



Fiscal Year 2019 Annual Report



PURSUING EXCELLENCE





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Commonwealth of Kentucky
OFFICE OF THE GOVERNOR

Matthew G. Bevin
Governor

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September 30, 2019

Dear Fellow Kentuckians:

Providing access to affordable education is a key function of any state administration, and I am particularly proud of our record in Kentucky. Achieving education beyond high school helps Kentucky stay globally competitive and attract new businesses to our state, which in turn grows our economy and improves 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 throughout the educational process. These include a unique balance of need-based grants, merit-based scholarships, 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 KHEAA and KHESLC administer the state-based aid, but they also provide the state's only private education loan which offers families more cost savings than other lenders would. Their staff work tirelessly to counsel Kentuckians on the importance of continuing their education beyond high school and help them plan and prepare for it as well.

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

Sincerely,

Matthew G. Bevin
Governor

Message from the Executive Leaders



KHEAA and KHESLC Executive Leaders, Board Chair Stephen L. Zeitz and Executive Director Eugene Hutchins

Welcome to the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation's (KHESLC) Fiscal Year 2019 Annual Report.

KHEAA and KHESLC work in unison to promote student success by creating educational opportunities throughout the Commonwealth of Kentucky and beyond. Our combined mission is to expand educational opportunities by providing financial aid and 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.

Our robust outreach activities are always in the forefront of these efforts, which extend to every county in

the Commonwealth assisting students and families with preparing and planning for college. Activities such as expanding our contract services and reach for KHEAA Verify and Cohort Default Management Services, lowering interest rates and expanding benefits on our Advantage Education Loans for students and parents, and expanding the Advantage Refinance Loan have helped sustain KHEAA and KHESLC.

Our private loan portfolio is continuing to expand — in FY2019 we saw nearly a 33 percent increase in Advantage Education Loan volume, and the Advantage Refinance Loan saw nearly a 39 percent increase over the prior fiscal year!

In FY2019, we provided more than \$258 million in grant and scholarship funding for Kentucky students pursuing

higher education thanks to continued support from the Kentucky Lottery.

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

Board Chair Stephen L. Zeitz
and Executive Director
Eugene Hutchins

About 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 Kentucky 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 and 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, including ten appointed by the Governor. In addition, the President

of the Association of Independent Kentucky College and Universities, President of the Council on Postsecondary Education, Secretary of the Finance and Administration Cabinet, Commissioner of the Kentucky Department of Education and Kentucky State Treasurer are voting members. The Board appoints the Executive Director and adopts rules and regulations to govern agency operations. By statute, the Executive Director of KHEAA also serves as the CEO of KHESLC.



Leadership

Leadership Team

Eugene Hutchins, Executive Director

Diana Barber, General Counsel

David Carlsen, Chief Financial Officer

Mary Lou Skelton, Chief Information Officer

Ted Franzeim, Senior Vice President of Customer Relations

David Bailey, Vice President of Guarantor Operations and School Services

Theresa Hommrich, Vice President of Loan Servicing Operations

Erin Klarer, Vice President of Government Relations

Chris Thacker, Vice President of Asset Management

April Johnson, Corporate Controller

Rhonda Mann, Director of Internal Audit

Board of Directors

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

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

Charles Vinson, Past-Chair, Retired Financial Aid Director, Murray State University, Murray

Olivia Davis, Secretary-Treasurer, CPA-Lecturer, University of Kentucky, Lexington

Rene Brown, Healthcare Professional and Pastor, Louisville

Wes Cornett, Retired, Director of Schools, Waynesburg

Teresa Hail, General Contractor, D.C. Trimble, Inc., Somerset

Shelley Park, Student Financial Aid, Berea College, Richmond

Neil Quinlan, ARGI Financial Group, Louisville

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. Wayne Lewis, Commissioner, Kentucky Department of Education, Frankfort

Aaron Thompson, President, Council on Postsecondary Education, Frankfort

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

Outreach



KENTUCKY
goes to college

Kentucky Goes to College is KHEAA's one-stop site for its major college access initiatives, Close the Deal, Kentucky College Application Campaign and College Decision Day. The kygoestocollege.com site offers resources for schools and organizations interested in enhancing their college-going culture through these proven initiatives.

The site offers a variety of resources, links and activities to help school counselors, community leaders and college access providers implement one or more of these programs, as

well as to help students who are going through the college application and financial aid processes. Schools or organizations that planned to host a Close the Deal, College Application Campaign or College Decision Day program during the 2018–2019 school year were encouraged to register on the website. In addition to receiving free promotional materials, registered schools received access to training webinars and program news and announcements.



Senior Outreach Counselor Casi Benedict delivers important financial aid and college planning information to students during a Close the Deal event at Apollo High School in Daviess County.

KHEAA's Close the Deal (CTD) is a one-day program that helps Kentucky high school students prepare to make the transition to life after high school by arming them with information about college and career exploration and the college admission and financial aid processes.

Schools, community leaders and business representatives work with local students in setting and meeting goals for college and their future careers. Students hear from community leaders about the importance of having a plan to attend college or a technical education program. They also have an opportunity to speak in

small groups with: 1) a college representative, 2) a financial aid expert and 3) a local business leader or school alumnus.

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

The program is open to any school that wants to participate. A toolkit and implementation guide is available on kygoestocollege.com, allowing schools to customize their event. Ninety-four schools registered to participate in the program in the 2018–2019 school year.



