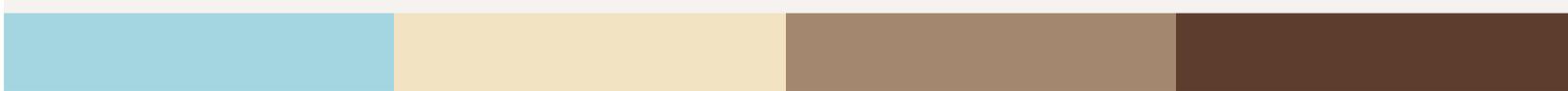


2017

Annual Report



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Commonwealth of Kentucky
OFFICE OF THE GOVERNOR

Matthew G. Bevin
Governor

700 Capitol Avenue
Suite 100
Frankfort, KY 40601
(502) 564-2611
Fax: (502) 564-2517

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 citizen's 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 2017 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 FY2017 is through our robust outreach activities that extend to every county in the Commonwealth assisting student 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 continuing to expand the private loan portfolio — in FY2017 we saw a 10 percent increase. Our Advantage Refinance Loan saw a 97 percent increase over last fiscal year. We continued to seek licensure in other states to grow market share of both loan products.

Staff continued to seek other business opportunities, and this year we purchased a student loan portfolio from the Michigan-based Wanigas Credit Union.

We continued to provide Kentucky students with grants and scholarships to help fund their education. In FY2017, we provided nearly \$230 million in funding for Kentucky students pursuing higher education.



KHEAA/KHESLC Board Chair Becky Lamb and Executive Director Carl P. Rollins

Additionally, we awarded \$1.4 million in loan forgiveness to Kentucky's eligible teachers through our Best In Class program.

Our leadership team worked with education committees, as well as 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 Becky Lamb
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 College 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 also serves as the CEO 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

Board of Directors

Becky Lamb, *Board Chair*, VP Contracting, University of Louisville Physicians, Louisville

John Cheshire, *Secretary-Treasurer*, Senior Portfolio Manager, Dividend Asset Capital, Beaufort

Erica L. Horn, *Program Committee Chair, Past Chair*, Attorney, Stroll Keenon Ogdon PLLC, Lexington

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

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

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

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

Charles Vinson, *Chair-Elect*, 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 & Administration Cabinet, Frankfort

