



FULFILLING DREAMS

FISCAL YEAR 2021 ANNUAL REPORT



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COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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GOVERNOR

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Dear Fellow Kentuckians:

As your Governor, I believe that education is the foundation upon which future successes may be built. That's why I have always made education one of the top priorities of my administration. As more Kentuckians take advantage of the opportunity to better themselves through higher education, not only does their personal income potential grow, so does the overall economic future for the commonwealth.

I am pleased that students have the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation (KHESLC) to help them, and their families navigate the sometimes-complicated path to higher education – from the application process to graduation. The work of these agencies has been crucial over the last year as together we have faced a global health pandemic, which created uncertainty about what the next school year would look like and how to keep our students, faculty and staff safe.

The services offered by KHEAA and KHESLC include a unique balance of need-based grants, merit-based scholarships, state-based loan products and college-savings plans. These valuable resources can help students and their families reach their educational goals at any one 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 most state-based aid, they also provide the state's only not-for-profit, private education loan, which offers families more savings through low fixed interest rates and no fees. The staff at KHEAA and KHESLC work tirelessly to counsel Kentuckians on the importance of continuing their education beyond high school while helping them plan and prepare for it, as well.

With the support of agencies like KHEAA and KHESLC, our citizens have access to resources that can help them achieve their educational goals while helping make Kentucky even more competitive in today's global economy.

Under my administration, Kentucky will continue to make strategic investments in education as we build upon our record economic growth and the largest budget surplus in history. Together, we will expand opportunity and change lives to create a Better Kentucky for our children.

Sincerely,

A handwritten signature in blue ink that reads "Andy Beshear".

Andy Beshear
Governor

Message from leaders

Building the dream

Welcome to the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation's (KHESLC) combined Fiscal Year 2021 Annual Report: Fulfilling Dreams.

Kentucky's college-going and college-bound citizenry are at the core of our mission. As sister agencies, KHEAA and KHESLC share a mission to expand educational opportunities by providing financial aid and informational resources that enable Kentuckians to attain their higher educational goals.

FY21 was a year, hopefully, like no other. The COVID pandemic caused schools across the nation to switch to distance learning, families were traumatized by the deaths of loved ones, and many Americans lost their jobs. Even with a worldwide health pandemic, we continued to provide robust activities via virtual platforms and provided funding to students and third-party services to colleges and universities.

KHEAA's grant and scholarship offerings help Kentucky students finance their college dreams. In FY21, thanks to continued support from the Kentucky Lottery, we provided just over \$278 million to Kentucky students pursuing college.

Our outreach activities continued across the Commonwealth; with the COVID-19 pandemic in full swing, activities were conducted virtually.

The COVID pandemic also impacted our marketing and business development activities. Colleges and universities were all working remotely, as were most KHEAA/KHESLC staff. However, we kept in touch with college staff via email and phone calls, and conferences were held virtually. Staff were successful in getting the Advantage Education Loan and Advantage Parent Loan on lender lists at 127 new schools within our licensed states, which is a 53.8 percent increase over FY20.

Our private loan portfolio continued to expand, even during the pandemic. In FY21, the Advantage Education Loan volume increased 10.8 percent over FY20.

KHEAA and KHESLC work with education committees, local, state, and federal leaders to ensure we are structured to help as many students, families, colleges, and universities as possible.

We hope you find the following pages to be informative and impactful. Should you have questions on any material provided, please let us know by calling 502-329-7100.

Shelley Park, Board Chair

and

Eugene Hutchins, Executive Director/Chief Executive Officer



Shelley Park



Eugene Hutchins

History

The groundwork for fulfilling education dreams

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 and promote higher education opportunities by making, purchasing, and financing low-cost student loans.

The Asset Resolution Corporation (ARC) was established in 2012 for the purpose of promoting higher educational opportunities by providing debt resolution services for student loan obligations.

KHEAA, KHESLC, and ARC share a common mission to ensure all students seeking to further their postsecondary education are successful. Our vision is to connect all Kentuckians to higher education.

