



# 2008 Annual Report

Kentucky  
Higher  
Education  
Assistance  
Authority

and

The  
Student  
Loan  
People



## About KHEAA and The Student Loan People

The 1966 Kentucky General Assembly created the Kentucky Higher Education Assistance Authority (KHEAA) as a governmental agency to improve access to college and technical training. KHEAA administers federal student loan programs, provides state student financial aid and distributes information about college opportunities.

In 1978, the state legislature created the Kentucky Higher Education Student Loan Corporation (KHESLC) to ensure funding would be available to Kentuckians by making, purchasing and financing student loans. KHESLC assumed the name of The Student Loan People<sup>sm</sup> in 1999.

The Student Loan People and KHEAA are governed by a Board of Directors with identical membership, and the Executive Director/CEO of KHEAA also serves as Executive Director/CEO of The Student Loan People. For more information, visit [www.kheaa.com](http://www.kheaa.com) or [www.studentloanpeople.com](http://www.studentloanpeople.com).

Kentucky's Children...

# Our Most Precious Resource

Kentucky's children are our most precious resource. They deserve our support and involvement as we encourage them to reach their full potential. It is our children who will secure Kentucky's prosperity in today's fast-paced global economy, and postsecondary education plays a pivotal role.

The Commonwealth offers support to its families by providing an excellent choice of public and private colleges and universities, community and technical colleges, trade schools and online programs.

Kentucky also offers financial support through several student financial aid programs administered by the Kentucky Higher Education Assistance Authority (KHEAA) and The Student Loan People. These programs enable thousands of Kentuckians to obtain a college education or technical training every year.

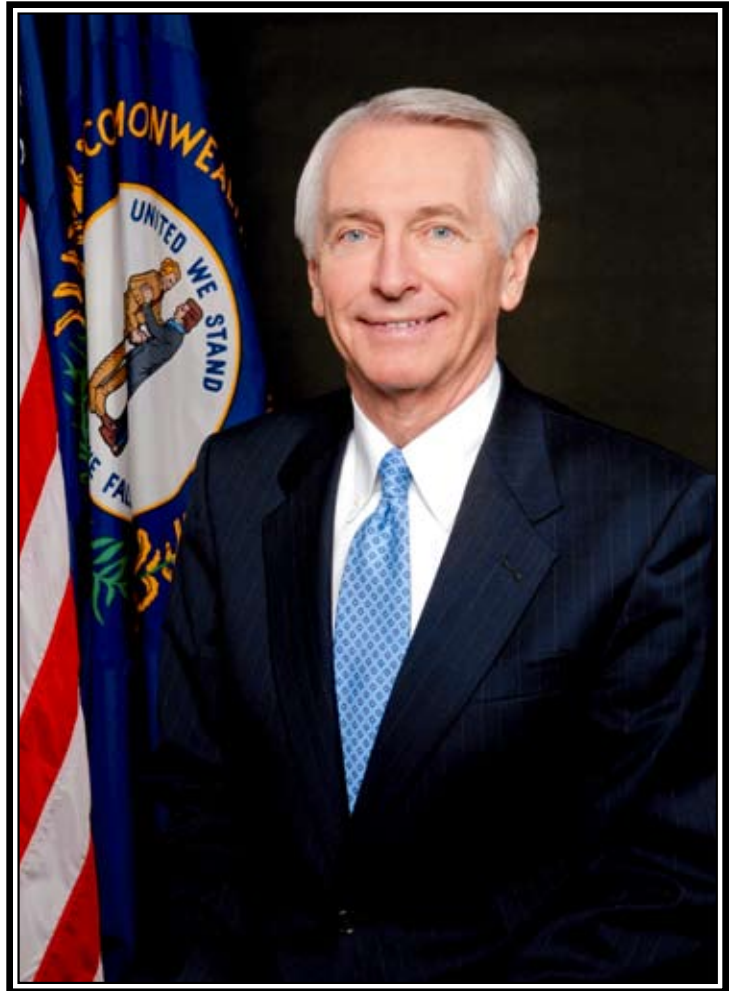
Working together, we will successfully equip our citizens with the education and skills needed to make our great Commonwealth an even better place in which to live, work, and raise our families.

