



Annual
Report

2016

We help students and families prepare for the future.
We help Kentucky.

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Message from the Governor

Dear Fellow Kentuckians,

One of my goals as your governor is to ensure access to affordable education. We must empower students and their families to make choices based on their needs and goals. It is vital for Kentuckians to pursue higher education to compete in today's global economic and fast-paced technology-driven culture. 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 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.

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 Kentucky will be more competitive in today's global economy.

Sincerely,



Matt Bevin



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 2016 Annual Report. Our 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.

We accomplished these goals in FY2016 including continuing our robust outreach activities that reach every county in the Commonwealth to help students and families prepare and plan for college; expanding our KHEAA Verify and Cohort Default Management Services; eliminating all fees on our Advantage Education Loans for students and parents; and expanding our private loan portfolio, which increased 6 percent in FY2016. We continued to seek licensure in other states to continue to grow market share of this product.

Additionally, we introduced the Advantage Refinance Loan in December 2015. In the remaining six months of the fiscal year we grew by nearly \$2 million in refinanced/consolidated loan volume.

We continued to provide Kentucky students with grants and scholarships to help fund their education. In FY2016, we provided more than \$222 million in funding for Kentucky students pursuing higher education.

In addition, we forgave more than \$1.7 million in student loans held by Kentucky's eligible teachers, nurses and public attorneys through our Best In programs.

We continue to service and collect our portfolio of Federal Family Education Loan Program (FFELP) loans.

Our leadership team worked with education committees and with local, state and federal leaders to help shape the face of education finance for the future. The agencies continued to participate in the 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, colleges and universities.

Board Chair Erica Horn
Executive Director Carl P. Rollins



KHEAA and KHESLC Executive Leaders, Board Chair Erica Horn and Executive Director Carl P. Rollins.

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 Colleges and Universities, President of the Council of Postsecondary Education, Secretary of the Finance and Administration Cabinet, Commissioner of the Kentucky Department of Education and 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 is also the Executive Director of KHESLC.



Leadership

Leadership Team

Dr. Carl P. Rollins, 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

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Erica L. Horn, Board Chair, Attorney
Stoll Keenon Ogden PLLC, Lexington

David L. Allen, Executive Director
Governor's Office of Constituent Services, Frankfort

John Cheshire, Senior Portfolio Manager
Dividend Asset Capital, Beaufort

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

Brent A. McKim, Program Committee Chair, Teacher
Jefferson County Teachers Association, Louisville

Kristi P. Nelson, Attorney
Pomeroy IT Solutions, Inc., Union

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

Barbara Sexton-Smith, Chief Liaison
Compassionate Schools Project, Louisville

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

J. Scott Wantland, Attorney
Shepherdsville

Ex Officio Members

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

Allison Ball, State Treasurer
Frankfort

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

Robert King, President
Council on Postsecondary Education, Frankfort

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

Celebrating 50 Years

Dozens of familiar faces from KHEAA's past reappeared as the agency celebrated its 50th anniversary with a reception at the Frankfort office. Current and former employees reunited over cake, punch and photo albums documenting KHEAA's history.

Among the retirees in attendance was Paul Borden, who in 1972, was hired as KHEAA's first full-time employee. In his remarks to those in attendance, Borden recalled the agency's humble beginnings. "We were in a 10- by 15-foot office on the eighth floor of the Capital Plaza Tower. That was the whole agency."

Borden, who was executive director from 1972 to 1999, said that one of his initial responsibilities was to conduct a study of financial aid needs across the state. "That's how we began to build relationships with legislators and educators," he said. "The agency began to grow. First, I hired a secretary, then someone to administer state grants, then a loan program administrator, then a guarantee program administrator."

It was under Borden's leadership that the agency experienced tremendous growth, both in size and scope. Hundreds of employees, who would never have fit inside a 10- by 15-foot office, helped expand the federal loan guarantee program and the state's roster of scholarships for Kentucky students. This era saw the development of outreach and default prevention services, as well as the creation of KHESLC in 1978.



Former and current employees catching up during the 50th Anniversary Celebration.

But Borden said those early years weren't without a few bumps in the road. "We were in a suite of offices operated by the CPE (Council on Postsecondary Education)," he said with a laugh.