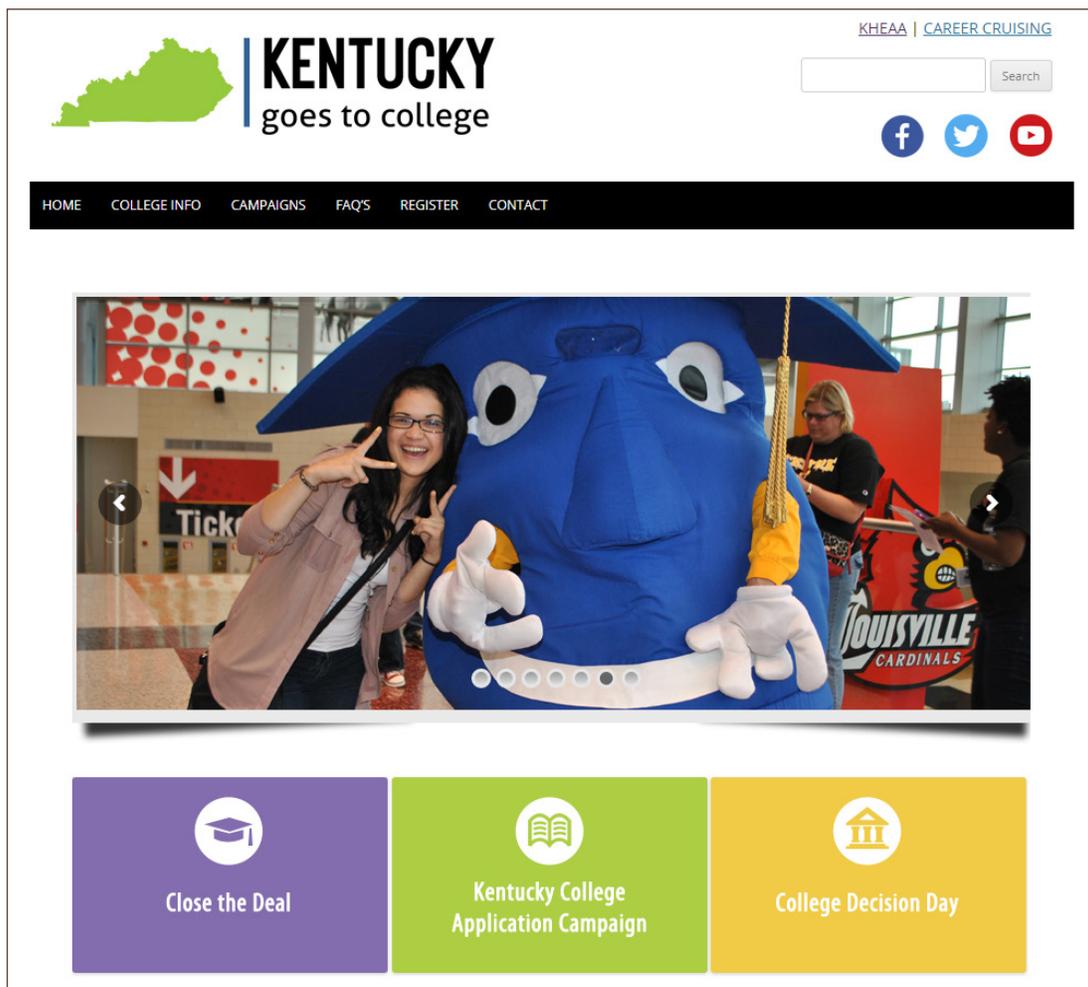
Outreach

Kentucky Goes to College

Kentucky Goes to College, launched in July 2016, is KHEAA's one-stop site for its major college access initiatives: Close the Deal, Kentucky College Application Campaign and College Decision Day. The site, 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 new resources and a multitude of links and activities to help school counselors, community leaders or college access providers implement one or more of these programs, as well as to help students who are going through the college application and financial aid processes. Schools planning to host a Close the Deal or College Application Campaign program during the 2016–2017 school year were encouraged to register on the website. In addition to receiving some free promotional materials, registered schools received access to training webinars and the most up-to-date program news and updates.

In spring 2017, KHEAA added a College Decision Day toolkit to the resources on kygoestocollege.com.



Outreach

Close the Deal

KHEAA's Close the Deal (CTD) is a one-day program that helps Kentucky high school seniors 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 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/career advising.

For the first time, the program was opened up to any school that wanted to participate, not just targeted schools. A new toolkit and revised implementation guide with modified event formats were added to the kygoestocollege.com website, allowing schools to customize their event. Schools interested in having a CTD event were asked to register on the site as well. Ninety-eight schools registered for the program.

CTD was traditionally held in the fall, but the October 1 Free Application for Federal Student Aid (FAFSA) release date changed the college access timeline for many students. Schools were able to get creative with the timing of CTD, some planning spring events for sophomores and juniors to encourage earlier college exploration and planning.



Louisville Metro West Outreach Counselor Gene Weis delivers important financial aid and college planning information to students during a Close the Deal event.

“The Close the Deal program at our school continues to provide our students with the needed motivation to keep doing their best and develop a plan for after high school.”

—High school principal

“I did four Close the Deal events in September. All of these started out as pilot programs in previous years, and the schools have found value in continuing to provide this experience for their seniors. At each school, Close the Deal is an event that students, staff and teachers look forward to every year!”

—Bob McDermott
Northern Kentucky Outreach Counselor

Outreach

Kentucky College Application Campaign

Fall 2016 marked the sixth year for KHEAA's sponsorship of Kentucky College Application Campaign (KCAC) (formerly College Application Month). 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.

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

Through 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 resources to help administrators,



South Central Kentucky Senior Outreach Counselor Keith Ritchie assists students with completing college admission applications during a KCAC event.

counselors and students. Registered participants also received access to training opportunities, both at the KHEAA office in Frankfort and by webinar, as well as timely program news and updates by 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 #iappliedky and #kygoestocollege hashtags. There were hundreds of posts using the hashtag, including students touting their top college choices and schools showcasing their application activities.