CLOSE
the deal

*"We are so thankful for KHEAA's support in putting on this program. Close the Deal has become an annual event that our students look forward to every year."
—High school principal*

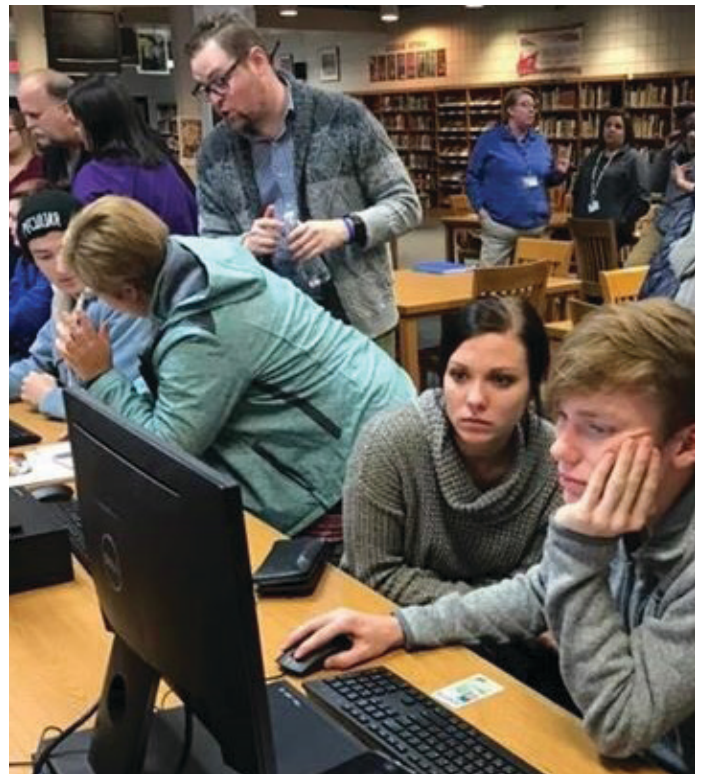
*"We've heard a lot of this before, but today makes it more real. I'm glad we got to have this [Close the Deal] event."
—High school junior*

FAFSA Support

With the release of the 2019–2020 FAFSA on October 1, 2018, KHEAA outreach staff began providing FAFSA completion assistance at high schools, adult education centers and community organizations all across their regions. Conducting FAFSA completion workshops is one of the most highly demanded services provided by KHEAA Outreach, and collectively, outreach counselors conducted more than 1,450 FAFSA workshops during the fiscal year.

For the 2019–2020 FAFSA cycle, Kentucky again ranked #1 nationally in FAFSA completion among high school seniors from October 1 through mid-November, and maintained a Top 10 ranking through March 2019 (source: Form Your Future FAFSA Tracker). In addition, KHEAA’s 2019–2020 FAFSA Completion Guide was utilized by schools and organizations across the Commonwealth as a resource to aid students and parents in successful FAFSA completion. The checklist was made available for download on kheaa.com, and hard copies could be requested through the online publication order form, as well as through outreach staff.

Throughout the spring and summer months, outreach counselors also spent a significant amount of time helping guide students and families through the FAFSA follow-up and verification processes, helping them make FAFSA corrections, submitting necessary documentation to complete verification, interpreting award letters from institutions and conducting other FAFSA-related support activities. Outreach staff conducted over 310 FAFSA follow-up and verification sessions in the 2018–2019 year.



Outreach Counselor Chase Durrance helps students and parents with FAFSA completion during a FAFSA workshop at Calloway County High School.

“I don’t know how you do this! Last night, I tried to finish my son’s FAFSA, but I just kept getting stuck and didn’t know what to do! Thank you for explaining the FAFSA to me and for your help! I don’t think I would have been able to complete it without you.” —Parent

“I just wanted to say thank you for coming and helping our school with the FAFSA. What a beast it is and you are so patient. I SO appreciate you! Thanks again.” —School counselor

“Thank you so much for helping me fill out the FAFSA. You’ve really changed my life.” —Student

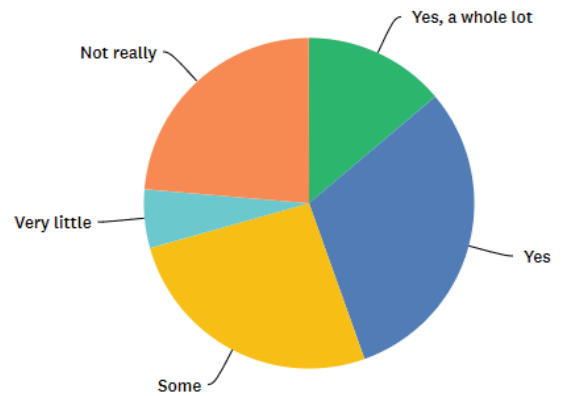
“I showed my director the FAFSA Completion Guide and she loved it. We plan to order some to give out to students on campus.” —College admissions representative



KY COLLEGE application campaign

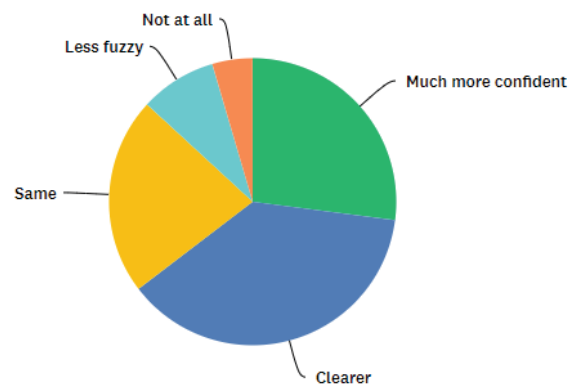
A student at Allen County-Scottsville High School celebrates applying to college at a KCAC event.