The agencies are governed by a shared board of directors appointed by the Governor. In addition, the President of the Association of Independent Kentucky Colleges and Universities, President of the Council of Postsecondary Education, Secretary of the Finance and Administration Cabinet, Commissioner of the Kentucky Department of Education, and Kentucky State Treasurer are voting members of the Board.

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. The Vice President of Asset Management serves as the Chief Executive Director of ARC.

Leadership

LEADERSHIP TEAM

Eugene Hutchins, Executive Director/Chief Executive Officer

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

Erin Klarer, Vice President of Government Relations

Chris Thacker, Vice President of Asset Management

Theresa Hommrich, Vice President of Servicing

April Johnson, Corporate Controller

Rhonda Mann, Director of Internal Audit

BOARD OF DIRECTORS

Shelley Park, Chair, Retired University Administrator, Richmond

Wes Cornett, Chair-Elect, Director of Schools, Waynesburg

Teresa Hail, Secretary-Treasurer, D.C. Trimble, Inc., Somerset

Olivia Davis, Finance and Audit Committee Chair, CPA, Lecturer, University of Kentucky,
Lexington

Charles Vinson, Program Committee Chair, Retired Financial Aid Director, Murray State University,
Murray

Neil Quinlan, ARGI Financial Group, Louisville

Rene Brown, Healthcare Professional and Pastor, Louisville

Catherine Dykstra, CEO, Family Scholar House, Inc., Louisville

John Thompson Dougherty, Jr., Business Executive, Louisville Paving and Construction, Louisville

Gary Cox, Retired, Higher Education Association, Frankfort

EX OFFICIO MEMBERS

OJ Oleka, President, Association of Independent Kentucky Colleges and Universities, Frankfort

Allison Ball, State Treasurer, Frankfort

Aaron Thompson, President, Council on Postsecondary Education, Frankfort

Jason Glass, Commissioner, Kentucky Department of Education, Frankfort

Holly Johnson, Secretary, Finance and Administration Cabinet, Frankfort

Grants and Scholarships

Making dreams come true

Our grant and scholarship division continues to fulfill our mission of helping Kentucky citizens achieve their educational goals. Programs we administer provide vital funding for students and families to secure their educational dreams.

KHEAA provides multiple grant and scholarship programs to Kentucky's college-bound citizenry to finance their education. Eligible students may receive funding from more than one program.

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 to enroll in college who otherwise might not have considered going to college. The scholarship money earned through KEES encourages students to continue their education beyond high school.

The College Access Program Grant helps students with financial need at any Kentucky college and the Kentucky Tuition Grant assists students attending private or independent colleges.

The Dual Credit Scholarship helps students take college courses while still in high school and the Work Ready Kentucky Scholarship is designed to assist adults and students prepare for the workforce in the state's five highest demand job sectors.

During FY21, KHEAA disbursed more than \$278 million to over 176,000 Kentucky students in the form of grants and scholarships, a 2.24 percent increase over FY20.

Kentucky Lottery revenue funds nearly all state student aid awards disbursed by KHEAA. All costs in administering student aid programs are paid for by KHEAA/KHESLC, which ensures that every state-appropriated dollar goes directly to students.



FY21 Grant and Scholarship Disbursements

PROGRAM NAMES	RECIPIENTS	DOLLARS
Kentucky Educational Excellence Scholarship (KEES)	70,570	\$118,922,900
College Access Program (CAP)	56,700	\$89,855,650
Kentucky Tuition Grant (KTG)	14,450	\$35,542,900
Work Ready Kentucky Scholarship	3,450	\$9,319,400
Kentucky National Guard Tuition Award	1,130	\$7,980,430
Dual Credit Scholarship	18,840	\$6,228,550
Veterinary Contract Spaces	163	\$5,152,000
Work Ready Kentucky Dual Credit Scholarship	10,720	\$3,128,100
Optometry Scholarship	45	\$764,800
Teacher Scholarship*	120	\$417,800
Early Childhood Development Scholarship	270	\$371,300
Osteopathic Medicine Scholarship*	30	\$219,400
Early Graduation Scholarship	90	\$186,000

* Conversion loan program — figures are for new scholarships to students



Outreach Services

Helping students realize their dreams

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 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 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 2020–2021 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 announcements.