Outreach

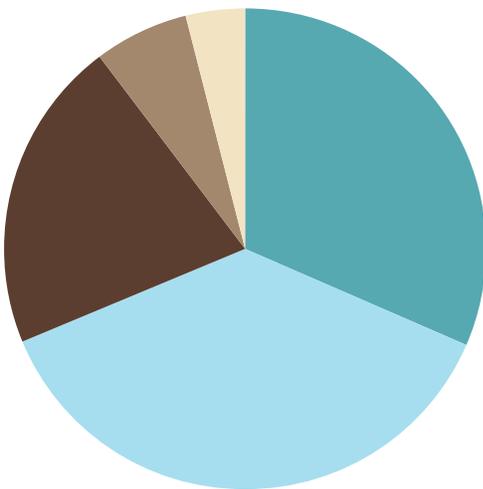
Kentucky College Application Campaign (continued)

Schools were asked to submit the number of their participating students and the number of applications submitted during the event. Sixty-one of the 156 schools that registered for KCAC completed the online survey and submitted their event totals. Those 61 schools reported that nearly 5,500 seniors submitted over 9,100 applications. In addition, over 91% 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% of respondents indicated that their school's college-going rate was positively impacted by participating in KCAC.

Students were also asked to complete an online survey about KCAC. The first chart below shows that 75.1% of respondents said KCAC activities helped them feel better prepared to fill out college admission applications (an increase of 1.5% over last year). The second chart below shows that 76.6% of respondents thought the KCAC activities in their school changed their likelihood of going to college after they graduate high school.

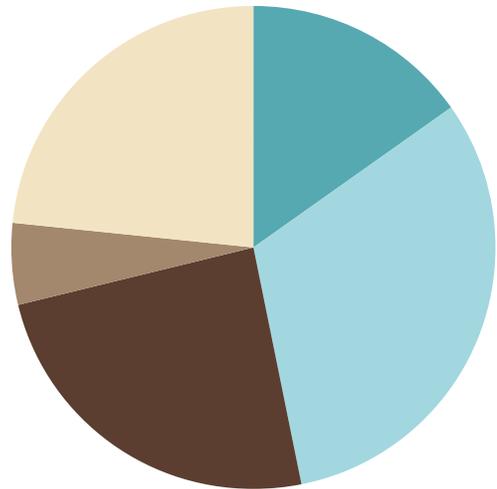
How well prepared do you feel now about filling out your college applications now?

Answered: 2,844 Skipped: 7



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

Answered: 2,740 Skipped: 111



Much more confident – 32% Clearer – 37% Same – 21% Less fuzzy – 6% Not at all – 4% Yes, a lot – 15% Yes – 32% Some – 24% Very little – 6% Not really – 23%



Central Kentucky Outreach Counselor David Scott assists a student with her college admission application during a KCAC event.

“Thank you for the training and materials for this program. We have been doing the College Application Campaign since the first year, but we always learn something new in the training and the materials help out so much!”

—High school counselor

“My observations about our College Application Campaign were that it empowered students to take an interest in their futures, and it created an environment where students could see the dependability of teachers, mentors, and counselors, as it pertains to their post-secondary plans.”

—College coach

“Thanks for helping me with my application! I’m glad my teacher made me come in here. I’m not sure I would have done it by myself.”

—High school senior

“It was nice to see that other students needed help applying to college too and that I wasn’t the only one.”

—High school senior

Outreach

College Decision Day

In spring 2017, KHEAA introduced College Decision Day as the latest college access initiative offering on kygoestocollege.com. College Decision Day is a way for Kentucky schools 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.

High schools in Kentucky were notified about the launch of the toolkit and online counselor and student resources in March, and many schools took immediate action and used these resources to plan a Decision Day event for their seniors in April or May. Most events involve recognition for seniors from school and district leaders and a culminating moment when the students sign certificates indicating where they plan to attend college after high school.



Seniors at Gallatin County High School celebrating during a College Decision Day event.

“I think our work with College Decision Day is a great addition to KHEAA’s outreach services. I attended a Decision Day event in April that will stand out to me for a while. Among the students who participated in the event, I recognized a student whom I have met with several times throughout the last few years. Knowing where this student began compared to where he is now, committed to a college and receiving multiple scholarships, makes me extremely proud of our outreach efforts.”

—Keith Ritchie, South Central Kentucky Outreach Counselor

“If it hadn’t been for you telling me what Decision Day is and showing me the resources on your website, we would never have had a program like this. The students have loved it, and it even helped our younger students get excited about when they are seniors.”

—High school counselor

Outreach

Early FAFSA

Significant changes to the FAFSA filing timeline went into effect October 1, 2016. For the first time, students could file the FAFSA beginning in October instead of January. Students and families also reported “prior prior year” income from 2015 on the application.