Looking back on his 27 years with KHEAA, Borden said, "I'm proud of what we have accomplished — this is one organization that's done a lot of good for a lot of people, and I hope they continue for many years to come."

Current Executive Director Dr. Carl Rollins also spoke at the homecoming celebration and provided statistics demonstrating KHEAA's impact on the Commonwealth over the past half century:

Number of lives touched — **1,658,866**

441,252 individuals receiving KEES

461,844 individuals receiving other state grants or scholarships

1,000,985 individuals receiving/paying on a student loan

It is estimated that **37.6 percent** of Kentuckians have had an education finance relationship with KHEAA.

Outreach

Close the Deal

Close the Deal is a one-day program that helps Kentucky high school seniors make the transition to college by assisting them with admission and financial aid processes. Schools, community leaders and business representatives are recruited to work with local students in setting and meeting goals for college and careers. Students hear from state and 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 and a local business leader or school alumnus. State education officials also help counselors with college and career advising.

Close the Deal is designed to counteract the factors that hinder students from making the transition from high school to college by creating a college-going culture, improving transitions to postsecondary education and providing students and caring adults with knowledge.

In FY2016, high schools were selected for participation based on their college-going rate; the percentage of students eligible for free and reduced price lunch and a desire to create a stronger college-going culture at their school.

Grant County, Lincoln County, Paducah Tilghman and Wayne County High Schools participated in the official 2016 program. KHEAA outreach counselors throughout the state also worked with schools continuing their programs from previous years and with new schools putting on their own, independent programs.

KHEAA and our partner agencies — the Council on Postsecondary Education, the Kentucky Association for College Admission Counseling, the Kentucky Association of Student Financial Aid Administrators and the Kentucky Department of Education — provided dedicated staff to help each school develop an event planning team. Each team is provided a Partner Implementation Packet, with tips, timelines, sample resources and templates, student expectations and more to help each school plan a successful event. Financial aid and admission experts moderate the formatted table talks and college resource fairs, and distribute college planning and student financial aid resource materials.



Louisville Metro East Senior Outreach Counselor Candice Johnson talked with seniors about financial aid opportunities and the many ways to pay for college.



Northwestern Kentucky Senior Outreach Counselor Casi Clark advised seniors about the importance of completing the Free Application for Federal Student Aid (FAFSA).

Outreach



KHEAA Executive Director Carl P. Rollins and keynote speaker Colman Elridge at Lincoln County High School

“Close the Deal represents an opportunity for young people to invest in themselves and to also see that there is a community surrounding them that is also willing to invest in their success. That investment is critical for their success, but it is also critical for our Commonwealth’s success, and it is an exciting journey for us all to take together.”

– Colmon Elridge, Director of the National Center of Interstate Compacts for the Council on State Governments

“Thank you for being a part of our Close the Deal. This was a special event and we are thankful to KHEAA and all local representatives who took the time to be here for our students.”

– High school administrator

“Talking with the professionals at Close the Deal gave me answers to questions I’ve wanted to ask about college and careers but haven’t had the opportunity to do so until now.”

– High school senior

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; can find helpful resources for career assessment, test preparation and scholarship searches; file their FASFA; or 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.



“Many of the students are talking about KHEAA and the College Info Road Show being here, which created quite a buzz inside the school. We’ll definitely use more of KHEAA’s services!”

– High school counselor

Outreach

College Coaches

KHEAA participates in the Kentucky College Coach (KCC) Program, which is funded in part with a grant to the Kentucky Campus Compact through the Kentucky Commission on Community Volunteerism and Service (KCCVS). The commission places AmeriCorps volunteers serving as near-peer college coaches in high schools across the Commonwealth. Working with whole school populations in grades 9 – 12 and with a core group of up to 80 students at each high school, coaches provide services and resources that prepare high school students at our 30 participating sites for postsecondary opportunities. The 2015 – 16 academic year marked the sixth consecutive year that KHEAA has served as an intermediary partner in the KCC Program.

Kentucky College Coaches Program Wins National Service Group Award

The Kentucky College Coaches Program was honored with the AmeriCorps program National Service Group Award at the

20th Annual Governor's Service Award Ceremony on July 30, 2015, at the Kentucky Governor's Mansion.