Due to the COVID-19 pandemic, many schools that participated in the Kentucky Goes to College campaigns conducted virtual programs. Participation from both schools and students was down compared to previous years given the lack of in-school programming, but KHEAA Outreach continued to support schools and students with virtual presentations and workshops, webinars, one-on-one appointments, and live social media events.

Close the Deal



KHEAA's Close the Deal (CTD) is a one-day program that helps Kentucky high school students prepare to make the transition to life after high school by arming them with knowledge about college and career exploration and the college admission and financial aid processes. Schools, community leaders and business representatives work with local students in setting and meeting goals for college and their future careers. Students hear from community leaders about the importance of having a plan to attend college or a technical education program. They also have an opportunity to speak in small groups with a college representative, a financial aid expert, and 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. An implementation guide is available on kygoestocollege.com, allowing schools to customize their events. Fifty-two schools registered to participate in the program in the 2020–2021 school year.

Kentucky College Application Campaign



KY COLLEGE application campaign

This was the tenth 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 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 were given free promotional materials to help make their events special, including folders for students to organize application materials, "I Applied" stickers for students to wear after completing their applications, and posters to promote the event in the school and community. In addition, every school had access to an online toolkit on the 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, KHEAA also asked administrators, educators, students, parents, and the general public to post to Facebook and Twitter using the #whyapply, #iappliedky, and #kygoestocollege hashtags. There were hundreds of posts using the hashtags, including students touting their top college choices and schools showcasing their application activities.

Sixty-eight high schools participated in the event, reaching upwards of 15,200 seniors with admission application assistance. In addition, the site coordinators who responded to a post-



A senior at Nicholas County High School proudly displays his Kentucky Goes to College folder during a Kentucky College Application Campaign event at his school.

event survey indicated that their students' ability to complete college admission applications was enhanced and that their schools' college-going rates were positively impacted by participating in KCAC.

Students who completed an online survey about KCAC after their school's program indicated that the program helped them feel much more confident about filling out college admission applications and that the KCAC program at their school changed their likelihood of going to college after they graduate.

College Decision Day

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

The desire to recognize and celebrate all college-bound high school seniors, not just student athletes, has gained momentum on the national level in recent years through former First Lady

“Our students really needed this (College Decision Day) program to end what has been a difficult year on a positive note! I look forward to doing this every year, but it was particularly special this year. Thank you for supporting our students!”

– High school counselor



A group of students at Mason County High School show off their college choices during a College Decision Day program.

Michelle Obama's Reach Higher initiative and is supported by organizations like Better Make Room and American College Application Campaign. Over 60 schools registered to participate in College Decision Day in Kentucky for the 2020–2021 year.

This year, due to the COVID-19 pandemic, many schools hosted their events virtually, so a social media toolkit gave schools the resources to enhance virtual programs. KHEAA Outreach also hosted a two-week social media campaign in late April and early May to build

excitement and acknowledge students for their postsecondary plans. Among other things, the social media campaign included an Instagram contest, which awarded gift cards to students who found the most creative way to display their postsecondary plans with photos and videos.

FAFSA Completion Challenge



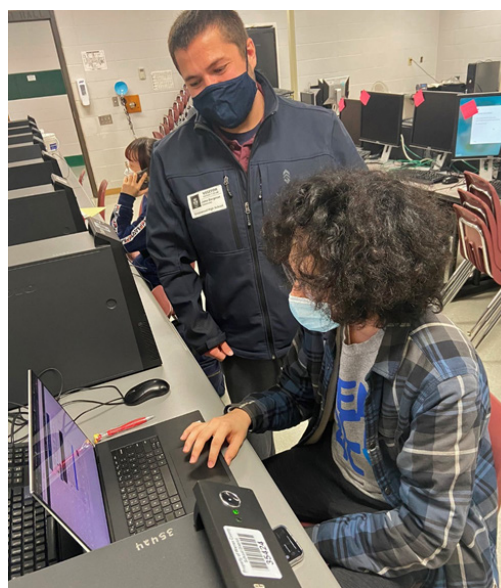
In May 2021, KHEAA launched the first statewide FAFSA for the Win Challenge. Public and private high schools in Kentucky were invited to join the Challenge to promote FAFSA completion for the class of 2021 and for the chance to win \$500 for their school. FAFSA completion rates among high school seniors dropped significantly due to the pandemic, and the Challenge was a way to keep the importance of FAFSA completion in the forefront even as seniors were transitioning out of high school and finalizing postsecondary plans.