Outreach staff worked diligently to adjust traditional timelines; develop creative strategies to improve awareness; and determine how to best help schools, students and families work through this important step in the college access process. Throughout the fall, staff shared best practices with each other and with their school counselors, college access professionals and other contacts.

One advantage of the earlier filing date was that staff members had additional time and opportunities to help guide students and families through the FAFSA follow-up and verification processes in the spring. Collectively, outreach staff conducted 1,675 FAFSA Workshop sessions and 647 FAFSA Follow-Up sessions across the Commonwealth in the 2016–2017 school year.



Louisville Metro East Senior Outreach Counselor Candice Johnson helps a student and parent during a “FAFSA Friday” event at Fern Creek High School.

“I just wanted to formally thank you for coming to help us with our FAFSA workshop. You were extremely helpful and knowledgeable. Our parents, along with me, greatly appreciated you being present.”

—School counselor

“I am so relieved that KHEAA put together a FAFSA workshop at our high school. It helped us tremendously. It can be intimidating for a parent the first time through, and the workshop put my mind at ease.”

—Parent

“Our KHEAA outreach counselor was a tremendous help during our FAFSA Workshop in October. We had several complicated FAFSA situations, and they handled each with the patience and expertise of a true professional!”

—College and career counselor

“Thanks for helping me file my FAFSA! My parents aren’t around, and I had no idea how to do it.”

—High school senior

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 31 participating sites for postsecondary opportunities. The 2016–17 academic year marked the seventh consecutive year that KHEAA has served as an intermediary partner in the KCC Program.

Kentucky College Coaches Program Wins National Service Award

Two members of the Kentucky College Coaches Program, Leah Cann and Lori Shea Fuson, were honored with the National Service AmeriCorps Member Award at the 21st Annual Governor's Service Award Ceremony on August 12, 2016. Governor Matt Bevin, Lt. Governor Jenean Hampton and Kentucky Cabinet for Health and Family Services (CHFS) Secretary Vickie Yates Brown Glisson presented the Governor's Service Awards at a ceremony in the State Capitol. They were joined by Wendy Spencer, CEO of the Corporation for National and Community Service, the federal agency that administers AmeriCorps and leads volunteer and service initiatives for the nation.



Governor Matt Bevin presents the Governor's Service Award to Leah Cann, second from left, and to Lori Shea Fuson, second from right. Also pictured: Summer Gortney, first from left and Megan Morris, last on right.

The awards are given by KCCVS, an agency of the CHFS. 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.

Outreach

Kentucky College Coaches Schools FY2017

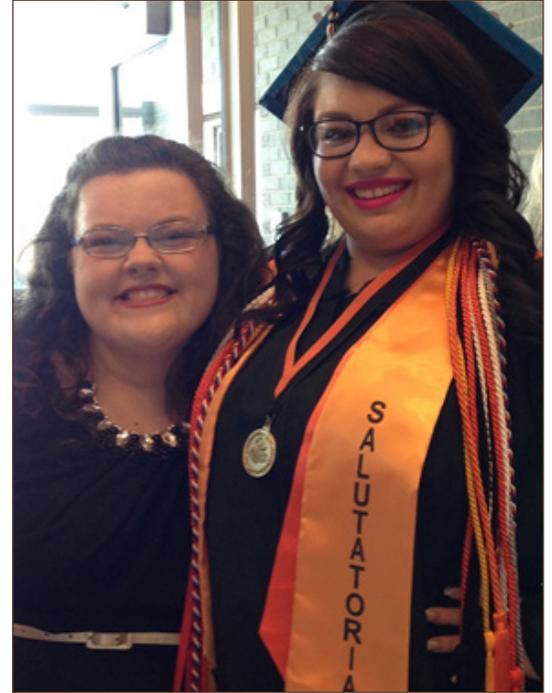
Anderson County High School
Belfry High School
Breckinridge County High School
Caldwell County High School
Calloway County High School
Casey County High School
Christian County High School
Edmonson County High School
Fleming County High School
Gallatin County High School
Grant County High School
Holmes 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

"My senior year was hectic. From AP classes to my job, I had very little time to think about everything that I needed to complete before I started college. Thankfully, my college coach was there to help me.

Emily was one of the reasons my senior year went smoothly. I could always go into her office to ask her any questions I had, and she would explain in a way that left no room for confusion. When it came time to apply for scholarships, she gave students the applications as soon as she got them and made sure they met the deadlines.

