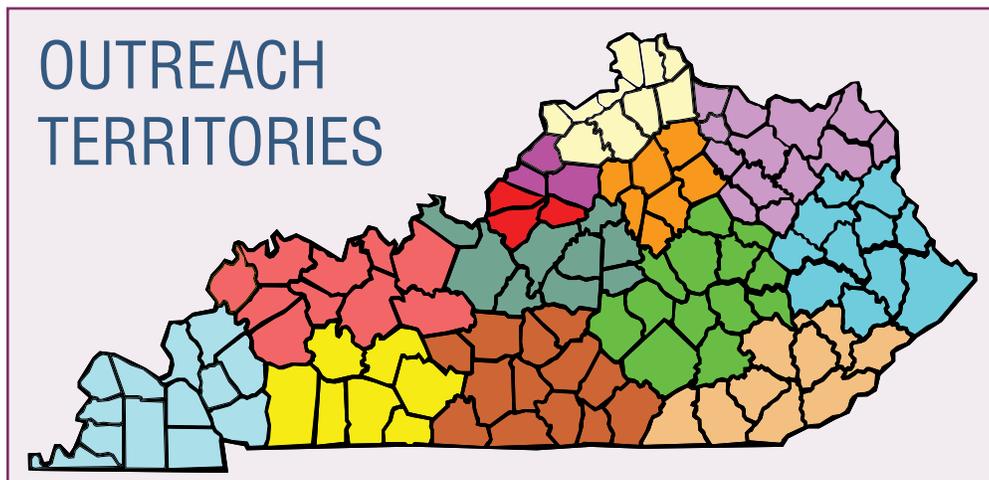
consistent with other state public policy objectives. KHEAA's Outreach activities include, but are not limited to:

- Provision of information to students and families on postsecondary education benefits, opportunities, planning and career preparation.
- Provision of information on financing options, including activities that promote financial literacy and debt management among students and families.
- Outreach to students who may be at risk of not enrolling in or completing college.
- Assisting students and parents in completing the Free Application for Federal Student Aid (FASFA).

Through all this activity, the Outreach staff counseled more than 172,500 Kentuckians on preparing for and reaching their higher education goals during FY 2011.

Another way Outreach staff reach students is through the College Info Road Show, which is a mobile classroom that travels to middle schools, high schools and adult

education centers across the Commonwealth. The College Info Road Show gives students hands-on experience researching and applying for scholarships and to provide other financial aid resources. It can also be found at school and community exhibits, fairs and events. In FY 2011, the College Info Road Show traveled 12,770 miles.





*Kentucky College Coaches with Outreach Manager Susan Hopkins (far right).*

## KENTUCKY COLLEGE COACHES PROGRAM

The Kentucky College Coaches Program results from collaboration between KHEAA and other college access professionals including AmeriCorps, Berea College, Northern Kentucky University and the Kentucky Campus Compact.

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

KHEAA identified the pilot school sites below based on the college-going rate, free-and-reduced lunch eligibility, minority population, median ACT scores and the number of other college access programs serving the school.

### KENTUCKY COLLEGE COACHES SCHOOLS FY 2011

- Barren County High School
- Bracken County High School
- Casey County High School
- Christian County High School
- Edmonson County High School
- Franklin-Simpson High School
- Grayson County High School
- Harlan County High School
- Henry County High School
- Jenkins High School
- Lewis County High School
- Lynn Camp High School
- Lyon County High School
- Marion County High School
- McCreary Central High School
- Meade County High School
- Owensboro High School
- Owsley County High School
- Pendleton County High School
- South Floyd High School
- Spencer County High School
- Union County High School
- Valley High School
- Waggener High School



### SOCIAL MEDIA

KHEAA's social media presence grew significantly in FY 2011. The agency's number of Facebook "likers" grew by 48%, with increasing participation such as individual "likes" and comments on pieces of content leading to over 80,000 daily impressions. The growth of Twitter following was more gradual, as Kentuckians are largely on Facebook for social media purposes, averaging between one and five new follows a week. Plans were made to launch social media accounts for KHESLC in FY 2012.