As part of the Challenge, high school seniors were given the opportunity to win one of several \$500 scholarships to help pay for educational expenses. To qualify, students had to complete a FAFSA and a brief entry form.

The first FAFSA for the Win Challenge ran through the end of August 2021. Support for this first Challenge was provided by a grant from the National College Attainment Network. Moving forward, the FAFSA for the Win Challenge will become a permanent part of the Kentucky Goes to College suite of college access campaigns.

FAFSA Support

With the release of the 2021–2022 FAFSA on October 1, 2020, 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. Collectively, outreach counselors conducted more than 750 in-person FAFSA workshops during the fiscal year. In addition, outreach counselors provided virtual one-on-one FAFSA completion assistance to students throughout the pandemic when in-person options were not available. More than 1,800 one-on-one FAFSA contacts were made by outreach staff.



Senior Outreach Counselor John Bergman helps a student complete the FAFSA at Greenwood High School in Bowling Green.

For the 2021–2022 FAFSA cycle, Kentucky again ranked #1 in FAFSA completion among high school seniors nationally through mid-October 2020, and maintained a Top 15 ranking through June 2021 (source: Form Your Future FAFSA Tracker). In addition, KHEAA's 2021–2022 FAFSA Completion Guide was used by schools and organizations across the Commonwealth as a resource to aid students and parents in successful FAFSA completion. The four-page guide is available for download on kheaa.com, and hard copies can be requested through the online publication order form, as well as through outreach staff.

Throughout the spring and summer, outreach counselors spent a significant amount of time helping guide students and families through the FAFSA follow-up and verification processes. Staff helped families make FAFSA corrections, submit necessary documentation to complete verification, interpret award letters from institutions, and conduct other FAFSA-related support activities. Outreach staff conducted over 100 in-person and an additional 220 one-on-one FAFSA follow-up and verification sessions in the 2020–2021 school year.

“I wanted to let you know that the FAFSA help we received from KHEAA was totally amazing! You definitely know your stuff. I was so impressed and thankful that it is behind me.”

– Parent of high school senior

“KHEAA’s FAFSA Completion Guide is amazing! It is the best item out there that informs people about the FAFSA.”

– School counselor

“Thank you so much for ‘Zooming’ with us to do the FAFSA! With everything being closed right now, we weren’t sure how we were going to find the help to do this.”

– High school senior and parent

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 Serve Kentucky, the Commonwealth's State Service Commission.

The college coaches were hired through AmeriCorps and served as near-peer mentors in high schools across the state. Working with whole-group populations in grades 9–12 and with core groups of 60 to 80 students, coaches provided services and resources that prepared high school students at our 31 participating sites for postsecondary opportunities. KHEAA selected the 31 sites by identifying public high schools with traditionally low college-going rates and high free-and-reduced lunch eligibility that were being served by few or no college access programs.

The 2020–2021 academic year marked the eleventh consecutive year that KHEAA has served as an intermediary partner in the KCC Program.



Kentucky College Coach Hunter Cleary (right) helps a student during a college fair at Casey County High School.

“The Kentucky College Coaches program has been so helpful to me as a school counselor. Just knowing that our coach stays on top of college-related activities makes my job easier.”

– High school counselor

“Our Kentucky College Coach has been very proactive. She participates in administration meetings, takes on projects, and has been able to work with teachers to help with ACT prep.”

– High school principal

“Having a college coach to help take the lead with college access projects allows us to do things we would not be able to do otherwise. We appreciate how motivated our coach has been through remote learning. With our coach being a recent college grad, she easily builds rapport with our students. It makes a huge difference.”