Sincerely,



**Steven L. Beshear**

Governor, Commonwealth of Kentucky





## From our Executive Director/CEO



Thank you for your interest in the activities and accomplishments of KHEAA and The Student Loan People. Partnerships and teamwork are the driving force behind our success in making higher education accessible to thousands of students each year.

Participation by postsecondary institutions in the Federal Family Education Loan Program administered by KHEAA and The Student Loan People generate the resources that enable us to provide state student aid awards, cost-free administration of Kentucky's student aid programs and multi-faceted outreach programs to encourage Kentuckians to pursue higher education.

To our school and lender partners, high school counselors and other agencies and organizations across the Commonwealth, we extend our sincere appreciation. With your support, we are able to improve the lives of Kentuckians every day. Without your support, our accomplishments on behalf of Kentucky students and families would not be possible.

As we face the challenges of the coming year, KHEAA and The Student Loan People will continue to administer Kentucky's grant, scholarship and student loan programs with integrity and a constant eye on how we can best serve students. It is our honor and privilege to serve Kentuckians and help build better lives and a better future for the Commonwealth.

Sincerely,



Edward J. Cunningham  
Executive Director/CEO

All General Funds received by KHEAA go directly to students as awards. Kentucky Lottery revenue funds the vast majority of state student aid awards disbursed by KHEAA. Federal Leveraging Educational Assistance Partnership/Special Leveraging Educational Assistance Partnership Funds, Coal Severance Tax, Tobacco Settlement Funds, federal funds, civil penalties under KRS 199.990 and The Student Loan People revenue transfers fund the remainder. Neither KHEAA nor The Student Loan People receive General Fund appropriations for administration.

Revenue generated by KHEAA and The Student Loan People's administration of the Federal Family Education Loan Program (FFELP) funds additional state student aid awards, outreach programs to increase Kentucky's college-going rate and low-cost loans. These important services are provided at no cost to taxpayers.

## Board of Directors

(as of June 30, 2008)

Dr. Sarah H. Laws, Chair, Midway

Ronald D. Butt, Louisville

John Cheshire, III, Lexington

Dr. Barbara Holsinger, Wilmore

Dr. Jim A. Jackson, Frankfort

Spencer D. Noe, Lexington

Jerry T. Shroat, Union

Charles Simpson, Somerset

Dr. James Henry Snider, Franklin

Daniel W. Stanfield, Harrodsburg

## Ex Officio Members

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

Jon Draud, Commissioner, Kentucky Department of Education

Dr. Richard Crofts, Interim President, Council on Postsecondary Education

Todd Hollenbach, State Treasurer

Jonathan Miller, Secretary, Finance and Administration Cabinet

## Leadership Team

(as of June 30, 2008)

Edward J. Cunningham, Executive Director/CEO

James R. Ackinson, Executive Vice President

Diana Barber, General Counsel

Scotty Bryan, Chief Information Officer

Ted Franzeim, Senior Vice President for Customer Relations

Mary Henry, Senior Vice President of Operations

Matthew A. Korn, Senior Vice President for Finance and Accounting

Thomas Wantuck, Senior Vice President of Asset Management

David Bailey, Vice President of Guarantor Operations

David Carlsen, Vice President of Financial Management

Jo Carole Ellis, Vice President for Government Relations and Student Services

Linda Sewell, Vice President of Human Resources

Jodell F. Renn, Director of Internal Audit

Linda Grosshans, Controller

Robin Buchholz, Guarantee Services Manager

Jill Carney, Origination and Disbursement Services Manager



## Message from the 2008 Board Chair

# Dedicated to Serving Fellow Kentuckians

Despite a year of unprecedented challenges, KHEAA and The Student Loan People upheld our longstanding tradition of using all available resources to make higher education more accessible for Kentuckians.

During Fiscal Year 2008, KHEAA disbursed more than \$191 million directly to 120,830 students to help them pay college costs. Of that amount, KHEAA disbursed \$90 million in need-based grants and \$89 million in merit-based Kentucky Educational Excellence Scholarships funded by Kentucky Lottery revenue. Other state and federal sources funded an additional \$12 million in grants and scholarships. To cover college costs not met by other student aid, The Student Loan People disbursed over \$579 million in FFELP loans and serviced a portfolio of \$8 billion, while KHEAA guaranteed \$1 billion.