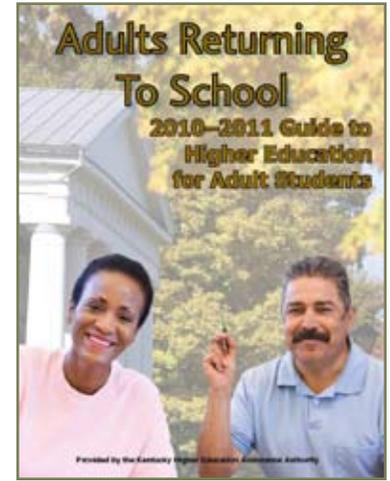
# PUBLICATIONS

Each year, KHEAA produces and widely distributes college and career publications. All publications are free and available from Outreach Counselors, school counselors and adult education centers. They are also available on the KHEAA website at <http://www.kheaa.com/website/kheaa/mainpub?main=1>. The publications include:

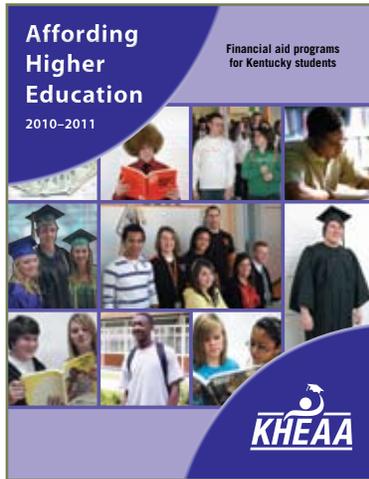
*Getting In*, a complete college admissions and financial aid guide for high school juniors. Copies are sent to public and private high schools for distribution to all juniors.



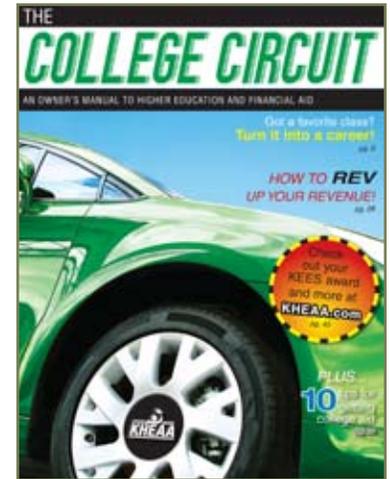
*Adults Returning to School*, geared to non-traditional students. It not only contains the information included in *Getting In*, but also information specific to adult students.



*Affording Higher Education*, which lists more than 5,000 financial aid programs available to Kentucky students at Kentucky colleges and universities. Copies are sent to school and public libraries and to college access providers.



*The College Circuit*, suitable for students from middle school to adults. Parents and counselors can also use it to help their students. *The College Circuit* includes information about careers, college preparation, student financial aid and financial literacy.



# COLLEGE COST AND PLANNING REPORT

KHEAA partnered with Student Aid Services, Inc., a member of the Resolve Group — an innovative technology and services company, to provide a new initiative this year — the College Cost and Planning Report (CCPR). The CCPR is provided free of charge to Kentucky high school juniors and seniors. CCPR takes information the students and their parents report and then compares the students' data to up to six colleges in which the students are interested. It provides a customized report on each college, including what the student might expect to pay out of pocket at each institution. This is a useful tool for every student considering college. Students can request their customized CCPR by going to [kheaa.com](http://kheaa.com) and completing all the questions. Their report will be e-mailed back to them.

School counselors and community contacts are excited to provide this free informative tool to the populations they serve.





## STUDENT FINANCIAL AID

KHEAA-administered student financial aid programs play an important role in helping Kentuckians achieve their educational 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. The College Access Program (CAP) Grant and Kentucky Tuition Grant (KTG) help financially needy students pay for college.