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



ANSWER CHOICES	RESPONSES
Yes, a whole lot	13.83%
Yes	30.73%
Some	26.07%
Very little	5.73%
Not really	23.64%

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



ANSWER CHOICES	RESPONSES
Much more confident	27.05%
Clearer	37.58%
Same	22.23%
Less fuzzy	8.60%
Not at all	4.54%

The 2018-2019 school year marked the eighth year that KHEAA sponsored the Kentucky College Application Campaign (KCAC).

Kentucky's program is a part of the American College Application Campaign, a national effort to increase the number of first-generation and low-income students pursuing a college degree or credential by helping them complete admission applications.

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

By implementing the KCAC program, KHEAA, its 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

(cont. on next page)

in the school and community. In addition, every school had access to an online toolkit on the website with a variety of resources to help administrators, counselors and students. Registered participants also received access to training opportunities via webinar, as well as timely program news and updates via email.

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

More than 130 high schools participated in the event, reaching upwards of 26,000 seniors with admission application assistance. In addition, 100 percent of the site coordinators who responded to a post-event survey indicated that their students' ability to complete college admission applications was enhanced by participating in the KCAC program, and over 96 percent 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 (pictured on the previous page) shows that over 76 percent of respondents thought the KCAC activities in their school changed their likelihood of going to college after they graduate high school. The second chart shows that over 73 percent of respondents said KCAC activities helped them feel better prepared to fill out college admission applications.

"I really liked having someone from the college I want to attend here at our school to help me apply. That made me feel like I was definitely doing it right and not going to mess anything up!" —High school senior

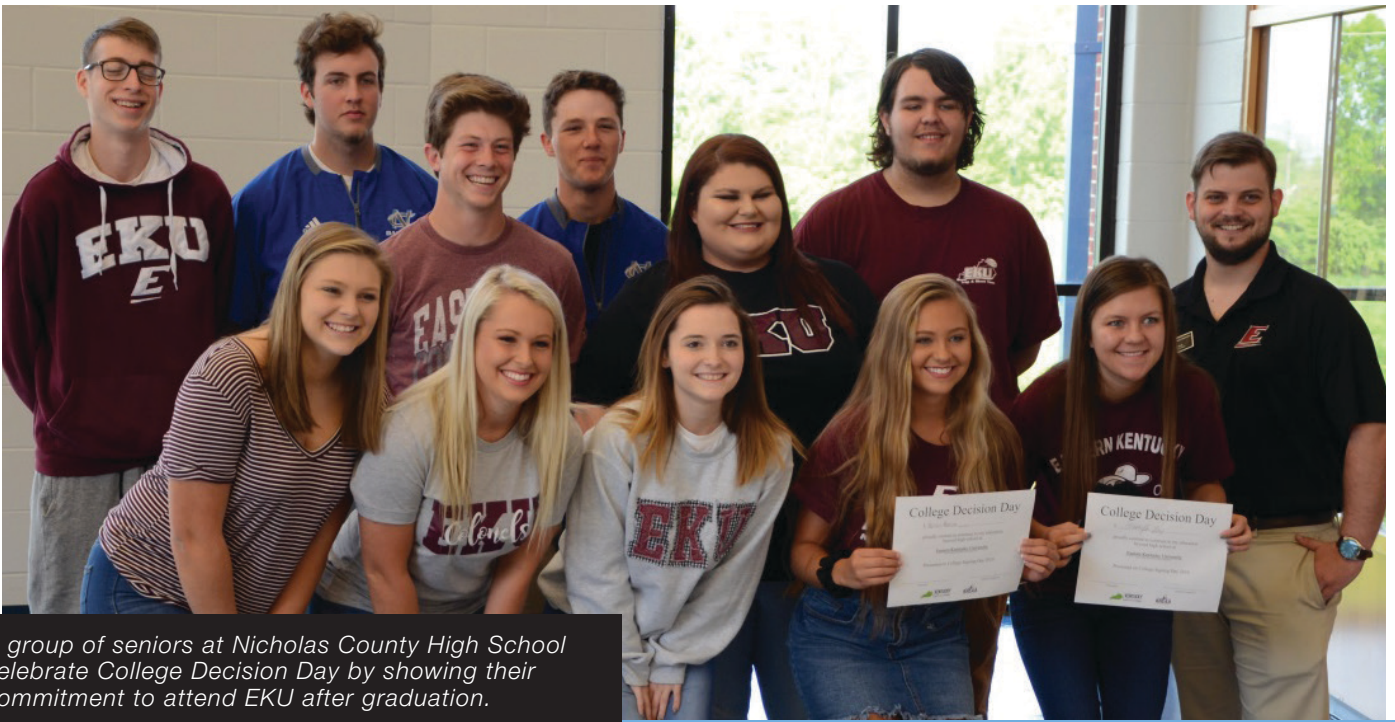
"Students love the 'I Applied' stickers! This event really makes them feel like they've accomplished something important. Thank you!" —High school counselor

"It's a great event at our school, and our KHEEA counselor and college partners are a great asset." —High school counselor

"This program encouraged me to apply to college early. I probably would have done it eventually, but definitely not this soon." —High school senior

Students show off their college choices during a KCAC event.





A group of seniors at Nicholas County High School celebrate College Decision Day by showing their commitment to attend EKV after graduation.



