GOVERNOR’S MESSAGE

Dear Fellow Kentuckians:

Ensuring that our citizens have access to affordable higher education is a top priority of my administration. Postsecondary education is no longer a luxury; it is a requirement to meet today’s global economic challenges and opportunities.

Fortunately, Kentucky has much to offer students. Resources include a unique balance of need-based grants, merit-based scholarships, work-study, and savings opportunities — all administered by the Kentucky Higher Education Assistance Authority (KHEAA). Along with the Kentucky Higher Education Student Loan Corporation (KHESLC), these and other financial resources allow students and their families to 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.

In 2012, having demonstrated experience and expertise in debt counseling, KHESLC formed the Asset Resolution Corporation. This entity collects payments on behalf of the federal government’s Direct Loan program, which allows KHEAA and KHESLC to continue college access outreach and to administer student aid at no cost to Kentucky taxpayers. In addition, I again designated KHEAA as the state agency to apply for the federally funded College Access Challenge Grant. This important grant helps those seeking to further their education beyond high school.

Kentucky’s vitality relies on the education level of its citizens. By raising education levels, Kentucky’s most precious resource, its people, will be prepared for future challenges and opportunities. We must provide a workforce that is trained and skilled for 21st century jobs as the demand for a more highly educated workforce only continues to grow. Education beyond high school is still the best investment anyone can make.

Sincerely,

Steven L. Beshear
GOVERNOR OF KENTUCKY
**EXECUTIVE MESSAGE**

It is with great satisfaction that we present the 2012 Annual Report of the Kentucky Higher Education Assistance Authority (KHEAA) and the Kentucky Higher Education Student Loan Corporation (KHESLC). The accomplishments of these entities demonstrate the wisdom of the General Assembly in adopting this dual mechanism for meeting the financial needs of Kentucky’s students.

The statistics in this report clearly confirm that governmental agencies such as KHEAA and KHESLC can efficiently and effectively deliver much-needed services to students and families of the Commonwealth. In FY2012, KHEAA disbursed more than $197 million from grant, scholarship and work-study programs. This includes $92 million in need-based grants and $95 million in Kentucky Educational Excellence Scholarships (KEES), both funded by the Kentucky Lottery. In total, over 124,000 awards were made to more than 97,000 Kentucky students.

2012 also marked the 10th anniversary of the “Best In” loan forgiveness program and 4,700 critical-need nurses, teachers and public service attorneys in Kentucky received benefits this year. Nearly $100 million of student loan debt has been forgiven since the beginning of this program.

Numbers alone, however, cannot effectively communicate the substantial leadership and commitment of the board of directors and staff. KHEAA and KHESLC continue to grow to meet the changing demands of postsecondary education financing, as well as provide innovative new services to high school and adult learners, colleges and universities.

Substantial preparations were taken this year for future servicing and collections to be done on behalf of the U.S. Department of Education, and new default management and FAFSA verification programs were initiated to assist institutions in managing student financial aid. These revenue-generating activities will allow the agencies to continue to provide free outreach presentations, publications, and financial guidance to Kentuckians pursuing their educational goals.

KHEAA and KHESLC can be depended upon to develop new and successful ways to help students and their families access higher education. We look forward to many exciting things in the future!
The 1966 Kentucky General Assembly created KHEAA as a governmental agency to improve access to college and technical training. KHEAA strives to expand educational opportunities by providing financial and informational resources that enable Kentuckians to attain their educational goals.

KHEAA is attached to the Finance and Administration Cabinet for administrative purposes.

In 1978, the state legislature created KHESLC, an independent de jure municipal corporation, to ensure funding would be available to Kentuckians to promote the availability of higher education opportunities by making, purchasing, and financing low-cost student loans.

KHEAA and KHESLC are united in pursuing their mission to ensure that 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 on Postsecondary Education, Secretary of the Finance and Administration Cabinet, Commissioner of the Kentucky Department of Education and Kentucky State Treasurer serve as voting ex officio members.

The Board appoints the Executive Director/CEO and adopts rules and regulations to govern agency operations. By statute, the Executive Director/CEO of KHEAA also serves as the CEO of KHESLC.