During FY 2011, KHEAA disbursed over \$197 million in the form of grants, scholarships and work-study programs.

Kentucky Lottery revenue funds the vast majority of state student aid awards disbursed by KHEAA. The remainder is funded by Federal LEAP/SLEAP Funds, Coal Severance Tax, Tobacco Settlement Funds, federal funds, civil penalties under KRS 199.990 and KHESLC revenue transfer. *KHEAA pays for all costs associated with administering student aid programs, ensuring that every state-appropriated dollar goes directly to students.*

STATE STUDENT AID EXPENDITURES	Recipients	Amount
Kentucky Educational Excellence Scholarship <i>Awards students for academic achievement in high school</i>	69,061	\$95,373,311
College Access Program Grant <i>Provides access to students with financial need</i>	37,836	59,567,348
Kentucky Tuition Grant <i>Allows students with financial need to attend an independent institution</i>	12,400	32,313,514
Kentucky National Guard Tuition Award <i>Provides tuition for active Guard members in good standing</i>	1,119	4,715,229
Teacher Scholarship* <i>Assists education majors demonstrating financial need</i>	288	1,275,232
Early Childhood Development Scholarship <i>Assists students working in early childhood education</i>	1,130	1,163,232
Osteopathic Medicine Scholarship* <i>Assists University of Pikeville Kentucky College of Osteopathic Medicine students</i>	56	730,318
KHEAA Work-Study Program <i>Enables students to earn wages to help pay for higher education</i>	705	532,129
Robert C. Byrd Honors Scholarship <i>Rewards students demonstrating academic achievement</i>	396	567,168
Mary Jo Young Scholarship <i>Pays for AP or dual credit courses for disadvantaged high school students</i>	446	300,235
Go Higher Grant <i>Assists adult students with education costs</i>	141	134,068
John R. Justice Grant <i>Loan repayment assistance for public defenders and prosecutors</i>	48	119,408
Drive the Dream Scholarship	1	500
<b>Total</b>	<b>123,627</b>	<b>\$196,791,692</b>
<b>Other Program Benefits—Benefits Paid</b>		<b>Amount</b>
Kentucky’s Affordable Prepaid Tuition Plan <i>Allows families to prepay tuition</i>	1,569	\$12,136,700
Kentucky Education Savings Plan Trust <i>Encourages families to save for future college costs</i>	1,641	\$8,263,512

\* These programs provide loans that are forgiven if service requirements are met. The figures provided are the FY 2011 service credit and write-off amounts provided for loans previously disbursed through these programs. In FY 2011, new Teacher Scholarship loan disbursements of \$151,299 were made to 48 students and new Osteopathic Medicine Scholarship loan disbursements of \$771,194 were made to 105 students.



## STUDENT LOANS

As part of its mission to expand access to higher education in Kentucky, KHESLC launched two state-based loan programs in late 2010 and early 2011. The Kentucky Advantage Education Loan and Kentucky Advantage Parent Loan are designed to help Kentucky students and families with the increasing costs of attending college.



The Kentucky Advantage Education Loan is for Kentucky residents, regardless of where they go to school. The Kentucky Advantage Parent Loan is for Kentucky residents who have a child in college.

These Advantage Loans are the only state-based loans in Kentucky. What sets the Advantage Loans apart from all other competitors is that the fixed interest rates are based on the borrower's repayment plan. The loans have three options for repayment:

- Immediate repayment of principal and interest (7.25% interest rate and 2% guarantee fee)
- Immediate repayment of interest only (7.25% interest rate and 2% guarantee fee)
- Postponed repayment of principal and interest (7.75% interest rate and 3% guarantee fee)

Both loans provide a 0.5% interest rate reduction if the borrower pays the loans by auto debit. All loans are credit based and co-signers are encouraged.