COLLEGE decision day

*"I am so proud of our [College Decision Day] program. It's a great way for all of us – students, parents and staff – to celebrate how much we've accomplished together."
—High school counselor*

In spring 2019, schools across the state held College Decision Day programs to celebrate and recognize seniors for making educational plans beyond the high school level. Decision Day events are typically held on or around May 1 and are designed to coincide with the date that most seniors must inform a college of their plans to enroll. College Decision Day is inspired by the NCAA's National Signing Day to reinforce that excellence in the classroom should be given as much recognition as athletic achievement.

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. Over 100 schools registered to participate in College Decision Day in Kentucky for the 2018-2019 year.

KHEAA offered a training webinar in early spring for participating high schools to explain more about the event and share tips and best practices for implementing the program. Most events take place in April or May and 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.

College Coaches



Kentucky College Coaches pose proudly in front of their banner as they begin service in August 2018.

KHEAA participates in the Kentucky College Coach (KCC) Program, which is funded in part with a grant to the Kentucky Campus Compact through Serve Kentucky, the Commonwealth’s State Service Commission. AmeriCorps members serve as near-peer college coaches in high schools across the state. Working with whole school populations in grades 9–12 and with a core group of up to 60–80 students at each high school, coaches provide services and resources that prepare high school students

at our 30 participating sites for postsecondary opportunities.

KHEAA selected the 30 sites by identifying public high schools with historically low college-going rates and high free-and-reduced lunch eligibility that were being served by few or no college access programs.

The 2018–19 academic year marked the ninth consecutive year that KHEAA has served as an intermediary partner in the KCC Program.

Kentucky College Coaches Schools FY2019

- Anderson County High School
- Belfry High School
- Breckinridge County High School
- Calloway County High School
- Casey County High School
- Christian County High School
- Edmonson County High School
- Fleming County High School
- Floyd Central 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
- Tates Creek High School
- Valley Traditional High School
- Warren East High School
- West Carter High School
- Whitley County High School

Program Statistics

- 584 core students graduated high school in 2018–2019
- KCC core students were offered more than \$6.9 million in scholarships (This does not include grants or any other type of financial aid.)
- 30 KHEAA KCCs served over 31,200 hours during their 10 month service term
- KHEAA outreach staff conducted over 560 presentations and exhibits at KCC schools

“The Kentucky College Coaches program has done wonders for our students. It has provided opportunities for some students that otherwise might not be so readily available to them. This is a great program. It is my hope that this program will continue for years to come.”

—High school counselor

“My college coach is always available to help me with college questions. I’ve applied to three schools already. Next on my list is to fill out my FAFSA!” —Student

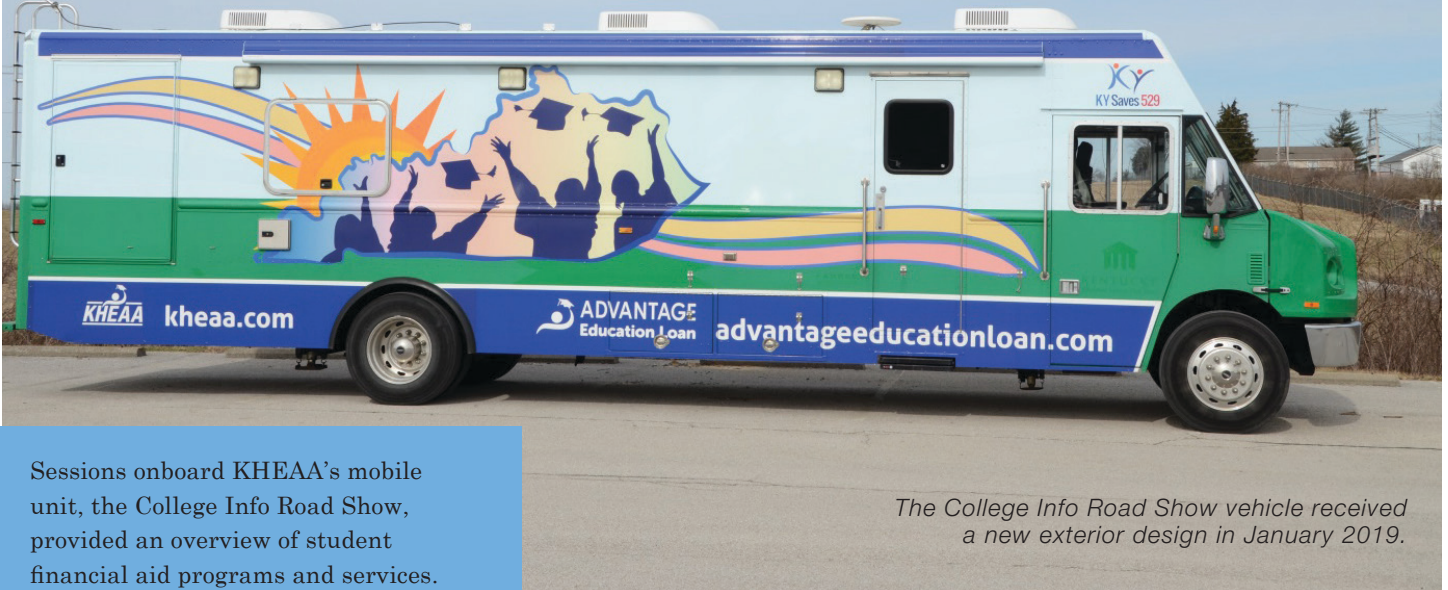
Emily Bowman, Lynn Camp High School College Coach, and Kody Ruark, Nicholas County High School College Coach, accept their Governor’s Service Awards from Lt. Governor Jenean Hampton and Secretary Adam Meier, Cabinet for Health and Family Services, in Frankfort on March 6, 2019.