For many years, federal loan-related income has allowed KHEAA and The Student Loan People to make a positive difference in the lives of hundreds of thousands of Kentuckians without cost to the state General Fund or Kentucky taxpayers.

During FY 2008 alone, KHEAA and The Student Loan People contributed \$5.8 million for Kentucky National Guard Tuition Awards, KHEAA Work-Study wages and Mary Jo Young Scholarships. Zero-fee loans saved our borrowers more than \$11 million. For those working in Kentucky's critical-shortage professions of teaching, nursing and public service law, The Student Loan People provided more than \$7 million in student loan forgiveness. KHEAA and The Student Loan People revenue has also paid administrative costs of Kentucky's state student aid and FFELP programs since 1979.

KHEAA and The Student Loan People also educate Kentuckians about their higher education options and encourage them to reach for their dreams. In 2008, tens of thousands of students and their families were served by free college planning and financial aid publications, a one-stop higher education website and hundreds of financial aid presentations by our regional and mobile outreach staff.



**Dr. Sarah H. Laws, Chair, Midway**  
Dr. Laws was appointed to the KHEAA and The Student Loan People Board of Directors in July 2004 and is the provost of Midway College. She is a graduate of Western Kentucky State Teacher's College (now Western Kentucky University). Dr. Laws graduated from the University of Kentucky with an Ed.D. in educational administration and supervision. She has served on the faculty of Midway College since 1994 and as Chair of the Teacher Education Program. Dr. Laws was selected as Midway College's Outstanding Faculty Member in 1997.

KHEAA and The Student Loan People engage in these comprehensive activities to fulfill our public-purpose mission and are very grateful for the support and commitment of our staff and board of directors as well as the state legislature and Governor.

In FY 2008, the environment in which KHEAA and The Student Loan People serve Kentucky students and families changed dramatically. In September 2007, severe cuts were made to federal interest subsidies and fee income of all FFELP providers with enactment by Congress of the College Cost Reduction and Access Act. The credit crisis in the capital markets dramatically decreased agency revenue while increasing costs. As the effect of these events unfolds in FY 2009, rest assured that KHEAA and The Student Loan People remain committed to our mission of ensuring effective, comprehensive programs and services are available to Kentuckians to help them pursue higher education.

KHEAA and The Student People embrace the future with unwavering dedication to our mission, enthusiastic support for students and continued confidence that the agencies will provide quality programs and services for many years to come.



**Dr. Sarah H. Laws**  
FY 2008 Board Chair  
Provost, Midway College



# We hear you

A group of five diverse college students are smiling and posing for a photo outdoors. In the foreground, a young man in a green t-shirt and a young woman in a yellow cardigan are looking towards the camera. Behind them, a young man in a grey shirt, a young man in a white polo shirt, and a young woman in a colorful patterned top are also smiling. They are standing in front of a brick building with large windows. The overall atmosphere is bright and positive.

*"Thanks for all your help filling out the FAFSA. My family and I weren't sure at all about it, and this makes it seem much easier."  
— College Goal Sunday Attendee*

*"I just wanted to contact KHEAA and thank you very much for the Go Higher Grant that I was awarded. This grant money is desperately needed and will help me out tremendously with my college expenses."  
— Kentucky College Student*

*"I wanted to take a few minutes to thank you and everyone responsible for providing the scholarship opportunities for early childhood educators. I will be completing my education this fall, and I again will be depending on my Early Childhood Development Scholarship. A mere thank you does not encompass the gratitude I feel, but please know that it is heartfelt. Thank you."  
— Kentucky College Student*

*"I had to find your booth to say thank you for the KEES program! We are so happy to have that help."  
— Parent and State Fair Attendee*

*"Everything has been so easy with The Student Loan People. I can log on and view my up-to-date account information; and when I call, the people are knowledgeable, courteous and ready to help. Everyone there does a great job."  
— Student Loan People Borrower*





*"To all of you who helped raise the money for the Robert C. Byrd Honors Scholarship, I am in debt. None of you will ever know the impact this scholarship has had on my life. It has provided me with the means to succeed and confidence that I can achieve my goals. I sincerely thank all of you."  
— Kentucky College Student*

*"I like how I can easily have my questions answered by making one simple phone call. Everyone I've talked to has been super nice!"  
— Student Loan People Borrower*