– High school counselor

Kentucky College Coaches Schools FY21

Adair County High School

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

Powell County High School

Southern High School

Tates Creek High School

Union County High School

Valley Traditional High School

Warren East High School

West Carter High School

Whitley County High School

Program Statistics

- 517 core students graduated high school in 2020–2021
- KCC core students were offered more than \$6.4 million in scholarships (this does not include grants or any other type of financial aid)
- 31 KHEAA KCCs served over 39,450 hours during their tenure
- 70 percent of core seniors completed the FAFSA



Southern High School KCC Angela Duncan (right) partnered with Boys and Girls Clubs of Kentuckiana to discuss postsecondary education options and career paths for Jefferson County Public School students.

Social Media

Outreach staff continued to ramp up KHEAA's social media presence in 2020–2021 to get information to students, parents, and counselors during the pandemic. Staff worked to provide free weekly content on Facebook, Twitter, and Instagram to ensure all Kentuckians had access to valuable college-planning information while in-person services continued to be limited in schools and communities around the state. Outreach counselors also created FAFSA tutorials and other helpful videos for the agency's YouTube channel.

The social media schedule was promoted through kheaa.com, newsletters, email blasts, and press releases. KHEAA's social media efforts also received mentions by both the Governor and Lieutenant Governor, as well as other partners throughout the state.

In the 2020–2021 school year, KHEAA also awarded a \$500 scholarship to Ramona Morris, a Kentucky high school senior who won a contest to create vlogs for use on the agency's social media accounts and YouTube channel. The goal of the student vlogger program is to leverage the student voice to help influence more students to pursue postsecondary educational opportunities. Ramona's vlogs covered topics such as applying to college, searching for scholarships, completing the FAFSA, and more.

***“You all are doing a wonderful job with your social media!
It gives me peace of mind to know that if I happen to miss
something during this crazy year, I can point my students to
the videos you all have out there. Thank you!”***

– School counselor

“I look forward to participating in your Twitter Chats every week. They are fun and informative, and I tell my students and parents to check them out all the time.”

– College coach



Outreach Counselor Emily Bowman (top) and Ohio County High School KCC Abby Schroader (bottom) conduct a KHEAA Instagram Live event.



Kentucky high school senior Ramona Morris created a variety of vlogs about her experiences for KHEAA's YouTube channel and social media platforms.



Publications and Social Media

Providing resources to Kentucky families

Publications

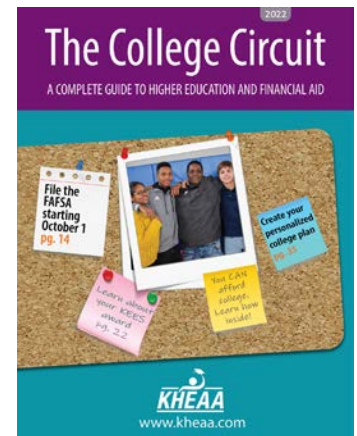
KHEAA produces and distributes free college and career resources to Kentuckians, school counselors, college admission and financial aid officers, adult centers, public libraries, and college fairs. These resources are also available on kheaa.com.

Materials are targeted to specific audiences such as middle school, high school, and adult students. Others address specific topics such as financial literacy and financial aid programs. They include both federal and Kentucky-specific data.

Adults Returning to School is geared to nontraditional students. The book lists Kentucky colleges, degrees and costs, as well as giving tips on 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. The booklet can be used by middle school and older students.



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. Portions of the book are available in audio on kheaa.com.

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

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

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

Your Guide to Private Education Loans offers students an explanation of the differences between federal student loans and alternative or private student loans.



KHEAA also produces timely newsletters that go to specific audiences throughout the year. The KHEAA College Connection newsletter goes to high school students and their families. This is a very effective publication in reaching students and parents directly with needed information for preparing for college. Other newsletters go to school counselors and financial aid offices. The newsletters were invaluable during the COVID pandemic.

Publications distributed in FY21 increased 18.1 percent over FY20.

Social Media

KHEAA and KHESLC both have Facebook pages, Instagram, and Twitter accounts, as well as a YouTube channel. 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.