“The college coach helps bring our kids along to where they need to be for life after high school. The program is crucial to our college access goals.” —Principal

“The college coach is a true blessing to our school. She contributes leadership, enthusiasm, and unparalleled care for the futures of our students!” —High school principal

College Info Road Show



The College Info Road Show vehicle received a new exterior design in January 2019.

Sessions onboard KHEAA’s mobile unit, the College Info Road Show, provided an overview of student financial aid programs and services. Visitors accessed KHEAA account information and more by creating a MyKHEAA account on kheaa.com; found helpful resources for career assessment, test preparation and scholarship searches; filed their FASFA; or requested a personalized Getting the Facts report with assistance from the onboard counselor.

In January 2019, the popular mobile classroom received a facelift with a new exterior design that included promotion of the Advantage Education Loan, KY Saves 529 and kheaa.com.

The College Info Road Show visited 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. It 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 think this is just a great opportunity for us. I mean, we’re middle schoolers, and you’re coming here telling us how to get free money to go to school and get the job we want. I really appreciate it.” — Student

“I love this bus. I wish you could come to our school more!” — Student

“Just a quick ‘thank you’ to let you know how much we appreciated your visit this week with the College Info Road Show. This is a big event on our academic calendar each year, and your information was very helpful to our students. It was an eye-opener to many!” — College coach

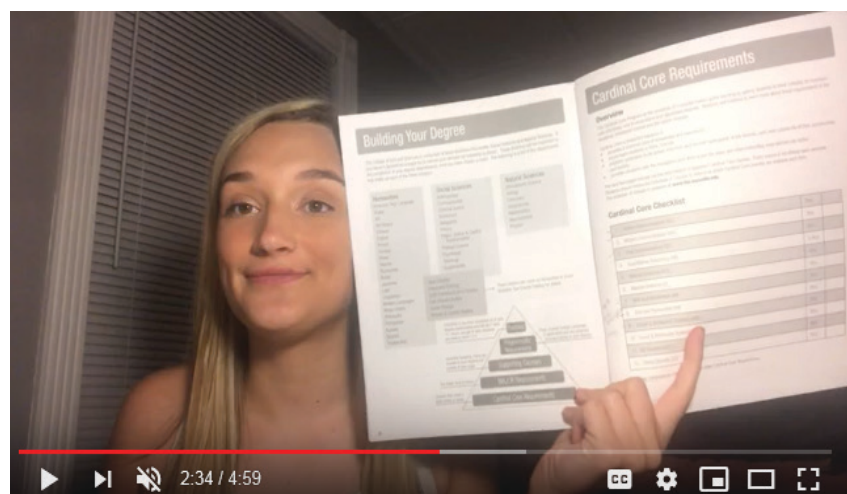
“The kids really enjoyed it and thought it was very informative. Teachers have come to me letting me know that students were still talking about your presentation in class after they attended.” — College coach

Student Vlogger



Cortney Bolt, pictured above, was KHEAA's first student vlogger and shared videos about her experiences planning and preparing for college.

KHEAA launched a student vlogger scholarship contest in fall 2018 as an effort to help influence more students to pursue postsecondary educational opportunities. High school seniors could enter the contest by completing a brief entry form and submitting a 3-minute introduction video telling why they would be good to share their experiences with other students. The winner, Cortney Bolt from North Bullitt High School, was selected by a panel of judges and received a \$500 scholarship to be used at any Kentucky college of her choice in exchange for providing a series of vlogs for use on KHEAA's website and social media channels.



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 money earned through KEES motivates students who would not have considered going to college to continue their education beyond high school.

The College Access Program Grant (CAP) and Kentucky Tuition Grant (KTG) help financially needy students pay for college. All students that qualify for a federal Pell grant also receive a CAP award, while students attending Kentucky independent colleges and universities receive KTG awards.

Kentucky Lottery revenue funds 98.4 percent of state student aid awards disbursed by KHEAA. The remainder is funded by the Coal Severance Tax, Tobacco Settlement Funds, and revenues generated from scholarships that converted to loans. KHEAA pays all costs in administering student aid programs, ensuring that every state-appropriated dollar goes directly to students.

During FY2019, KHEAA disbursed more than \$258 million in the form of grants and scholarship programs, a 6.6 percent increase over FY2018.

State Grants and Scholarships

Programs	Recipients	Expenditures
Kentucky Educational Excellence Scholarship (KEES)	70,900	\$117,944,100
College Access Program (CAP)	55,080	\$83,186,700
Kentucky Tuition Grant (KTG)	12,840	\$33,555,800
Kentucky National Guard Tuition Award	1,100	\$7,218,800
Work Ready Kentucky Scholarship	2,250	\$5,663,600
Dual Credit Scholarship	23,200	\$5,330,700
Kentucky Coal County College Completion Scholarship	490	\$2,107,000
Work Ready Kentucky Dual Credit Scholarship	4,800	\$1,023,600
Early Childhood Development Scholarship	410	\$557,300
Teacher Scholarship	130	\$513,200
Pharmacy Scholarship	50	\$393,600
Osteopathic Medicine Scholarship	40	\$280,000
Early Graduation Scholarship	120	\$244,000



Legislative Update

The 2019 Legislative Session was an active one for bills that could impact KHEAA and KHESLC. Here is a brief synopsis of some of the activity.

From the 2019 Regular Legislative Session:

SB 98 – An ACT relating to the Work Ready Kentucky Scholarship which codifies the scholarship program from Executive Order to statute. Expands the program to applied associates degrees in the top five workforce-needed areas for postsecondary students; opens career and technical education coursework to high school students in approved career pathways.