*"The Mary Jo Young Scholarship is a great way for students who may not ever step foot on a college campus to get a head start and some confidence."  
— Community College Counselor*

*"I would recommend The Student Loan People to a friend, as the rates are competitive, the customer service excellent, and unlike some loan companies, things such as in-school deferments are offered, which is a wonderful thing for us poor, starving college students!"  
— Student Loan People Borrower*

*"If it weren't for KEES, I don't know how we would be able to send our daughter to school."  
— Parent of College Sophomore*

**We're here for you**

# We Help Families Plan

KHEAA and The Student Loan People administer early awareness activities for students of all ages throughout the Commonwealth to ensure Kentuckians are aware of their higher education opportunities and student financial aid programs. All of these programs are made possible by the postsecondary institutions that participate in the student loan programs administered by KHEAA and The Student Loan People.



*"I use my Getting In book every day. Not having that to use in my job is like not taking my Bible to church. I'd be lost without it. Thanks for sending them every year."*

— Counselor

*"I love the GoHigherKY.org website. I think it will really help me in deciding what college to attend."*

— High School Student



*"Our outreach counselor is an excellent resource for my college-bound seniors. She gives them instructions on how to apply for financial aid, gets them their PIN numbers and gives them instructions on seeking out specific college applications and scholarships. She does a wonderful job every year explaining the financial aid process to our parents. She is the expert that I depend on to get the financial aid message out to our students and parents."*

— High School Counselor

## Outreach Services

### College Planning Publications

*Getting In* for high school seniors  
*Getting Ready* for high school juniors  
*Getting Set* for high school sophomores  
*Getting Started* for high school freshmen  
*Adults Returning to School* for nontraditional students  
*Affording Higher Education* (Kentucky financial aid reference)  
*College Circuit* (overview of KEEES and financial aid)  
*I Can Go To College, Too!* (activity book)

### Nine Regional Outreach Counselors

Visit all 120 Kentucky counties to participate in exhibits and presentations at financial aid workshops, college and career fairs and other events

### GoHigherKY.org

Kentucky's one-stop college and career planning website

### College Info Road Show

Traveling college-planning classroom to visit high schools, adult education centers, public libraries, county fairs, GEAR UP expos, community festivals, the Kentucky State Fair and other events

### Parent/Student Newsletters

Information about college planning and student financial aid

### Counselor Newsletters

Student financial aid updates

### Financial Aid Tips of the Month

For use by newspapers and radio stations

### College Goal Sunday Sponsorship

To help families complete the Free Application for Federal Student Aid (FAFSA)

### It's Money, Baby

Financial literacy seminars



*"I asked the first group that came off the College Info Road Show whether it was worth it, and they all said, 'Oh, yeah!' One didn't realize there was all that assistance and said, 'I'm going to college now!'"*  
— Counselor



*"I truly appreciate the help and information that I receive from both our outreach counselor and KHEEA. The publications are helpful in that so much information is printed in an easy to read/understand format, and it's great for us to be able to hand this information to our students and their parents. I use the publications with individuals and in small group settings. I just would not have the time to gather all that information myself."*  
— High School Counselor

# We Help Families Pay

During FY 2008, KHEAA disbursed more than \$191 million in need- and merit-based aid and guaranteed \$1 billion in FFELP Loans. The Student Loan People disbursed \$579 million in FFELP Loans and, despite very challenging circumstances, provided more than \$18 million in student loan forgiveness and other borrower benefits for a total of \$166 million since 2003.

## \$191 Million in Student Aid

State Student Aid Expenditures	Recipients	FY 2008 Amount (in thousands)
Kentucky Educational Excellence Scholarship Recognizes students based on GPAs/ACT scores	64,500	\$88,972
College Access Program Grant Provides access to students with financial need	38,820	59,415
Kentucky Tuition Grant Allows students with financial need to attend an independent institution	12,640	32,684
Teacher Scholarship Assists education majors demonstrating financial need	650	2,350
Osteopathic Medicine Scholarship Assists Pikeville College School of Osteopathic Medicine students	120	623
Kentucky National Guard Tuition Award Provides tuition for active Guard members in good standing	1,370	4,671
KHEAA Work-Study Program Enables students to earn wages to help pay for higher education	640	790
Early Childhood Development Scholarship Assists students working in early childhood education	1,050	1,083
Robert C. Byrd Honors Scholarship Rewards students demonstrating academic achievement	340	485
Go Higher Grant Assists adult students with education costs	80	80
Mary Jo Young Scholarship Pays for AP or dual credit courses for disadvantaged high school students	630	242
<b>Total</b>	<b>120,840</b>	<b>\$191,395</b>