Emily was determined to get everyone prepared for college. I believe that she accomplished that and much more. I'm glad we had someone who cared as much about our postsecondary career as she did. Emily was truly a blessing to have in high school. I hope to keep in contact with her as I continue my education."

—Laura Everly, core senior at Lynn Camp High School



Lynn Camp High School KCC Emily Bowman with core student Laura Everly.

Program Statistics

- 449 core students graduated high school in 2015–2016
- KCC core students were offered nearly \$7 million in scholarships (this does not include grants or any other type of financial aid)
- 31 KHEAA KCCs served a total of 34,300 hours during their 10 month service term

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 FAFSAs; 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.



“I love the KHEAA bus. This is so exciting and so much fun!”

—Middle school student

“I think the College Info Road Show is such a great tool. The students really love it, and the information on college and careers is so important for them to hear.”

—High school counselor

“I love this service! Having the students log in to their accounts and see what they’ve earned in KEES money is a great motivator.”

– High school counselor

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 Kentucky Educational Excellence Scholarship (KEES) is Kentucky's 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 Grant and Kentucky Tuition Grant help financially-needy students pay for college.

Kentucky Lottery revenue funds 94 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 and KHESLC revenue transfers.

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

During FY2017, KHEAA disbursed nearly \$230 million in the form of grants, scholarship and work-study programs.

Programs	Recipients	Funds Disbursed
Kentucky Educational Excellence Scholarship	70,461	113,286,600
College Access Program Grant	45,476	\$70,341,900
Kentucky Tuition Grant	10,559	28,266,000
Kentucky National Guard Tuition Award Program	1,054	5,957,100
Dual Credit Scholarship	18,946	4,535,700
Kentucky Coal County College Completion Scholarship	688	2,651,200
Teacher Scholarship transfer to Best in Class	852	1,400,000
Early Childhood Development Scholarship	749	971,600
Coal County Scholarship for Pharmacy Students	49	562,000
Teacher Scholarship	180	522,600
Osteopathic Medicine Scholarship	66	392,100
Kentucky Coal County College Completion Student Services Grant	N/A	366,900
KHEAA Work-Study	426	362,500
Early Graduation Scholarship	96	189,600
Go Higher Grant	151	146,700
Mary Jo Young Scholarship	211	46,200

State Grants and Scholarships

KHEAA began administering a new program in FY2017.

Executive Order 2016–378 provided the framework for a new Dual Credit Scholarship program. During the 2016–2017 year, Kentucky public high schools awarded scholarships to eligible students who were taking dual credit coursework at participating Kentucky postsecondary institutions. KHEAA provided scholarship funding to high schools based upon each student's successful completion of their designated scholarship coursework.

Best in Class

This was the final year for the Best in Class forgiveness program. During the FY2017 program year, 852 Kentucky teachers received payments totaling \$1.4 million.

Thanks @KHESLC for the yearly Teacher Loan Forgiveness! It makes being an educator even better.

—Tweet from a happy borrower

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 FY2017:

- **KHESLC Facebook page likes rose 18.3 percent.**
- **KHESLC Twitter followers increased 17.3 percent.**
- **KHEAA Facebook page likes rose 16.3 percent.**
- **KHEAA Twitter followers increased 11.4 percent.**

Publications

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. Others address specific topics such as financial literacy and financial aid programs. They include both federal and Kentucky-specific data.

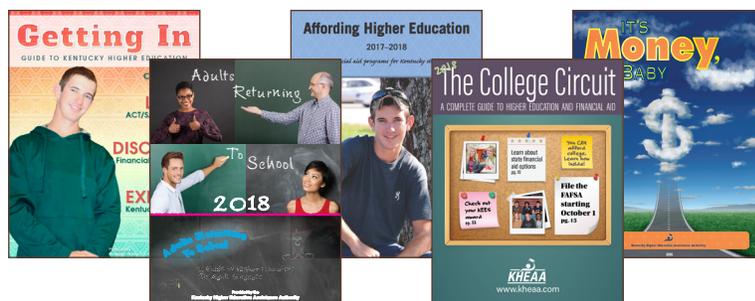
Adults Returning to School is geared to nontraditional students. It lists Kentucky colleges, the degrees offered and the current year's costs. It also gives tips on preparing for going back to school and ways to locate funding.

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 costs. 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.

During FY2017:

- **Number of publications distributed saw a 1.5 percent increase.**
- **Subscriptions to eNewsletters rose by 14.9 percent.**

Loan Servicing

The Loan Servicing team is constantly searching for new business and responding to requests for proposals to service, purchase and originate loans.