HB 61 – An ACT relating to Kentucky Educational Excellence Scholarships. Expanded usage of KEES awards to be spent at qualified workforce training programs, similar to apprenticeship programs. Also expanded definition of participating institutions to include those that are Pell eligible.

HB 250 – An ACT relating to the Commonwealth’s postsecondary education prepaid tuition trust fund.

Housekeeping changes for the planned retirement of the KAPT program.

HB 296 – An ACT relating to nurses employed by the Kentucky Department of Veterans Affairs. Creates a new nurse loan repayment program, to be administered by KHEAA, for registered nurses and licensed practical nurses.

HR 100 / SR 86 – Resolutions recognizing the Kentucky Advantage Education Loan Program.

HB 118 – An ACT relating to occupational licensure. KHEAA/ KHESLC worked with the bill sponsor and interested parties to remove language from the statute that required the agencies to report student loan defaults to occupational licensing entities. Many years ago, this was considered an adequate way to incentivize borrowers to bring their accounts current. Today, however, there are numerous other ways to help borrowers experiencing financial difficulty, and the loss of a professional license is unnecessary.

Publications and Social Media

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

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

During FY2019:

- Number of publications distributed saw an 8.1 percent increase.

Adults Returning to School is geared to nontraditional students, listing Kentucky colleges, the degrees offered and the current years' 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 and 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 years' costs. Copies are sent to high schools for distribution to all juniors. Parts of two chapters are available in audio on the KHEAA website.

It's Money, Baby provides financial literacy 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.

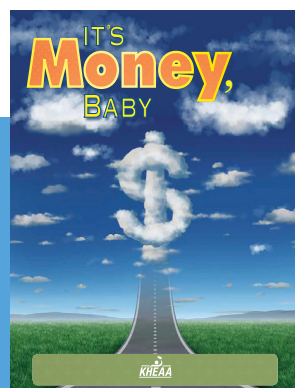
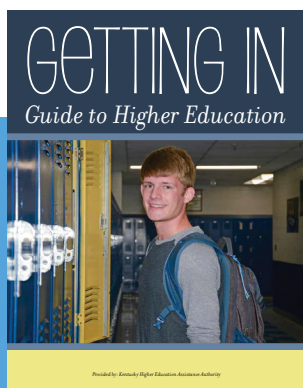
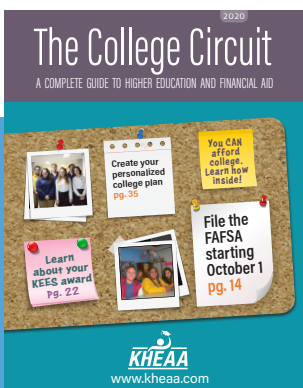
Surviving College for Adults offers tips to older students going to college for the first time or returning to complete a degree. Topics such as how to juggle work demands and school, how to set aside time to study, where to go for help, money management and more are covered.

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 FY2019:

- KHESLC Facebook page likes rose 0.7 percent.
- KHESLC Twitter followers decreased 1.0 percent.
- KHEAA Facebook page likes rose 3.3 percent.
- KHEAA Twitter followers increased 0.7 percent.



Servicing

In FY2019, KHESLC's loan-servicing, administration and support areas continued to work on improving the borrower's experience. KHESLC implemented a text messaging service to remind borrowers when payments are due, when they have missed a payment and other important messages. A cross-functional team continues to work on enhancements to borrowers' online and mobile payment capabilities via a new and improved kheslc.com. Borrowers can now schedule future and recurring payments with a debit card.

KHESLC services over \$1 billion in outstanding loan balances for approximately 60,000 borrowers. Recently, KHEAA and PHEAA, the Pennsylvania Higher Education Assistance Authority, performed a review of servicing, in which KHESLC had no negative findings of FFELP loans.

The Servicing department consists of:

- **Loan Servicing**

Loan Servicing made 275,000 manual and virtual calls to help

borrowers resolve their repayment delinquencies. Nearly 53,000 inbound calls were received and borrowers were offered assistance in repaying their loans.

- **Loan Administration**

Loan Administration processed over 55,000 tasks to keep borrowers on track to successful repayment. These tasks included updating repayment plans, placing eligible borrowers in forbearances and deferments, checking for military service and subsequent interest rate discounts, processing loan consolidation certificates, onboarding rehabilitation loans and filing claims.

- **Operations Support**

Operations Support is the liaison between Loan Servicing, Loan Administration and the Office of Technology. Programming tasks for system and process improvements, as well as increased efficiencies, are submitted and tested. Phone scrubs are performed to identify mobile numbers versus landlines to maintain compliance. A quality assurance team reviews transactions and borrower accounts to make sure processing is complete and accurate.

Operations Support also assists the accounting and finance department with certain data analysis requirements for financings.

KHESLC began purchasing rehabilitated loans for the Vermont and New Jersey guaranty agencies and introduced a rehabilitation program for the Advantage Education Loan Program. KHESLC's Servicing extended the call center hours to 7:30 p.m. ET to better serve borrowers.



Asset Management Operations

The Asset Management Operations (AMO) department is responsible for all collection activities for the defaulted Federal Family Education Loan (FFEL) and Advantage Loan accounts.

There are three areas within AMO:

- **Debt Recovery**

Debt Recovery (DR) collection staff work in the Louisville location and perform all call center activities. Staff place outbound calls and receive incoming calls from borrowers who have defaulted on their student loans. DR assists borrowers to resolve their defaults and counsels them on how to repay their student loans. In March 2019, call center office hours were extended for Monday through Thursday from 9:00 a.m. to 5:30 p.m., to 9:00 a.m. to 8:00 p.m.