KHEAA and KHESLC’s Board of Directors for FY2012 consists of:

Kristi P. Nelson, Chair, Union  
Barbara Sexton Smith, Chair-Elect, Louisville  
John Cheshire, Past Chair, Lexington  
David L. Allen, Secretary/Treasurer, Frankfort  
Erica L. Horn, Finance and Audit Chair, Frankfort  
Brent A. McKim, Program Committee Chair, Louisville  
Carla Blanton, Lexington  
Lawrence L. Jones, Prospect  
Becky Lamb, Prospect  
Lisa Payne, Prospect

EX OFFICIO MEMBERS

Dr. Gary S. Cox, President, Association of Independent Kentucky Colleges and Universities, Frankfort  
Todd Hollenbach, State Treasurer, Frankfort  
Terry Holliday, Commissioner, Kentucky Department of Education, Frankfort  
Robert King, President, Council on Postsecondary Education, Frankfort  
Lori H. Flanery, Secretary, Finance and Administration Cabinet, Frankfort
OUTREACH SERVICES

KHEAA and KHESLC staff reach out to potential college and university students and provide individually relevant information about higher education opportunities. Programs support students to make informed decisions about pursuing higher education and choosing wisely from the financial aid options that are available.

As the agency designated by Governor Beshear and the U.S. Department of Education to administer the federal College Access Challenge Grant Program, KHEAA fulfills the program’s purpose of fostering relationships among federal, state and local entities and organizations to significantly increase the number of underrepresented students who enter and remain in postsecondary education.

Outreach activities are designed to meet the primary objective of providing comprehensive programs that increase participation and completion rates, responding to the needs of Kentucky families, and are consistent with other state public policy objectives.

Outreach initiatives help Kentucky students and families with guidance on college admissions and financial aid applications.

New programs include the Surviving College workshop and publication; Kentucky College Application Week, which helps participating seniors receive hands-on assistance as they take the first big step toward continuing their education; the KHEAA Individual Learning Plan (ILP) for private school, home school and adult students; the Kentucky College Coaches Program; and the Kentucky Transcript Exchange service.

Staff counseled more than 216,000 Kentuckians on preparing for and reaching their higher education goals during FY2012, touching the lives of citizens in all 120 Kentucky counties.

Through our outreach services, KHEAA tries to positively influence four important measures relating to the state's college-going rate:

1 Number of students who complete the FAFSA. Completing the FAFSA shows that students are seriously considering higher education and want to find out how much financial aid they can get.

Kentucky-resident, full- and part-time undergraduates and number of FAFSAs filed.
2 Number of first-time undergraduate students who graduated from high school within the past year. Since a large portion of outreach activity is focused on high school students, especially in schools with lower college-going rates, this measure helps show how effective that activity has been.

Undergraduate fall enrollment at all Kentucky postsecondary institutions, age 25+. As of 2012, only 20.7% of Kentuckians 25 and older had completed at least a bachelor’s degree. For more than twenty years, Kentucky has consistently ranked 47th out of the 50 states on this measure. In the past five years, however, Kentucky colleges have seen an 18 percent increase in the number of undergraduate returning adult students.

3 Number of adult students (age 25 and older) who are enrolled as undergraduates. The Commonwealth needs to increase the number of adults who have college degrees to make the state more attractive to businesses that are considering locating facilities here and to lower the state’s unemployment rate, improving the quality of life for Kentuckians.

4 Number of undergraduate students who are enrolled in Kentucky’s colleges and universities. This measure provides information about the effectiveness of our outreach services to all Kentuckians.
SURVIVING COLLEGE DEBUTS

Surviving College is a workshop and companion publication designed to help students prepare for the transition from high school to college life. In addition, the program will help them succeed in their new environment, persisting to degree completion. The resources target college-bound high school seniors and incoming college freshmen and have proven to be popular tools for use in high schools and at college orientation sessions. During FY2012, nearly 27,000 copies were distributed and 90 presentations were made.

Topics covered include:
- **Freshman Year 101**: Reading a schedule, understanding degree requirements, buying books, managing time, navigating campus and practicing healthy living habits.
- **Academics**: Making the most of registering for classes, using study skills, discovering learning styles, tackling college-level assignments and writing expectations and avoiding plagiarism.
- **Financial Basics**: Understanding a financial aid package, utilizing the financial aid office, setting up a budget and learning banking and credit card tips.
- **Campus Life**: Living in a dorm, getting along with a roommate, protecting yourself and your belongings, getting involved in student activities and balancing academic and social expectations.
- **Resources**: Listing common resources available on most college campuses, including financial aid, residence life, tutoring labs, library and physical and mental health services.