To apply for either the student or the parent loan, the borrower needs to complete an online application. There are three options to facilitate the loan applications coming into KHEAA and KHESLC. The borrower can choose between filling out an application on [kheaamarketplace.com](http://kheaamarketplace.com), going to [kheslc.com](http://kheslc.com) or logging onto [kentuckyadvantageloan.com](http://kentuckyadvantageloan.com).

## BEST IN AWARDS (FOR FFELP BORROWERS)

Each year, KHEAA and KHESLC set aside revenue to fulfill their commitment to Kentucky teachers, nurses and public sector attorneys who qualify for the Best in Class, Best in Care and Best in Law benefits.

In FY 2011, KHEAA and KHESLC distributed Best In Awards to 5,316 qualified applicants.

PROGRAM	QUALIFYING APPLICANTS	TOTAL BENEFITS
Best in Class	2,937	\$4,157,375
Best in Care	2,321	\$1,723,992
Best in Law	58	\$43,035



## DEBT RECOVERY

KHESLC's Debt Recovery section, within the Asset Management Department, collects defaulted Federal Loans on behalf of KHEAA. Each year Guaranty Agencies are ranked according to overall recovery rates, and KHESLC has consistently been a proven leader in Guaranty Agency collections. For FY 2011, KHEAA ranked sixth out of the nation's 33 Guaranty Agencies due to the debt recovery services provided by KHESLC. With a knowledgeable, tenured and dedicated staff, KHESLC continues to be a leader in this line of business.

During FY 2011, KHESLC's Debt Recovery section recovered more than \$126 million in defaulted student loans, the highest amount in the history of the organization. More than \$50 million of those recoveries resulted from borrowers committing to and completing a Rehabilitation program. Rehabilitation is a Federal program which assists borrowers with the removal of the default status. Once the Rehabilitation process is complete, borrowers are then eligible to apply for additional Federal financial aid and complete their college education. In addition, the negative mark from the defaulted loan is erased from the credit report, thereby assisting borrowers with reestablishing their credit history.

The information and education KHESLC's Debt Recovery section provides to struggling borrowers is essential to their future success in continuing their college education.

## KHEAA STUDENT LOAN MARKETPLACE

The Student Loan Marketplace is a one-stop shop for anyone searching for a private or alternative student loan. When an application is completed, the sites search all participating lenders to determine loans for which the applicant would be eligible, returning the results in a fully searchable format. The applicant need complete only one application and have only one hit on the credit report but can search multiple lenders. Once the borrower selects the lender of choice, the lender is notified. The rejected lenders never see the applicant's information.

KHEAA has partnered with Overture Technologies to make the KHEAA Marketplace available free of charge to students and families.

## NET PRICE CALCULATOR

Net Price Calculators are great tools for prospective students and their families to determine their out-of-pocket expenses for a particular college or university they are interested in attending. Students answer a series of questions and the school's calculator takes the raw data and comes back with an estimate of what the student and family can expect to receive in the form of financial aid and the amount the family will need to pay.

KHEAA partners with StudentAidServices.com (SAS) to offer their Net Price Calculators (NPC) to schools. SAS is the leader in providing the most technologically advanced and comprehensive NPC product available.



## CUSTOMER SERVICE

KHEAA's Customer Service Center works diligently to help every Kentuckian achieve their dream of a higher education. Staff answer such questions as:

- "How do I apply for financial aid?"
- "How do I obtain a PIN number?"
- "What do I need to do to apply for a Kentucky Advantage Education Loan?"
- "How much KEES money do I have?"
- "When will my grant money go to my college?"

The staff receive continuous training and regular updates on federal and state legislation or policy changes that can impact current and potential college students.

In FY 2011, KHEAA's Customer Service Center answered over 35,000 calls and more than 800 e-mails from students and families from across the Commonwealth.

KHESLC's Loan Servicing Department is dedicated to providing the highest quality Customer Service in a friendly and knowledgeable manner.