- **Operations**

Working from the Louisville office, Operations staff conduct quality assurance reviews to ensure that collection call center staff provide borrowers with excellent service and guidance on resolving their defaulted student loan accounts. The Operations area also assists with training, updates collection procedures and generates performance reports and queries which are critical resources to the management team.

- **Debt Recovery Administration**

Debt Recovery Administration (DRA) staff are located in our Frankfort location and perform a number of activities that are crucial to diligent administration of the defaulted FFEL student loan portfolio. Responsibilities include identifying loans that are eligible for rehabilitation repurchase and managing the Treasury Offset and subrogation programs.

Results

In FY2019, AMO recovered more than \$106 million in defaulted FFEL loan accounts, which generated \$20.8 million in revenues. The gross recovery rate was 29.59 percent, our highest rate in several years. Total loan rehabilitations were \$59.4 million and accounted for more than half of the total recoveries for the year. AMO staff guided 3,175 borrowers through successful completion of a rehabilitation program. Rehabilitation enabled those borrowers to bring their loans out of default and back into good standing, reinstate their remaining eligibility for Title IV benefits and improve their credit histories.

Advantage Education Loans

Advantage Education Loan and Advantage Parent Loan

The Advantage Education Loan and the Advantage Parent Loan continue to be among the most competitive in the nation. In FY2019, interest rates were lowered and benefits and territories were expanded which accounted for an increase in loan volume by nearly 33 percent over FY2018!

Advantage Loans continue to be the only state-based loans offered in Kentucky. We offer borrowers a fixed interest rate based on the repayment plan they choose. This student is eligible to be the borrower as long as they are creditworthy or have a creditworthy cosigner.

In FY2019, the repayment and interest rate options were:

- Immediate repayment of principal plus interest at 3.75 percent to 6.34 percent **FIXED** interest rate with **NO** fees and 0.25 percent interest rate reduction for autopay.
- Immediate repayment of interest only at 4.49 percent to 6.59 percent **FIXED** interest rate with

NO fees and 0.25 percent interest rate reduction for autopay.

- Postponed repayment of principal and interest during the in-school period at 5.39 percent to 6.99 percent **FIXED** interest rate with **NO** fees and 0.25 percent interest rate reduction for autopay.

A cosigner release was added to both the student and parent loan late in FY2019. Borrowers who have made 36 consecutive on-time regularly scheduled payments of principal and interest can request the cosigner be removed from the loan. Cosigner can be removed as long as the borrower meets the credit and income criteria for their loan type.

Another expanded benefit was the extension of the period loans can be used to cover a prior years' balance from 60 to 180 days. The eligible states were expanded to include the states of New York, New Hampshire and Massachusetts. This brings the total count of states we are promoting the Advantage Education Loans in to 32.

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 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, save on interest charges and get out of debt faster.

The loans offer no fees and fixed interest rates that start at 3.99 percent. Loans have flexible terms of 10, 15 or 20 years, a 0.25 percent interest rate reduction for automatic payments and a cosigner release after 36 months of timely payments.

In FY2019 interest rates and benefits remained constant for the Advantage Refinance Loan but with increased marketing efforts and expanded territories our loan volume increased more than 39 percent over FY2018!

FY2019 at a glance:

- Interest rates lowered to 3.75 percent for students and parents
- Marketing territory expanded by 9 percent
- Benefits expanded
- Student and parent loan volume increased by 33 percent
- Refinance loan volume increased by 39 percent

School Services

KHEAA Verify

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

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 and parent's information, collects the necessary documentation and submits any corrections to the federal 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 FY2019, KHEAA secured new contracts and maintained existing contracts, resulting in a 33 percent growth over last fiscal year. Staff verified 125,000 students during the fiscal year.

Further, students and families benefit by only having to submit documentation once to KHEAA regardless the number of schools they have applied to.

KHEAA Verify had a 33 percent increase in the number of contracts signed in FY2019. Staff verified 125,000 students over the course of the year.

Cohort Default Management Services

When students don't 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.

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 is above 30 percent for three consecutive years, it cannot participate in any state or federal aid program, including the Pell grant, which would be devastating for that school.

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

These options are:

•Student Transition Service

Online 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. Special focus is given to borrowers who have become delinquent on their loan payments. The emphasis is to advise students of the steps they can take to avoid defaulting on their loans.

In FY2019, KHEAA maintained continued growth. Staff contacted over 90,000 borrowers over the course of the fiscal year on behalf of our contract institutions.

In FY2019, more than 90,000 borrowers were contacted, setting them on the path to successful repayment.

KY Saves 529



On February 22, 2019, the Kentucky Education Savings Plan Trust (KESPT) completed a program conversion from our long-time vendor to Ascensus College Savings Recordkeeping Services, LLC. The outcome of transitioning to the new Ascensus group partnership has resulted in account owners receiving lower fees, expanded investment offerings, and a new and refreshed commitment to marketing (rebranding “KY Saves 529”) and servicing of the program.

As of June 30, 2019, the KESPT/ “KY Saves” had total assets of \$215.9 million. This represented a 2.1 percent increase in fund value from June 30,

2018. The total number of accounts at the end of FY2019 was 20,082, an increase of 12.8 percent in open accounts from FY2018. For the year, KESPT generated 2,288 new accounts which represents the second highest yearly total in the 30-year history of the program.