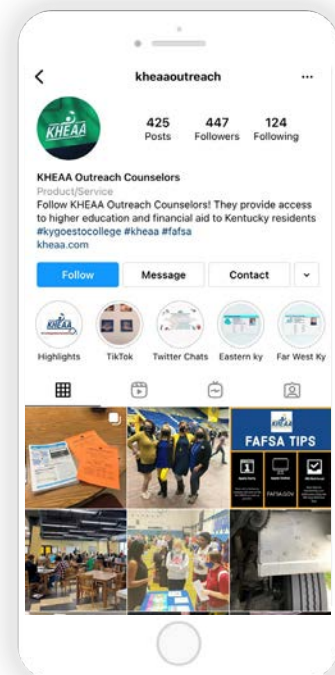
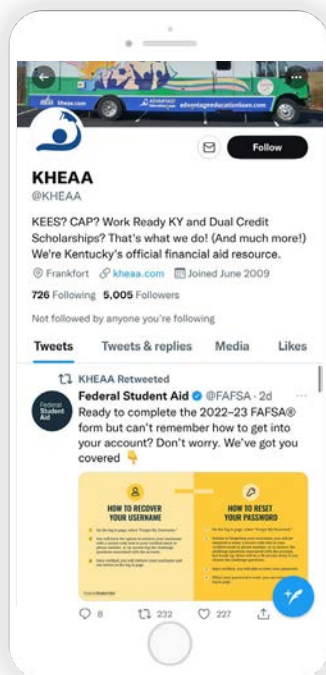
Important figures to note for FY21:

KHESLC Facebook page likes rose 5.4 percent.

KHEAA Facebook page likes rose 3.2 percent.

KHEAA Instagram followers rose 56.2 percent.

AdvantageEducationLoan.com Facebook page likes rose 7 percent.



Legislative Update

2021 Regular Legislative Session

This past year included many unprecedented challenges and adjustments due to the pandemic, including the 2021 Regular Session of the General Assembly. Staff from the Legislative Research Commission and Kentucky Educational Television made great improvements to accessibility by implementing technological advancements, more live-streaming, and the ability to testify and vote remotely. These changes have provided much-needed efficiency, transparency, and safety for legislators and the public and are likely here to stay.

The short session also passed a one-year budget, since a normal two-year budget was not approved in 2020 because of the pandemic. The General Assembly continued directing available Kentucky Lottery revenue toward student financial aid. This allowed KHEAA to increase the awards for its two need-based programs, the College Access Program (CAP) and the Kentucky Tuition Grant (KTG). The maximum CAP award was increased from \$2,200 to \$2,900 for students at four-year institutions and by \$200 to \$2,200 for students at two-year institutions. The maximum KTG award was increased to \$2,980. This will have a meaningful impact on those who need assistance with college access the most, reducing the need for student loans. Furthermore, the General Assembly appropriated \$1 million to the Teacher Scholarship program to mobilize more students to obtain education certifications and reduce the teacher shortage felt across the state. Senate Bill 270 made students at Simmons College in Louisville eligible for KTG awards. The change will help this historically black institution improve the diversity of certified teachers in Kentucky.

Passage of House Bill 8 was of significant importance to KHEAA and KHESLC, as it changed the methodology in how pension liabilities are calculated and improved the ability for the agencies to budget accordingly. Housekeeping legislation was also passed regarding student loan servicing licenses that will allow KHESLC to reduce expenses for business activities. Senate Resolutions 146 and 147 acknowledge the wide-ranging college access and completion activities KHEAA provides for the state and recognizes October as Financial Aid Awareness Month and November as College Application Month.

We anticipate more challenges will arise as Kentucky recovers from the COVID-19 crisis, and KHEAA and KHESLC continue to stand ready to provide actionable solutions for the Commonwealth.

Student Loan Servicing

The three departments involved in servicing student loans are:

- **Loan Servicing**

Loan Servicing made 281,000 manual and virtual calls to borrowers to help them resolve their delinquency. Over 44,000 inbound calls were received, and borrowers were offered assistance in repaying their loans. In addition, 3,400 emails and borrower correspondence were handled.