Other Program Benefits	Recipients/ Loans	FY 2008 Amount (in thousands)
Teacher Scholarship/Loan <sup>1</sup>	600	\$2,196
Osteopathic Medicine Scholarship/Loan <sup>1</sup>	110	934
Kentucky's Affordable Prepaid Tuition Plan Allows families to prepay tuition	820	5,387
Kentucky Education Savings Plan Trust Encourages families to save for future college costs	1,110	4,445
<b>Total</b>	<b>2,640</b>	<b>\$12,962</b>

<sup>1</sup> These programs are scholarships if service requirements are met; otherwise, they are repayable loans with interest.

*"I would definitely recommend The Student Loan People to a friend because of the courtesy, knowledgeable workers, and payment options. Being in the military is a hard job, but The Student Loan People work with me. Being a military-friendly company is a big deal. Thanks."*

*— Student Loan People Borrower*

## \$1 Billion in Guarantees

Guaranteed by KHEAA <sup>1</sup>	Loans	FY 2008 Amount (in thousands)
Subsidized Stafford Loan	121,430	\$484,623
Based on financial need for undergraduate, graduate and professional students		
Unsubsidized Stafford Loan	100,140	459,854
Without regard to financial need for undergraduate, graduate and professional students		
PLUS Loan	7,300	59,327
For parents and graduate and professional students		
<b>Subtotal</b>	<b>228,870</b>	<b>\$1,003,804</b>
Consolidation Loan	6,550	84,380
For borrowers in repayment		
<b>Total</b>	<b>235,420</b>	<b>\$1,088,184</b>

## \$579 Million in Low-cost Loans

Disbursed by The Student Loan People	Loans	FY 2008 Amount (in thousands)
Stafford and PLUS	107,260	\$468,358
Consolidation	6,540	84,861
Purchases and Repurchases	7,400	25,922
<b>Total</b>	<b>121,200</b>	<b>\$579,141</b>

## \$18 Million in Borrower Benefits \$166 Million Since FY 2003

Borrower Benefits	Borrowers	FY 2008 Amount (in thousands)	Since FY 2003 (in thousands)
Best in Class <sup>2</sup>	4,420	\$4,183	\$59,968
For teachers in repayment			
Best in Care <sup>2</sup>	2,970	2,744	15,769
For nurses in repayment			
Best in Law <sup>2</sup>	110	99	1,228
For public service attorneys in repayment			
<b>Subtotal</b>	<b>7,500</b>	<b>\$7,026</b>	<b>\$76,965</b>
BestStart, BestPLUS, BestGrad	70,700	11,415	89,192
For Stafford and PLUS borrowers			
<b>Total</b>	<b>78,200</b>	<b>\$18,441</b>	<b>\$166,157</b>

*"The Student Loan People made it possible for me to obtain a college education where other options were closed to me."*

*— Student Loan People Borrower*



*"The Student Loan People helped me reach my goal of being a teacher of exceptional children. I love the children and I look forward to each day with them. I appreciate The Student Loan People for keeping me informed concerning my account. Information is always available."*

*— Kentucky Teacher*

<sup>1</sup> Represents original amounts guaranteed.

<sup>2</sup> Eligible loans are those disbursed prior to July 1, 2008. Benefits are based on available funds.





# We Specialize in Customer Service

Providing helpful and friendly customer service is a top priority of KHEAA and The Student Loan People. We specialize in personalized service, and realize that true customer service cannot take a one-size-fits-all approach. Our experienced, in-house customer service staff focus on meeting the unique needs of our borrowers and provide each of them the care and attention they need.

We also work with students throughout the entire loan process to ensure they understand and can meet their financial obligations. One of our goals is to make repayment as simple as possible. Borrowers may choose to make payments electronically, on the web, by phone or by mail. Borrowers may also choose to access their account information through our VRU or in a secure online environment 24 hours a day, seven days a week. For those who prefer to talk directly with one of our customer service representatives, we make this selection quick and easy.