The awards are given by KCCVS, an agency of the Kentucky Cabinet for Health and Family Services. They honor outstanding individuals, groups, national service members, nonprofits and businesses making a difference in communities across the Commonwealth and highlight the impact of volunteerism and service.

National Service Awards recognize individual members or groups of members of a national service program (AmeriCorps, AmeriCorps VISTA, AmeriCorps NCCC or Senior Service Corps) who have demonstrated service beyond standard expectations of the designated program. This individual or group provides an extraordinary example of the National Service spirit.



From left: Secretary Audrey Tayse Haynes, Susan Hopkins, Jenny Ceesay, Gayle Hilleke, Dr. Aaron Thompson, former Kentucky Lt. Governor Crit Luallen, Kristen Hedgebeth and KHEAA Executive Director Dr. Carl Rollins.

Outreach

KHEAA College Coaches Schools FY2016

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
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

Program Statistics

- **527** core students graduated high school in 2015-2016
- KCC core students sent college applications to **101** colleges throughout the nation
- KCC core students were offered, **\$2,472,946.00** in scholarships (this does not include grants or any other type of financial aid)
- 29 KHEAA KCCs served a total of **34,722** hours during their 10 month service term

Success Story

“As my senior year was very busy with the basics, I was also loaded down with tasks to complete for my life after high school. Thankfully I was graced with the assistance of a college coach.

My coach helped me manage all my college plans, from the simple college application down to the detailed FAFSA application. My financial situation required extra attention, which made the process more complicated, but I knew that my coach would help me figure it all out and get it completed on time. They never hesitated to make sure that I was staying on top of due dates and finding any assistance that may be available while assisting me with finding the right school to fulfill my dreams.

There wasn't a time that I couldn't walk into their office with a ton of questions and leave without feeling at ease for the most part. I am truly thankful that I had a college coach during my senior year, and will more than likely be visiting with them as I begin my college career.”

– Alexia Smith, core senior at McCreary Central High School

Outreach



McCreary Central College Coach, left, and senior Alexia Smith

“Our college coach was so student-driven and asked questions on their behalf. Many of the students have their coach to thank for their new lives after high school.”

— High school site supervisor

“The college coach has been a wonderful addition to the program at our school! They always go above and beyond with their students, making every student’s needs their professional priority until the need is met — even if that requires frequent reminders, personal contacts, phone calls and parent meetings. One of their biggest contributions this year was their work with the FASFA. They truly facilitated as our FASFA contact person and worked diligently to assist students throughout the financial aid process.”

— High school site supervisor

“Our Kentucky College Coach has been terrific this year. They are so helpful with the students and the counselor’s office. We are very pleased that they will be returning next year.”

— Counseling assistant

Outreach

College Application Month

November 2015 marked the fifth year for KHEAA's sponsorship of Kentucky College Application Month (CAM). November was proclaimed College Application Month in Kentucky and across the nation. Kentucky's CAM program is 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.

During FY2016, KHEAA opened participation in the program to all schools in the state interested in organizing activities, asking them to register on the official CAM website. Involvement in 2015 was at the highest level to date, with 182 schools and organizations registering.

Schools that registered by June 30 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 on the official CAM website with a variety of resources to help administrators, counselors

and students. Registered participants also received access to training opportunities, both at the KHEAA office in Frankfort and via webinar, as well as timely program news and updates via email.

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 hashtag #ipliedky. There were hundreds of posts using the hashtag, including students touting their top college choices and schools showcasing their application activities. KHEAA also tied in its quarterly iPad giveaway on agency social media pages, asking entrants for the giveaway to respond to the question, "What advice would you give to a high school senior applying to college?"

Schools were asked to submit the number of their participating students and the number of applications submitted during the event. Seventy-eight of the 182 schools that registered for CAM submitted their event totals. Those 78 schools reported that some 8,500 seniors submitted nearly 14,600 applications.

“College App Month has brought so much to our students. We have found that more students are applying to college due to the stress-free and fun environment that we provide. Because we provide free applications for all students, it has increased our college application completion numbers exponentially!”