Staff participated in the Education Finance Council (EFC) CXO Summit held in Chicago and conducted multiple presentations in an effort to educate other EFC members on our services and capabilities.

In FY2017, we purchased the Wanigas Credit Union's student loan portfolio, worth about \$735,000.

The Loan Servicing team also effectively serviced KHESLC's private loan, the Advantage Education Loan, portfolio. In FY2017, only 6.64 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. Only 1.89 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 FY2017, staff continued to make online processes more efficient for borrowers, added and improved online form submissions, looked 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.

“Just wanted to say thank you for educating Kentucky on behalf of women and non-traditional students...I am one myself!”

— Facebook message received from a happy client

Asset Management Operations

Asset Management Operations' Debt Recovery team generated nearly \$122 million in collections on the defaulted FFELP loan portfolio in FY2017. This represented more than a 9 percent increase from the previous year.

Rehabilitations accounted for \$61.8 million of gross collections, an increase of more than 22 percent from FY2016. Borrowers who complete rehabilitation reinstate their eligibility for federal student aid and benefit from having the guarantor's default credit bureau mark removed from their credit history. The increased rehabilitations and gross collections in FY2017 resulted in a 17.4 percent growth in revenues over the previous year.

KHEAA Verify

KHEAA offers a fully automated, 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 student's FAFSAs.

Unfortunately for the institutions, 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 in a timely manner.

In FY2017, KHEAA secured new contracts and maintained existing contracts, resulting in continued growth.

Verification Schools

Four-Year Public

Eastern Kentucky University
Richmond, KY

Morehead State University
Morehead, KY

Murray State University
Murray, KY

University of Kentucky
Lexington, KY

University of Montevallo*
Montevallo, AL

University of West Alabama
Livingston, AL

Virginia Military Institute*
Lexington, VA

Western Kentucky University
Bowling Green, KY

Four-Year Private

Alice Lloyd College
Pippa Passes, KY

Birmingham Southern College
Birmingham, AL

Brescia University
Owensboro, KY

Campbellsville University
Campbellsville, KY

Kentucky Wesleyan College
Owensboro, KY

Lindsey Wilson College
Columbia, KY

Lynn University
Boca Raton, FL

Midway University
Midway, KY

Union College
Barbourville, KY

University of Rio Grande/Rio Grande Community College
Rio Grande, OH

University of Tampa*
Tampa, FL

*Schools added in the 2016–2017 FAFSA year.

Cohort Default Management Services

When students do not make payments on their federal student loans, they may eventually 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 too high, it cannot participate in any federal aid program, which would be devastating.

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

- **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.

In FY2017, KHEAA secured new contracts and maintained existing ones, resulting in continued growth.

Contract Schools

Four-Year Institutions

Alice Lloyd College
Pippa Passes, KY

Berea College
Berea, KY

Spalding University
Louisville, KY

Talladega College*
Talladega, AL

University of Montevallo
Montevallo, AL

University of Pikeville
Pikeville, KY

Western Kentucky University
Bowling Green, KY

Two-Year Institutions

Central Alabama Community College
Alexander City, AL

Chattahoochee Valley Community College
Phoenix City, AL

Community Colleges of Vermont
Winooski, VT

East Mississippi Community College
Mayhew, MS

Kentucky Community and Technical College System (KCTCS)

Big Sandy Community and Technical College
Prestonsburg, KY

Bluegrass Community and Technical College
Lexington, KY

Elizabethtown Community and Technical College
Elizabethtown, KY

Gateway Community and Technical College
Florence, KY

Hazard Community and Technical College
Hazard, KY

Henderson Community College*
Henderson, KY

Jefferson Community and Technical College*
Louisville, KY

Madisonville Community and Technical College
Madisonville, KY

Maysville Community and Technical College
Maysville, KY

Owensboro Community and Technical College
Owensboro, KY

Somerset Community and Technical College
Somerset, KY

Southcentral Kentucky Community and Technical College
Bowling Green, KY

Southeast Kentucky Community and Technical College
Cumberland, KY

West Kentucky Community and Technical College
Paducah, KY

Marion Military Institute
Marion, AL

Northeast Mississippi Community College
Booneville, MS

Snead State Community College*
Boaz, AL

*Schools added in the 2016-2017 Academic year.