SOCIAL MEDIA

KHEAA maintains a social media presence through an agency Facebook page and Twitter feed. During FY2012, the number of Facebook “likers” grew by 94%. The increase in social media traffic was attributed, in part, to the development of an online contest that awarded one new iPad each quarter to a randomly selected entrant who had completed required contest tasks.

Growth was also seen in the number of Twitter followers, gaining seven to ten new followers a week.

KHEAA outreach counselor Candice Johnson presents Chandra Weathers with the iPad she won through KHEAA’s Facebook giveaway.
In an effort to help all Kentucky students with college admissions, KHEAA sponsored Kentucky College Application Week as an initiative funded by the federal College Access Challenge Grant Program. Governor Steven L. Beshear proclaimed November 14-18, 2011, as Kentucky College Application Week across the state.

Thirteen high schools were selected as pilot schools, one in each of KHEAA’s outreach territories. Schools were selected based on college-going rate, free-and-reduced-price lunch eligibility, minority population, median ACT score and presence of existing college access programs. Schools received on-site help from KHEAA outreach staff and state partners to implement the program.

For all Kentucky schools, KHEAA provided a microsite, featuring an online guide and toolkit and in-person resources to help coordinators implement College Application Week activities.

Participating schools hosted a variety of activities to engage students and staff in the college application process, including workshops and presentations; door decorating contests; mini-college and career fairs; College Info Road Show visits; and online application sessions. Schools also hosted a variety of celebrations for students completing the application process.

**PILOT SCHOOLS**

Barren County High School  
Southern High School Magnet Career Academy  
Caldwell County High School  
Trimble County High School  
Casey County High School  
Union County High School  
East Ridge High School  
Warren Central High School  
Greenup County High School  
Western MST Magnet High School  
LaRue County High School  
Woodford County High School  
Lynn Camp High School

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**Students who said College Application Week changed the likelihood they would go to college**

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Lot</td>
<td>22.0%</td>
</tr>
<tr>
<td>Yes</td>
<td>39.3%</td>
</tr>
<tr>
<td>Some</td>
<td>19.0%</td>
</tr>
<tr>
<td>Little</td>
<td>3.9%</td>
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<tr>
<td>No</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

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**DURING THE WEEK, STUDENTS FILED**

1,218 COLLEGE APPLICATIONS

— CAW student survey results
The Kentucky College Coaches Program celebrated a successful second year. The initiative pairs low-income students from schools with low college-going rates with a near-peer college coach to personalize guidance for high school students to aspire and achieve a higher education.

Coaches provide access services to the entire student body at each assigned school, paying close attention to high-risk students who have demonstrated potential to be successful in higher education programs.

The program is a partnership with Northern Kentucky University, AmeriCorps, the Kentucky Commission on Community Volunteerism and Service, Berea College and the Kentucky Campus Compact, a coalition of college and university presidents.

It serves up to 100 students at each of 45 high schools statewide. KHEAA sponsors 29 coaches.

KHEAA’s college Coaches meet weekly with advisees.

Kentucky Commission on Community Volunteerism and Service, Berea College and the Kentucky Campus Compact, a coalition of college and university presidents.

This year, the 691 college-coached seniors had a 15.6% higher college-going rate over their non-coached peers.

88% of college-coached seniors filled out a FAFSA, compared to only 65% of non-college-coached seniors.

ADMINISTERED BY:

GEARUP
KY. AREA TECHNICAL CENTERS
KHEAA

Anderson County High School
Barren County High School
Bullitt Central High School
Casey County High School
Christian County High School
Edmonson County High School
Franklin-Simpson High School
Harlan County High School
Harrison County High School
Henderson County High School
Henry County High School
Holmes Senior High School
Lewis County High School
Lynn Camp High School
Marion County High School
McCreary County High School
Meade County High School
North Hardin High School
Owensboro High School
Pendleton County High School
Powell County High School
South Floyd High School
Spencer County High School
Tates Creek High School
Trigg County High School
Union County High School
Valley Traditional High School
Waggner Traditional High School
Warren East High School
Warren East High School
Wingate High School
SOUTH FLOYD HIGH SCHOOL
HARRISON COUNTY HIGH SCHOOL
FRANKLIN-SIMPSON HIGH SCHOOL
Bullitt Central High School
Harlan County High School
Meade County High School
McCreary County High School
Anderson County High School
Barren County High School
Bullitt Central High School
Casey County High School
Christian County High School
Edmonson County High School
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Union Count
Each year, KHEAA produces and widely distributes college and career publications. All publications are free and available from Outreach Counselors, school counselors and adult education centers. They are also available on the KHEAA website at http://www.kheaa.com/website/kheaa/mainpub?main=1. Resources are designed using feedback from our partners and many are targeted to specific audiences — 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. The publications include:

**Getting In**, a complete college admissions and financial aid guide for high school juniors. Copies are sent to public and private high schools for distribution to all juniors.

**Affording Higher Education**, which lists more than 5,000 financial aid programs available to Kentucky students at Kentucky colleges and universities. Copies are sent to school and public libraries and to college access providers.

**Adults Returning to School** is geared to non-traditional students. It not only contains the information included in *Getting In*, but also information specific to adult students.

**The College Circuit**, suitable for students from middle school to adults. Parents and counselors can also use it to help their students. *The College Circuit* includes information about careers, college preparation, student financial aid and financial literacy.

KHEAA introduced a new mascot, Morty the Mortarboard, at Woodford County High School’s College Application Week. Morty stars in publications, online videos, outreach events and our iPhone/iPad application.

### MAJOR PUBLICATIONS DISTRIBUTED

<table>
<thead>
<tr>
<th>Publication</th>
<th>Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults Returning to School</td>
<td>19,759</td>
</tr>
<tr>
<td>Affording Higher Education</td>
<td>5,048</td>
</tr>
<tr>
<td>College Circuit</td>
<td>93,741</td>
</tr>
<tr>
<td>Getting In</td>
<td>62,886</td>
</tr>
<tr>
<td>It’s Money Baby</td>
<td>16,135</td>
</tr>
<tr>
<td>Surviving College</td>
<td>26,930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>224,499</strong></td>
</tr>
</tbody>
</table>
Student financial aid programs play an important role in helping Kentuckians achieve their educational goals. The Kentucky Educational Excellence Scholarship (KEES), Kentucky’s merit scholarship program, rewards academic achievement and encourages the best and brightest students to stay in Kentucky. The College Access Program (CAP) Grant and Kentucky Tuition Grant (KTG) help financially needy students pay for college.

Kentucky Lottery revenue funds the vast majority of state student aid awards disbursed by KHEAA. The remainder is funded by Coal Severance Tax, Tobacco Settlement Funds, federal funds, civil penalties under KRS 199.990 and KHESLC revenue transfer.

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

During FY2012, KHEAA disbursed over $197 million in the form of grants, scholarships and work-study programs.