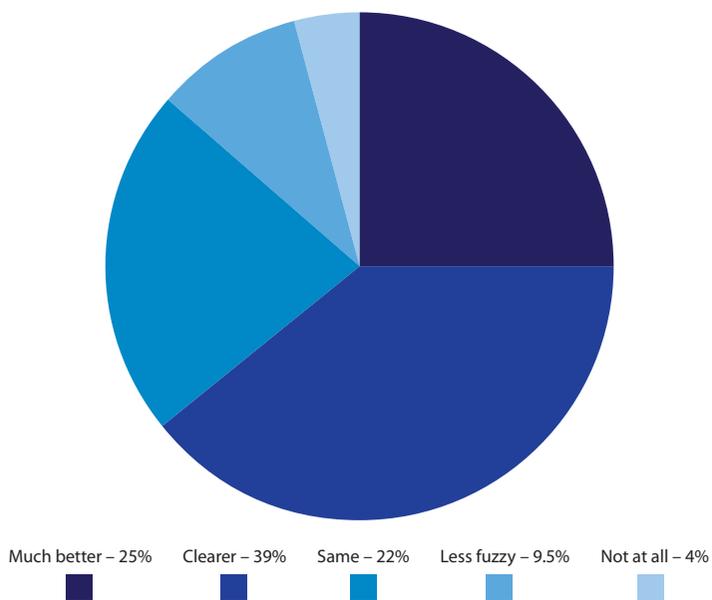
— College and career readiness counselor

Outreach

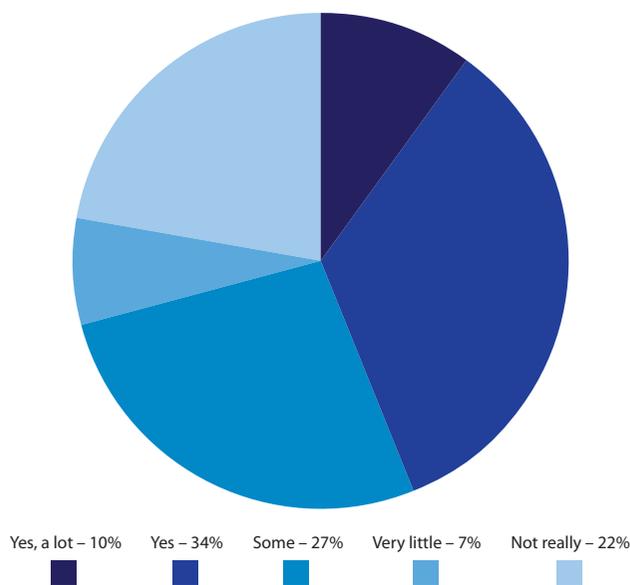
Students were also asked to complete an online survey about CAM. The chart to the left shows that 73.6 percent of respondents said CAM activities helped them feel better prepared to fill out college admission applications (an increase

of 1.4 percent over last year). The chart to the right shows that 78.1 percent of respondents thought that CAM activities changed their likelihood of going to college after they graduate high school (an increase of 1.8 percent over last year).

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



Do you think the College Application Month information and activities changed the likelihood that you'll go to college after you graduate?



“I really liked having the opportunity to apply to colleges during my school day. I would have put it off if it didn't happen at school. I thought it would be a really scary process, but I am glad I did it early.”

— High school senior

“I was shocked at how easy it is to apply to a lot of colleges. It's really not too bad of a process.”

— High school student

Publications

Publications

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

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

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 dealing with roommates, how to study for exams, money management, commuting to classes and much more are covered. An online Spanish version is available on kheaa.com

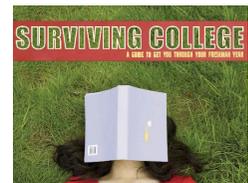
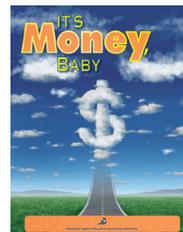
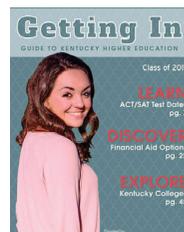
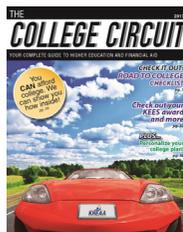
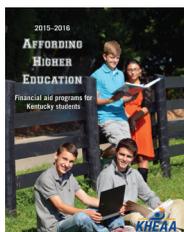
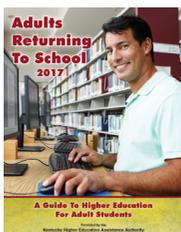
Surviving College for Adults offers tips to older students going to college for the first time or returning to complete a degree. Topics such as how to juggle work demands and school, how to set aside time to study, where to go for help, money management, and more are covered.