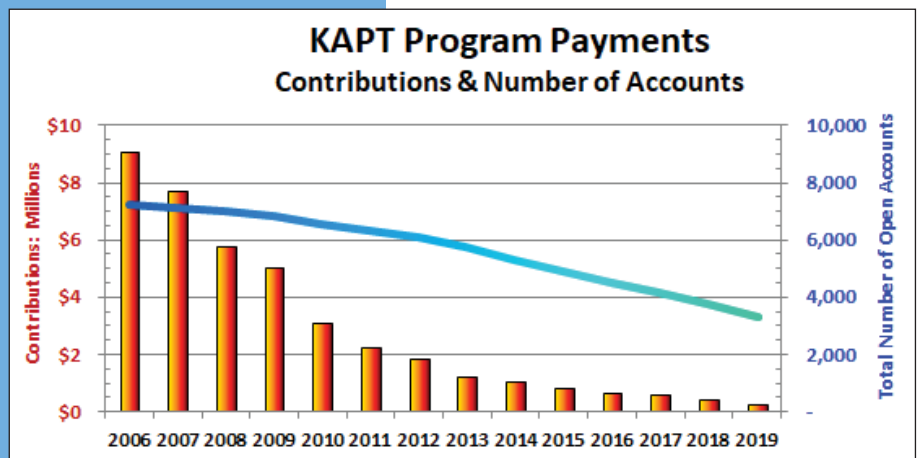
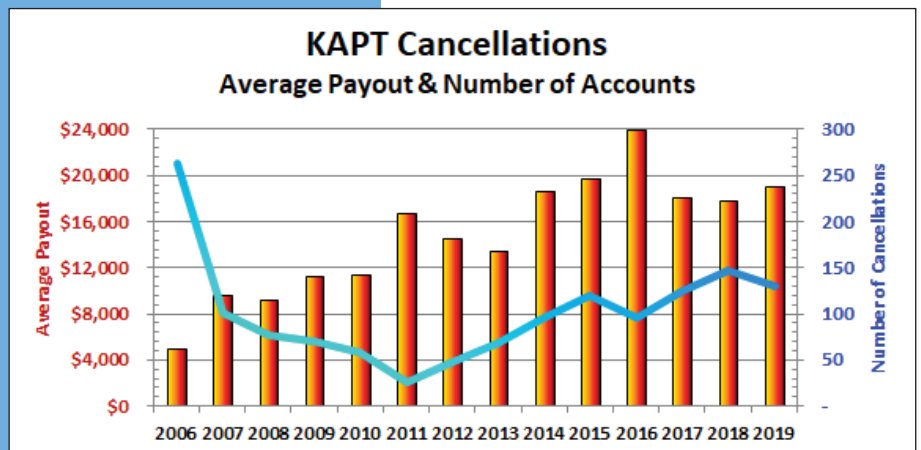


Kentucky's Affordable Prepaid Tuition



As of June 30, 2019, the Kentucky Affordable Prepaid Tuition (KAPT) program had total investment assets of \$57.6 million. This represented a 16.5 percent decrease in fund value from June 30, 2018 primarily due to \$15.7 million in redemptions (cancellations and disbursements) by account owners. The total number of accounts at the end of FY2019 was 3,341, a 10.5 percent decrease in the number of open accounts from FY2018. For the year, KAPT had 130 account cancellations/rollovers, which continues the upward trend as more and more accounts are maturing and beneficiaries are completing college.

The KAPT investment fund, managed by State Street Global Advisors (SSgA), increased by \$4.4 million over FY2019.



Financial Information

As of June 30, 2019, and for the fiscal year then ended
Dollars expressed in thousands

	GOVERNMENTAL AND FIDUCIARY FUNDS				PROPRIETARY FUNDS		
		KHEAA		KHESLC			
	Governmental Fund	Federal Student Loan Reserve Fund	Kentucky's Affordable Prepaid Tuition	Kentucky Education Savings Plan Trust	Agency Operating Fund and Internal Service Fund	Operating Fund and Education Finance Fund	
STATEMENT OF NET POSITION/FUND BALANCE							
Current assets	\$ 49,154	\$ 23,927	\$ 58,346	\$ 216,182	\$ 28,161	\$ 45,123	
Loans, net						1,000,876	
Noncurrent assets	8,630	173	121		88,030	118,201	
Deferred outflows of resources					1,459	16,975	
Total assets and deferred outflows of resources	57,784	24,100	58,467	216,182	117,650	1,181,175	
Current liabilities	2	174	15,718	209	2,270	125,177	
Noncurrent liabilities			80,486		11,236	1,007,643	
Deferred inflows of resources					2,006	15,928	
Total liabilities and deferred inflows of resources	2	174	96,204	209	15,512	1,148,748	
Total net position	\$ 57,782	\$ 23,926	\$ (37,737)	\$ 215,973	\$ 102,138	\$ 32,427	
STATEMENT OF ACTIVITIES							
Program revenue/additions	258,850	92,362	4,000	63,393	26,748	22,668	
Direct expenses/deductions	259,812	90,275	4,360	59,096	19,114	34,215	
Total	(962)	2,087	(360)	4,297	7,634	(11,547)	
Transfer to General Fund							
Interfund transfers	(962)	2,087	(360)	4,297	7,634	(11,547)	
Change in net position	58,744	21,839	(37,377)	211,676	94,504	43,974	
Net position at beginning of year	\$ 57,782	\$ 23,926	\$ (37,737)	\$ 215,973	\$ 102,138	\$ 32,427	
Net position at end of year							



Kentucky Higher Education
Assistance Authority

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