## Customer and Loan Servicing

### Customer Care Call Center

Financial aid experts for student and parent callers

### Investing in Your Future

Loan counseling for new borrowers

### The Keys to Successful Repayment

Loan counseling for borrowers who are graduating or leaving school

### Borrower Advocates

Personalized assistance for borrowers on ways to keep their loans in good standing

### Repayment options

A choice of standard, graduated, and income-sensitive repayment options

### Deferments and forbearances

Temporary reduction or suspension of payments due to economic hardship, military service or other circumstances

*"I talked with a young lady today who was behind in her loan payments and felt like she didn't have any options. I advised her to call her lender, and they ended up giving her a forbearance. She even called me back and thanked me. A lot of borrowers are afraid to call, and when they do, they're very happy they did. That's the joy of doing this job. For me, this is a good place to be to help students when they think they don't have alternatives."*

*— KHEAA Borrower Advocate*

# Selected Financial Information

as of June 30, 2008, and for the fiscal year then ended.

Dollars expressed in thousands.

	Governmental and Fiduciary Funds				Proprietary Funds	
	KHEAA				The Student Loan People	
	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
<b>Statement of Net Assets</b>						
Current assets	\$ 5,714	\$ 29,070	\$ 5,183	\$ 104,415	\$ 20,360	\$ 93,418
Loans, net						2,156,077
Noncurrent assets	13,791		140,229		35,618	130,977
<b>Total assets</b>	<b>19,505</b>	<b>29,070</b>	<b>145,412</b>	<b>104,415</b>	<b>55,978</b>	<b>2,380,472</b>
Current liabilities	309	20,974	124	93	658	80,336
Noncurrent liabilities			181,043		6,170	2,231,295
<b>Total liabilities</b>	<b>309</b>	<b>20,974</b>	<b>181,167</b>	<b>93</b>	<b>6,828</b>	<b>2,311,631</b>
<b>Total Net Assets</b>	<b>\$ 19,196</b>	<b>\$ 8,096</b>	<b>\$(35,755)</b>	<b>\$ 104,322</b>	<b>\$ 49,150</b>	<b>\$ 68,841</b>
<b>Statement of Activities</b>						
Program revenue/additions (losses)	\$ 189,723	\$ 122,046	\$ (4,441)	\$ 11,829	\$ 25,201	\$ 36,155
Direct expenses/deductions	196,027	119,455	17,454	8,155	11,666	27,658
<b>Total</b>	<b>(6,304)</b>	<b>2,591</b>	<b>(21,895)</b>	<b>3,674</b>	<b>13,535</b>	<b>8,497</b>
Interfund transfers	10,460		155		(5,874)	(4,741)
Transfer to USDE for recall		(1,151)				
Transfer to state General Fund	(337)					
<b>Change in Net Assets</b>	<b>3,819</b>	<b>1,440</b>	<b>(21,740)</b>	<b>3,674</b>	<b>7,661</b>	<b>3,756</b>
Net assets at beginning of year	15,377	6,656	(14,015)	100,648	41,489	65,085
<b>Net Assets at End of Year</b>	<b>\$ 19,196</b>	<b>\$ 8,096</b>	<b>\$(35,755)</b>	<b>\$ 104,322</b>	<b>\$ 49,150</b>	<b>\$ 68,841</b>

KHEAA and The Student Loan People's audited financial statements are available at [www.kheaa.com](http://www.kheaa.com), [www.studentloanpeople.com](http://www.studentloanpeople.com), or by calling (502) 696-7421.

KHEAA and The Student Loan People do not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or services and provide, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and services. Printed 10/08.

Kentucky Higher Education Assistance Authority  
P.O. Box 798  
Frankfort, KY 40602-0798  
Toll Free (800) 928-8926  
[www.kheaa.com](http://www.kheaa.com)

The Student Loan People  
P.O. Box 24266  
Louisville, KY 40224-0266  
Toll Free (888) 678-4625  
[www.studentloanpeople.com](http://www.studentloanpeople.com)



*LEAN ON US, FROM CLASS TO CAREER.*



*Kentucky's trusted source for grants, scholarships and loans.*