Social Media

KHEAA and KHESLC each have Facebook pages and Twitter accounts. These social media sites are used to send information to our followers on important deadlines, current events as it impacts their educational funding and other critical details pertinent to furthering their educational experiences.

Important figures to note for FY2016:

KHESLC Facebook page likes rose 15.3 percent.
KHESLC Twitter followers increased 27.8 percent.
KHEAA Facebook page likes rose 17.9 percent.
KHEAA Twitter followers increased 17.8 percent.
Number of publications distributed saw a 2.3 percent increase.
Subscriptions to eNewsletters rose by 1.3 percent.



State Grants and Scholarships

State Grants and Scholarships

KHEAA remains committed to our mission of helping Kentuckians achieve their educational goals. The student financial aid programs we administer to Kentucky's college-going citizens plays a vital role in achieving those goals.

The Kentucky Educational Excellence Scholarship (KEES) is a merit scholarship program that rewards academic achievement and encourages the best and brightest students to stay in Kentucky. The KEES program is also 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 94 percent for 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 and KHESLC revenue transfers.

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

During FY2016, KHEAA disbursed over \$222 million in grants, scholarship and work-study programs.

Best in Awards (For FFELP Borrowers)

Each year, KHESLC sat 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 FY2016, KHESLC distributed nearly \$1.8 million in Best In awards to 2,746 qualified applicants.

Best In Class

\$1,281,554 to 1,602 Kentucky teachers

Best In Care

\$484,149 to 1,124 Kentucky nurses

Best In Law

\$8,336 to 20 Kentucky public service attorneys

Program	Students	Net Disbursed
Kentucky Educational Excellence Scholarship (KEES)	70,100	\$110,699,000
College Access Program (CAP)	44,900	\$69,951,000
Kentucky Tuition Grant (KTG)	11,100	\$28,942,600
KY National Guard Tuition Award	1,100	\$6,031,200
Teacher Scholarship (to Best in Class)	–	\$1,300,000
Teacher Scholarship (to scholarship recipients)	170	\$409,300
KY Coal County College Completion Scholarship	400	\$1,640,600
Early Childhood Development Scholarship	750	\$956,700
Coal County Scholarship for Pharmacy Students	50	\$533,600
Osteopathic Medicine Scholarship	80	\$480,000
Mary Jo Young Scholarship	750	\$441,000
KHEAA Work-Study	400	\$337,000
Go Higher Grant	200	\$189,600
Early Graduation Scholarship	80	\$159,000
John R. Justice Program	30	\$32,400

KHEAA Verify

Each year the U.S. Department of Education requires institutions of higher education to verify specific information reported on some students' FAFSA's. Many colleges require verification to be complete before disbursing financial aid.

The verification process comes at a time when the institution's financial aid offices are at their busiest.

A college or university can contract with KHEAA Verify to conduct verification on the school's behalf. KHEAA verifies the student's and parent's information, collects the necessary documentation and corrects the FAFSA.

This service eliminates some of the school's workload, letting 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 is awarded in a timely manner.

In FY2016, KHEAA secured new contracts with colleges from small private to large four-year institutions and maintained existing contracts, resulting in continued growth. In FY2016, KHEAA Verify saw a 16.9 percent increase in number of students verified over the FY2015 FAFSA year.

Verification Services Listing of Schools

Four-Year Public Institutions

Western Kentucky University
Murray State University
Eastern Kentucky University
University of Kentucky
Colorado State University-Pueblo
University of West Alabama*
Birmingham-Southern College*
Morehead State University*
Alabama State University*
University of Rio Grande/Rio Grande
Community College*

Four-Year Private Institutions

Brescia University
Campbellsville University
Union College
Midway College
Lindsey Wilson College*
Alice Lloyd College*
St. Catherine College*
Kentucky Wesleyan College*
Lynn University*

*Schools added for the 2015-2016 FAFSA Year

Cohort Default Management Services

When students do not make payments 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 loses the ability to participate in any federal aid programs.