- **Loan Administration**

Loan Administration processed 36,000 tasks to keep borrowers on track to successful repayment, including 4,400 COVID-related disaster forbearances. These tasks include updating repayment plans, placing eligible borrowers in forbearance or deferment, 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. Staff perform phone scrubs to identify mobile numbers versus landlines to maintain compliance with federal and state no-call regulations. A quality assurance team reviews transactions and borrower accounts to make sure processing was complete and accurate.

In FY21, KHESLC Loan Servicing focused on assisting borrowers who had been impacted by the COVID-19 pandemic. KHESLC answered calls and reached out to borrowers offering multiple options to those whose financial situation was negatively impacted by the pandemic. These options included deferred payments, the waiver of late and non-negotiable funds fees, and favorable credit reporting changes.

KHESLC services approximately \$1 billion in outstanding balances for some 51,000 borrowers.

Asset Management

Asset Management Operations (AMO) 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 Louisville. DR staff members make outbound calls and receive incoming calls from borrowers who have defaulted on their student loans. Collectors work with borrowers to establish repayment agreements that will resolve their defaulted loan status, reinstate their eligibility for financial aid, and improve their credit histories. In FY21, staff made more than 264,000 outbound calls and answered more than 49,000 incoming calls from borrowers.

- **Debt Recovery Administration**

Debt Recovery Administration (DRA) staff work in Frankfort and perform a number of activities that are crucial to diligent administration of the defaulted FFEL student loan portfolio. Staff responsibilities include administering the rehabilitation repurchase and Treasury offset processes. DRA also ensures that correspondence to borrowers is mailed in a timely manner. Additionally, DRA researches and compiles all required files and documentation for loans that are scheduled for reassignment to the U.S. Department of Education.

- **Operations**

Working from the Louisville office, Operations staff members 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 is responsible for conducting new hire and ongoing staff training, updating collection procedures, and generating performance reports and queries that are critical resources to the management team.

In FY21, AMO collected \$80,160,298 on defaulted loans in the FFEL portfolio. Collection results were impacted by the COVID-19 pandemic, as significant restrictions to collection activities were imposed by the U.S. Department of Education throughout the year.

Loan rehabilitations accounted for more than 50 percent of the amount collected. Borrowers who successfully completed rehabilitation had their loans brought out of default and back into good standing.

Advantage Education Loans

The Advantage Education Loan, the Advantage Parent Loan, and the Advantage Refinance Loan continue to be among the most competitive private (alternative) loans in the marketplace. In FY21, our total volume increased more than 10.8 percent over FY20's volume, which is impressive since the pandemic forced schools to hold online instruction and caused a nationwide economic downturn.

Benefits and features did not change for FY21, and we remain competitively positioned in the marketplace.

Through the efforts of marketing staff, 127 new colleges and universities added the Advantage Education Loan and Advantage Parent Loan to their preferred lender lists in FY21, a 53.8 percent increase over the previous year.

Advantage Loans at a glance

- Interest rates are 3.75 to 6.99 percent for students and parents.
- Interest rates are 3.99 to 7.78 percent for refinance.
- Marketing territory is 32 states.
- Benefits remained the same.
- Volume increased by more than 10.8 percent.
- The website was enhanced to streamline online applications and processing.
- KHESLC owns, originates, funds, services, and collects the loans.

The screenshot shows the Advantage Education Loans website. At the top left is the logo for Advantage Education Loan. To the right of the logo are icons for a mobile phone, an envelope, and a search bar labeled 'Search AEL.com'. Below the logo is a navigation bar with five links: 'Apply Now', 'Student Loans', 'Parent Loans', 'Refinance Loans', and 'Check Account Status'. The main content area features a large image of a young man with a backpack, smiling. To the right of the image, the text reads: 'Save money with Advantage Education Loans! Pick the loan that's right for you'. At the bottom of the page, there is a footer with the URL 'https://www.advantageeducationloan.com/bel/adv/homepage.faces', 'Advantage Parent Loans', and 'Advantage Refinance Loans'.

School Services

KHEAA Verify

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

A college or university can contract with KHEAA to conduct the verification process on the school's behalf with KHEAA Verify. 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 that the student's aid will be awarded in a timely manner.