<table>
<thead>
<tr>
<th>Student Aid Expenditures — FY2012</th>
<th>Recipients</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRANTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College Access Program (CAP) Grant</td>
<td>37,345</td>
<td>$58.7 million</td>
</tr>
<tr>
<td>Provides access to students with financial need.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Tuition Grant (KTG)</td>
<td>11,872</td>
<td>$31.0 million</td>
</tr>
<tr>
<td>Allows students with financial need to attend an independent institution.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Go Higher Grant</td>
<td>190</td>
<td>$185,861</td>
</tr>
<tr>
<td>Assists financially needy adult students attending part-time.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCHOLARSHIPS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky Educational Excellence Scholarship (KEES)</td>
<td>68,788</td>
<td>$98.6 million</td>
</tr>
<tr>
<td>Recognizes students based on GPAs/ACT scores.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Childhood Development Scholarship</td>
<td>991</td>
<td>$1.2 million</td>
</tr>
<tr>
<td>Assist students working in early childhood education.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drive the Dream Scholarship</td>
<td>313</td>
<td>$448,500</td>
</tr>
<tr>
<td>Assists academically talented GEAR UP students.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mary Jo Young Scholarship</td>
<td>436</td>
<td>$334,875</td>
</tr>
<tr>
<td>Pays for dual credit courses for high school students.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert C. Byrd Honors Scholarship</td>
<td>265</td>
<td>$161,000</td>
</tr>
<tr>
<td>Rewards students demonstrating academic achievement.</td>
<td></td>
<td></td>
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<tr>
<td><strong>MILITARY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky National Guard Tuition Award</td>
<td>1,084</td>
<td>$4.7 million</td>
</tr>
</tbody>
</table>
| Pays tuition for active National Guard member in good standing;
Recipient selected by the Department for Military Affairs. |
| **CONVERSION SCHOLARSHIPS/LOANS**|            |             |
| Minority Educator Recruitment and Retention Scholarship | 258 | $1.0 million |
| Assists minority education majors in pursuit of initial teacher certification. |
| Osteopathic Medicine Scholarship  | 107        | $737,910    |
| Equalizes tuition at Pikeville School of Osteopathic Medicine. |
| Teacher Scholarship/Service Credit/Write-off Amount forgiven on loans previously disbursed. | 288 | $721,869 |
| Osteopathic Medicine Scholarship Service Credit Write-off Amount forgiven on loans previously disbursed. | 52 | $554,990 |
| **COAL COUNTY SCHOLARSHIP PROGRAM** | 17 | $159,000 |
| Assists upperclassmen from Kentucky coal counties. |
| **WORK-STUDY**                    |            |             |
| John R. Justice Grant             | 47         | $50,995     |
| Provides loan repayment assistance for public defenders and prosecutors. |
| Teacher Scholarship               | 10         | $32,686     |
| Assists education majors demonstrating financial need. |
| KHEAA Work-Study                  | 689        | $507,200    |
| Enables students to earn wages to help pay for higher education. |
| **SAVINGS PLANS**                 |            |             |
| Kentucky’s Affordable Prepaid Tuition (KAPT) | 1,680 | $13.3 million |
| Allows families to prepay tuition. (KAPT enrollment is currently closed and is reassessed annually.) |
| Kentucky Education Savings Plan Trust | 1,840 | $8.6 million |
| Encourages families to save for future college costs. |

* Student must repay the scholarship plus interest if program and service requirements are not completed.
FY2012 included a significant milestone at KHESLC – the 10th year of student loan forgiveness awards, also known as Best In benefits. Thousands of critical need teachers, nurses and public service attorneys throughout the Commonwealth have had their student loan balances reduced through the Best in Class, Best in Care, and Best in Law programs. Over their ten-year history, the programs have forgiven nearly $100 million in educational debt.

While several changes to the program have occurred over the past decade, KHESLC maintains its commitment to those who provide such valuable services to the Commonwealth. KHESLC was again able to contribute $4 million of net revenue toward the program, and an additional $1.4 million from the Teacher Scholarship program was directed toward Best in Class. These funds allowed each eligible Best in Care and Best in Law borrower to receive $860 in loan principal forgiveness. Eligible Best in Class borrowers received $1,400.

Ms. Erin Gaddes recently paid off all of her student loans and emailed KHESLC a big “THANK YOU” for providing her the opportunity to finance her education.

She wrote, “Thank you for all the flexibility, support, and programs (Best in Class) that you offered so that I could not only further my education, but also provide support along the way in order for me to repay the loans. Your organization allowed me to accomplish my goals, and I will forever be appreciative.

“Your loan specialists are fabulous and all of the support throughout this process was fantastic. ‘Thank you’ does not seem to be enough to express my gratitude! I can only hope there will be more students that will benefit from being affiliated with your agency and some of these special programs. Thanks so much for all of your help.”

Thank you, Erin, and we look forward to helping more Kentucky students like you reach their educational goals!
DEBT RECOVERY

Each year guaranty agencies are ranked according to overall recovery rates, and KHESLC has consistently been a proven leader in guaranty agency collections.

For FY2012, KHEAA ranked seventh out of the nation’s 33 guaranty agencies due to the debt recovery services provided by KHESLC. With a knowledgeable, tenured and dedicated staff, KHESLC continues to be a leader in this line of business.

During FY2012, KHESLC’s Debt Recovery Section recovered more than $138.5 million in defaulted student loans, the highest amount in the history of the organization.

More than $50 million of those recoveries resulted from borrowers committing to and completing a rehabilitation program. Rehabilitation is a federal program which assists borrowers in returning their loan to good standing.

Once the rehabilitation process is complete, borrowers are eligible to apply for additional federal financial aid and complete their college education. In addition, the negative mark from the defaulted loan is erased from credit reports, assisting borrowers with reestablishing a favorable credit score. With KHEAA’s assistance, thousands of students were able to rehabilitate their loan status and return to financial health.

The information and education KHESLC’s Debt Recovery Section provides to struggling borrowers is essential to their future success in continuing their college education.