KHEAA offers the Cohort Default Management Services to help schools manage their CDR. Cohort Default Management Services offers schools the following options to lower their rates:

Student Transition Services: Email messages and videos provide students the right information when it is needed. Messages are provided in easily digested increments beginning when the student is accepted into college and continuing through graduation.

Early Intervention: KHEAA staff will work with students who have recently graduated, withdrawn or dropped below half-time status. These students will be advised that their student loans are entering repayment and will be counseled on the best ways to manage repayment.

Default Prevention: Staff will contact all borrowers in a school's cohort to explain the different repayment options and ensure they are aware of all the help available to them. The emphasis will be to advise students of the steps they can take to avoid defaulting on their loans.

In FY2016, KHEAA had 23 contracts in place to provide Cohort Default Management Services. Over the year, KHEAA staff contacted over 80,900 student borrowers on behalf of our school partners.

Cohort Default Management Services (CDMS) Listing of Schools

Four-Year Institutions

University of Montevallo
Alive Lloyd College
Berea College
Spalding University
University of Pikeville
Western Kentucky University

Two-Year Institutions

Central Alabama Community College
Marion Military Institute
East Mississippi Community College
Community College of Vermont
Chattahoochee Valley Community College

Kentucky Community and Technical College System

Elizabethtown
Big Sandy
Somerset
Southeast Kentucky
Bluegrass
Southcentral Kentucky
Gateway
Maysville
Hazard
Owensboro
Madisonville

Advantage Education Loans

In FY2016 the Advantage Education Loan and Advantage Parent Loan continued to expand and evolve. Interest rates were lowered and fees were eliminated on the postponed repayment options. In FY2016 alone, we made loans totaling more than \$9.1 million.

Our Advantage Loans are the only state-based loans in Kentucky, but that is not the only thing that sets us apart from other competitors. We offer borrowers a fixed interest rate determined by the repayment plan they choose.

FY2016 repayment and interest rate options were:

- Immediate repayment of principal and interest 4.95 percent to 7.09 percent; Fixed Interest Rate with 0 percent guarantee fees
- Immediate repayment of interest only 5.59 percent to 7.09 percent Fixed Interest Rate with 0 percent guarantee fees
- Postponed repayment of principal and interest 6.49 percent to 7.59 percent Fixed Interest Rate with a 0 percent guarantee fee

Borrowers who repay their loans using auto debit receive a 0.50 percent interest rate reduction. 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, while KHEAA originates and disburses the funds to the schools.

NEW This Fiscal Year — Advantage Refinance Loan

The Advantage Refinance Loan was introduced at the end of December 2015, and by the end of FY2016 the volume was just under \$2 million.

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 all their private and/or federal student loans into one convenient loan and save on interest charges and get out of debt faster!

Interest rates start at 3.99 percent. Loans have flexible terms, a 0.5 percent interest rate reduction for auto debit payments and a cosigner release after 36 months of timely payments.

Loan Services

“To all who serve, I really appreciate your assistance and prompt responses. You make this process work more smoothly. Your team is excellent to work with and I know other parents feel the same.”

— College parent

Loan Servicing

FY2016 was a busy time for the Loan Servicing team.

The team effectively serviced the Advantage Education Loan portfolio. In FY2016, only 5.5 percent of the Advantage Loan balances were 15 or more days delinquent.

Diligent efforts are made to equip borrowers with the information they need to effectively manage and repay their loans. Less than 1 percent of Advantage Loan borrowers have defaulted on their loans since the inception of the program.

The Loan Servicing team also performs delinquency management and default prevention for the FFELP loan program.

Also during FY2016, KHESLC purchased a portfolio of defaulted FFELP and private student loans from the Georgia Student Finance Authority (GSFA), set up the system to be ready to accept and service Advantage Refinance Loans, continued to make online processes more efficient for borrowers, added and improved online form submissions, continued

to look for ways to reduce our delinquency rate, worked with borrowers to ensure they were aware of their repayment options and streamlined internal and external processes.

Asset Management Operations (AMO)

In FY2016, AMO's Debt Recovery team recovered \$111.8 million in gross collections on the defaulted FFELP loan portfolio.