Advantage Education Loans

The Advantage Education Loan and the Advantage Parent Loan benefits continue to be among the most competitive in the nation. In FY2017, interest rates were lowered and loan volume increased 10 percent over FY2016.

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 FY2017, the repayment and interest rate options were:

- Immediate repayment of principal plus interest at 4.05 percent to 6.59 percent FIXED interest rate with NO fees and 0.5 percent interest rate reduction for auto pay.

- Immediate repayment of interest only at 4.79 percent to 6.59 percent FIXED interest rate with NO fees and 0.5 percent interest rate reduction for auto pay.
- Postponed repayment at 5.69 percent to 6.99 percent FIXED interest rate with NO fees and 0.5 percent interest rate reduction for auto pay.

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 to the schools.

Advantage Refinance Loan

The Advantage Refinance Loan was introduced late in FY2016 and, as expected, saw good growth in FY2017. The Advantage Refinance Loan volume at the end of FY2017 saw a 97 percent increase over the previous year.

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.

The loans offer no fees and interest rates that 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.

Kentucky Education Savings Plan Trust

For FY2017, the Kentucky Education Savings Plan Trust (KESPT) had total assets of \$199.3 million. This represented a 9.5 percent increase in fund value from FY2016. The total number of accounts at the end of FY2017 was 16,972, an increase of 5.4 percent. For the year KESPT generated 1,803 new accounts, which represents the third highest yearly total in the 27-year history of the program.

On a down side, the program had a higher than normal \$1.6 million in rollovers out to other 529 college savings plans for the year. This fund movement continues a trend for KESPT that other direct-sold 529 programs nationwide are experiencing that do not offer their residents a state tax incentive to save with the state-sponsored college savings program.

FY2017 Activities Report

Amount Held in Trust:	\$199,316,761*
Number of Accounts:	16,972
New Accounts:	1,803
Closed Accounts:	968
Net New Accounts:	835
OnLine Enrollments:	1,060**
Amount of Value Gain/Loss:	\$12,038,470

Benefit Disbursements

Amount:	\$14,262,845
Number of Beneficiaries:	3,386
Average Dollar Amount Disbursed:	\$4,212

Cancellations (Non-Qualified Withdrawals)

Amount:	\$686,977
Number:	292

Rollovers

Amount:	\$1,642,218
Total rollovers out of KESPT:	109
Rollovers to KAPT	0***

*Tied to PWC Audit.

**58.9 percent of all new accounts were opened online. In FY2016, it was 47.3 percent.

*** Since KAPT inception: 125.

Financial Information

As of June 30, 2017, 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 Operating Fund and Education Finance Fund
Kentucky's Affordable Prepaid Tuition			Kentucky Education Savings Plan Trust			
STATEMENT OF NET POSITION/FUND BALANCE						
Current assets	\$ 21,772	\$ 25,810	\$ 82,402	\$ 199,652	\$ 26,927	\$ 34,348
Loans, net						968,983
Noncurrent assets	8,990		559		79,194	89,318
Deferred outflows of resources					1,525	15,295
Total assets and deferred outflows of resources	30,762	25,810	82,961	199,652	107,646	1,107,944
Current liabilities	1	1,194	221	328	2,180	35,620
Noncurrent liabilities		5,070	115,629		12,044	981,628
Deferred inflows of resources					390	17,783
Total liabilities and deferred inflows of resources	1	6,264	115,850	328	14,614	1,035,031
Total net position	\$ 30,761	\$ 19,546	\$ (32,889)	\$ 199,324	\$ 93,032	\$ 72,913

STATEMENT OF ACTIVITIES

Program revenue/additions	246,725	107,885	7,161	207,591	24,774	23,054
Direct expenses/deductions	231,915	104,890	4,223	190,348	20,210	28,898
Total	14,810	2,995	2,938	17,243	4,564	(5,844)
Transfer to General Fund						
Interfund transfers						
Change in net position	14,810	2,995	2,938	17,243	4,564	(5,844)
Net position at beginning of year, as restated	15,951	16,551	(35,827)	182,081	88,468	78,757
Net position at end of year	\$ 30,761	\$ 19,546	\$ (32,889)	\$ 199,324	\$ 93,032	\$ 72,913

Kentucky Higher Education Assistance Authority

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

800-928-8926

kheaa.com

Kentucky Higher Education Student Loan Corporation

P.O. Box 24266
Louisville, KY 40224-0266

800-678-4625

kheslc.com