PAYMENT AGENCY CREATED

During the 2012 Regular Session, the Kentucky General Assembly passed legislation to create the Asset Resolution Corporation (ARC), an agency that will collect payments for the federal government’s Direct Loan program. The legislation was co-sponsored by Representative Rita Smart, of Richmond, and Representative Sara Beth Gregory, of Monticello.

ARC was created to replace lost revenue generated by the Federal Family Education Loan Program. “KHEAA and KHESLC are self-supporting entities that reinvest their revenues in Kentucky students,” said Governor Beshear at the bill signing on June 29, 2012. “This legislation will allow the agencies to continue the good work they do in promoting access to higher education and administering state student financial aid at no cost to the state.”

KHESLC has long had the statutory authority to collect education loans for others, and the opportunity to collect Direct Loans for the U.S. Department of Education is a natural extension of our existing skill set. We are grateful to lawmakers and Governor Beshear for allowing us to forge ahead on these new lines of revenue. ARC will be governed by the same board as KHEAA and KHESLC.
STUDENT LOANS

As part of its mission to expand access to higher education in Kentucky, KHESLC launched two supplemental loan programs in late 2010 and early 2011. The Kentucky Advantage Education Loan and Kentucky Advantage Parent Loan are designed to help Kentucky students and families with the increasing costs of attending college.

The Kentucky Advantage Education Loan is for Kentucky residents, regardless of where they go to school and out-of-state students attending Kentucky schools. The Kentucky Advantage Parent Loan is for Kentucky residents who have a child in college.

These Advantage Loans are the only state-based loans in Kentucky. What sets the Advantage Loans apart from all other competitors is that the fixed interest rates are based on the borrower’s repayment plan.

The loans have three options for repayment:
- Immediate repayment of principal and interest (7.25% interest rate and 2% guarantee fee)
- Immediate repayment of interest only (7.25% interest rate and 2% guarantee fee)
- Postponed repayment of principal and interest (7.75% interest rate and 3% guarantee fee)

Both loans provide a 0.50% interest rate reduction if the borrower pays the loans by auto debit.

All loans are credit based and co-signers are encouraged.

To apply for either the student or the parent loan, the borrower must complete an online application.

KHEAA originates and disburses the approved loans. KHESLC provides the funds and loan servicing. In FY2012, the agencies saw 68% growth in Kentucky Advantage loan volume, assisting families with bridging the gap between the cost of attendance and financial aid.

ADVANTAGE LOAN CUMULATIVE COMMITTED $
# SELECTED FINANCIAL INFORMATION

As of June 30, 2012, and for the fiscal year then ended.  
Dollars expressed in thousands.

<table>
<thead>
<tr>
<th>GOVERNMENTAL AND FIDUCIARY FUNDS</th>
<th>KHEAA</th>
<th>Kheslc</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Fund</strong></td>
<td>Federal Student Loan Reserve Fund</td>
<td>Kentucky’s Affordable Prepaid Tuition</td>
</tr>
<tr>
<td>Current assets</td>
<td>$10,654</td>
<td>$21,072</td>
</tr>
<tr>
<td>Loans, net</td>
<td>1,505,206</td>
<td>8,756</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>Total assets</td>
<td>19,410</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,036</td>
<td>565</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>14,140</td>
<td>176,104</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,036</td>
<td>14,705</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>$18,374</td>
<td>$6,367</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Statement of Activities</strong></th>
<th><strong>KHEAA</strong></th>
<th><strong>Kheslc</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenue/additions</td>
<td>$205,483</td>
<td>$127,219</td>
</tr>
<tr>
<td>Direct expenses/deductions</td>
<td>$201,958</td>
<td>$129,930</td>
</tr>
<tr>
<td>Total</td>
<td>3,525</td>
<td>(2,711)</td>
</tr>
<tr>
<td>Transfer to General Fund</td>
<td>(147)</td>
<td>(103)</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>103</td>
<td>(103)</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>3,525</td>
<td>(2,711)</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>14,848</td>
<td>9,078</td>
</tr>
<tr>
<td>Net Assets at End of Year</td>
<td>$18,374</td>
<td>$6,367</td>
</tr>
</tbody>
</table>

KHEAA and Kheslc’s audited financial statements are available at kheaa.com and kheslc.com or by calling (502) 696-7421.