Rehabilitations accounted for more than 45 percent of all collections bringing in \$50.6 million. This year, 3,026 borrowers completed rehabilitation which enabled them to improve their credit standing, prevent involuntary collections and restore their eligibility for federal student aid. AMO also performed collections on the private loans acquired from GSFA recovering nearly 30 percent of the purchase price in less than one year.

2016 Legislative Update

To address the state's unfunded pension liabilities, the 2016 Kentucky General Assembly included many challenging budget constraints. The cost of postsecondary education, financial aid and state support of colleges and universities became major focal points during the legislative session.

HB 303 (Representative Rand), the Budget Bill, did include modest increases in the College Access Program and the Kentucky Tuition Grant, as well as the Coal County College Completion Scholarship.

HB 158 (Representative Palumbo), this bill increased the amount of Kentucky Educational Excellence Scholarships available to students enrolled in a comprehensive transition and postsecondary program.

HB 626 (Representative Stumbo) This bill became a vehicle for several higher education matters, including work-ready scholarship program language. The Governor vetoed the bill and part of the corresponding appropriation, with the hope that more time would allow for better programs to be crafted

to meet the needs of Kentucky students and their families.

HB 158 (Representatives Palumbo and Brown) This bill doubled the amount of KEES for students with intellectual disabilities attending Comprehensive Training Programs.

SB 179 (Senators Schroder, Carroll and Alvarado) This follows the federal ABLE Act, which are like 529 plans for persons with disabilities. These accounts can be used for several purposes, including educational expenses. The legislation directs KHEAA to assist with the setup and implementation of these accounts due to our experience with college 529 savings plans and the Kentucky Education Savings Plan Trust.

A resolution was read on both the House and Senate floor recognizing KHEAA's 50th birthday.



KHEAA/KHESLC Executive Director, Carl Rollins, Vice President of Government Relations, Erin Klarer and Representative James Kay after the reading of the KHEAA resolution.

Financial Information

As of June 30, 2016, and for the fiscal year then ended
Dollars expressed in thousands

	GOVERNMENTAL AND FIDUCIARY FUNDS				PROPRIETARY FUNDS	
	Governmental Fund	Federal Student Loan Reserve Fund	KHEEA Kentucky's Affordable Prepaid Tuition	Kentucky Education Savings Plan Trust	Agency Operating Fund and Internal Service Fund	KHESLC Operating Fund and Education Finance Fund
STATEMENT OF NET POSITION/FUND BALANCE						
Current assets	\$ 6,646	\$ 18,287	\$ 91,546	\$ 182,438	\$ 24,900	\$ 69,111
Loans, net						1,046,331
Noncurrent assets	9,381		944		78,624	68,331
Deferred outflows of resources					983	11,368
Total assets and deferred outflows of resources	16,027	18,287	92,490	182,438	104,507	1,195,141
Current liabilities	76	3	76	357	4,007	19,370
Noncurrent liabilities		1,732	128,241		11,770	1,078,801
Deferred inflows of resources					262	18,213
Total liabilities and deferred inflows of resources	76	1,735	128,317	357	16,039	1,116,384
Total net position	\$ 15,951	\$ 16,552	\$ (35,827)	\$ 182,081	\$ 88,468	\$ 78,757
STATEMENT OF ACTIVITIES						
Program revenue/additions	217,862	141,889	2,813	55,320	22,166	28,833
Direct expenses/deductions	223,897	136,882	14,586	53,176	19,055	29,844
Total	(6,035)	5,007	(11,773)	2,144	3,111	(1,011)
Transfer to General Fund						
Interfund transfers						
Change in net position	(6,035)	5,007	(11,773)	2,144	3,111	(1,011)
Net position at beginning of year, as restated	21,986	11,545	(24,054)	179,937	85,357	79,768
Net position at end of year	\$ 15,951	\$ 16,552	\$ (35,827)	\$ 182,081	\$ 88,468	\$ 78,757

KHEEA and KHESLC's audited financial statements are available at kheaa.com and kheslc.com, or by calling 502-696-7421.

Thank You!

Kentucky Higher Education Assistance Authority

P.O. Box 798
Frankfort, KY 40602-0798
800-928-8926
kheaa.com

Kentucky Higher Education Student Loan Corporation

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Louisville, KY 40224-0266
800-678-4625
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