In FY21, KHEAA secured three new contracts and maintained existing contracts, resulting in a 9.1 percent growth over last fiscal year. Staff verified 73,973 students during the fiscal 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 each year. If a school's CDR is above 30 percent for three consecutive years, it cannot participate in any federal aid program, which would be devastating for that school.

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

- **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 given information about the different repayment plan options, deferments, and forbearances that are available.
- **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 FY21, KHEAA maintained existing contracts and added three new contracts, resulting in a 10 percent growth. Staff contacted over 97,000 borrowers over the course of the fiscal year on behalf of our contract institutions. During the COVID-19 shut-downs, more emphasis was placed on helping borrowers cope with the economic uncertainties, since most federal loans were placed on a forbearance (hold) situation.

Be Loan Smart

We strive to be proactive when determining what new products or services to introduce to colleges and universities that we serve. They have to be timely, serve a need, or solve a problem. What we discovered with our latest service is it served a need, solved a problem for the schools, and was timely.

Be Loan Smart provides an annual notification to students of their student loan indebtedness. The letter provides estimated loan payments, cumulative student loan amounts, interest rates, borrowing limits, percentages, and access to a free financial literacy website.

In FY21, Be Loan Smart saw a 50 percent growth over the previous year.

KY Saves 529



As FY21 began, the Kentucky Education Savings Plan Trust, dba KY Saves 529 entered its third year with Ascensus College Savings Recordkeeping Services, LLC, as program manager. Account owners continue to receive lower fees and best-in class investment offerings.

The program continues to benefit from the addition of a Kentucky-based Ascensus field consultant, charged with marketing the 529 program to businesses and individuals throughout the Commonwealth.

During FY21, leads produced by the field consultant resulted in a 27.2 percent increase in the number of Kentucky companies offering KY Saves 529 as an employee benefit.

For the state fiscal year ending June 30, 2021, KY Saves 529 had a fiduciary net position of \$259.4 million. This represented a substantial \$43.1 net increase in fund value from FY20. The KY Saves 529 program participants used \$21.3 million to help pay education costs in 2021.

The total number of active accounts at the end of FY21 was 16,329, an increase of 6.1 percent in open accounts from FY20. For the year, KY Saves 529 generated 1,810 new accounts, which represents the fourth highest year for new account generation in the 31-year program history.

Financial Information

As of June 30, 2021, 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 Kentucky's Affordable Prepaid Tuition	Kentucky Education Savings Plan Trust	Agency Operating Fund and Internal Service Fund	KHESLC Operating Fund and Education Finance Fund
STATEMENT OF NET POSITION/FUND BALANCE						
Current assets	\$ 66,100	\$ 25,599	\$ 33,174	\$ 259,643	\$ 47,568	\$ 70,818
Loans, net						121,445
Noncurrent assets	6,876	2,812	5		92,865	884,326
Deferred outflows of resources					1,076	13,446
Total assets and deferred outflows of resources	72,976	28,411	33,179	259,643	141,509	1,090,035
Current liabilities	65	18,436	13,312	208	2,395	43,582
Noncurrent liabilities			49,715		10,177	1,003,751
Deferred inflows of resources					1,078	18,513
Total liabilities and deferred inflows of resources	65	18,436	63,027	208	13,650	1,065,846
Total net position	\$ 72,911	\$ 9,975	\$ (29,848)	\$ 259,435	\$ 127,859	\$ 24,189
STATEMENT OF ACTIVITIES						
Program revenue/additions	302,208	74,379	3,412	65,369	35,127	16,180
Direct expenses/deductions	282,004	89,889	(709)	22,294	16,993	19,899
Total	20,204	(15,510)	4,121	43,075	18,134	(3,719)
Transfer to General Fund						
Interfund transfers						
Change in net position	20,204	(15,510)	4,121	43,075	18,134	(3,719)
Net position at beginning of year	52,707	25,485	(33,969)	216,360	109,725	27,908
Net position at end of year	\$ 72,911	\$ 9,975	\$ (29,848)	\$ 259,435	\$ 127,859	\$ 24,189



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