One of KHESLC's primary measures of success is borrower satisfaction and valuable feedback is received from customer service surveys. Surveys are sent to customers and the results are reviewed to determine what staff are doing well or if there are areas which need improvement.

In FY 2011, KHESLC's Loan Servicing Center helped over 94,000 borrowers who called and responded to more than 9,500 e-mail inquiries.



## LOOKING AHEAD

KHEAA and KHESLC remain committed to helping Kentucky residents attain their higher education goals, which involves more than just getting students to enroll. To help students succeed in all facets of their educational endeavors, KHEAA and KHESLC will launch several new initiatives to help Kentucky students and families and to generate revenue for the agencies. These revenues will allow us to continue our mission of providing financial and information resources to Kentuckians seeking higher education.

These initiatives include:

### **Cohort Default Management Services:**

- **Early Intervention:** 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 counsel on the best ways to manage repayment. Students who have withdrawn or dropped below half-time status will be counseled on the benefits of returning to school or increasing their course load to help prepare them for a brighter future. The goal is to prepare students to be successful and encourage good payment habits to help them build a good credit history.
- **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. Staff will work extensively with these students to help them determine if they qualify for deferments or forbearances. The goal is to set them on the path to successful repayment.

**KHEAA Verify:** Each year the U.S. Department of Education (USDE) selects a percentage of FAFSAs to be verified by the school before any aid can be awarded to those selected. KHEAA will work with the schools to verify the data and collect all the necessary documents. This service benefits the schools, students and their families by catching errors and correcting them so the school can offer the student the correct mix of financial aid.

**Federal Loan Servicing:** In the fall of 2012, KHESLC will begin servicing Federal Student Loans through an agreement with the USDE. This contract will allow KHESLC's Loan Servicing Department to provide high quality servicing to a new group of borrowers which will help to ensure their successful repayment.

**Federal Default Collections:** KHESLC is pursuing a subcontracting relationship with a Private Collection Agencies (PCA) that is under contract with the USDE. In its role as subcontractor, KHESLC would perform collection activities on defaulted student loans that are held by USDE.

# SELECTED FINANCIAL INFORMATION

As of June 30, 2011, 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		Agency Operating Fund and Internal Service Fund	KHESLC
Kentucky's Affordable Prepaid Tuition			Kentucky Education Savings Plan Trust	Operating Fund and Education Finance Fund		
<b>STATEMENT OF NET ASSETS</b>						
Current assets	\$ 5,622	\$ 27,487	\$ 123,456	\$ 130,753	\$ 30,644	\$ 75,461
Loans, net						1,704,568
Noncurrent assets	9,379		4,424		36,059	82,347
Total assets	15,001	27,487	127,880	130,753	66,703	1,862,376
Current liabilities	153	14,458	79	157	1,022	21,912
Noncurrent liabilities		3,950	178,765		4,785	1,713,654
Total liabilities	153	18,408	178,844	157	5,807	1,735,566
Total Net Assets	\$ 14,848	\$ 9,079	\$ (50,964)	\$ 130,596	\$ 60,896	\$ 126,810
<b>STATEMENT OF ACTIVITIES</b>						
Program revenue/additions	\$ 201,694	\$ 125,273	\$ 23,712	\$ 57,291	\$ 26,491	\$ 77,006
Direct expenses/deductions	202,064	127,002	12,588	36,760	17,449	46,014
Total	(370)	(1,729)	11,124	20,531	9,042	30,992
Interfund transfers			104		(99)	(5)
Change in Net Assets	(370)	(1,729)	11,228	20,531	8,943	30,987
Net assets at beginning of year	15,218	10,808	(62,192)	110,065	51,953	95,823
Net Assets at End of Year	\$ 14,848	\$ 9,079	\$ (50,964)	\$ 130,596	\$ 60,896	\$ 126,810

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

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 2/12.



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