

# KHEAA Advisor

Simplifying the process.

Volume 7 Issue 1 Fall 2015



## In This Issue

DIRECTOR'S CORNER	2-3	COHORT DEFAULT	
<b>NO FEE</b> ADVANTAGE LOANS	4	MANAGEMENT SERVICES	9
PREFERRED SCHOOL LISTS	5	TIPS FOR STUDENTS	10
FSA CONFERENCE AGENDA	5	WINNERS	10-11
CLERY ACT	6	ORDER PUBLICATIONS	12
PRIOR-PRIOR YEAR	7	STAYING CONNECTED	13
KHEAA VERIFY	8	EVENTS CALENDAR	14



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## Student Loans and Defaults

As has been reported in recent articles, the amount of student loan debt nationwide exceeds \$1.2 trillion and the average debt load of students borrowing for college is about \$30,000. We are fortunate in Kentucky that our average debt load, although increasing, is below the national average. Still, excessive borrowing and student loan defaults are becoming a real burden on Kentucky students and families.

Families should start saving early for their children's education to eliminate or reduce the potential loan burden on their students, such as by setting up a 529 plan. (A 529 plan is an education savings plan offered by many states, including Kentucky, which offers many tax advantages. KHEAA administers this program.) Students should exhaust all non-loan financial aid options, including federal Pell Grants, state sources such as Kentucky Educational Excellence Scholarships (KEES), College Access Program (CAP) grants and Kentucky Tuition Grants (KTG), as well as institutional grants and scholarships offered by the colleges and universities. If needed, loans should be a last resort and only taken for necessary educational expenses.

Students should explore all less expensive alternatives when searching for a postsecondary institution to attend, using net cost (cost after student aid) to evaluate their options. They may also want to consider beginning their education at a nearby community and technical college to keep costs as low as possible. Students choosing this path should be able to transfer to a four-year college or university after their first two years without losing credits if they plan ahead and visit the [KnowHow2Transfer](#) website.

Upon graduation, students generally are able to get the type of job that will provide the resources necessary to repay their student loans. However, given that attaining a college degree is the strongest single predictor of not defaulting on student loans, students should carefully choose a college and degree that are a good fit for them.

If students have difficulty repaying their loans, there are many options available to avoid default. These options include:

- Income driven repayment plans based on the borrower's level of disposable income.
- Extended plans that allow the borrower to spread the repayment period over a 25-year period.
- Graduated payment plans that start with lower payments that increase every two years.
- In the event of an economic hardship, the borrower may be eligible for a forbearance, which allows no payments for a short period of time.

## DIRECTOR'S CORNER, CONTINUED

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The biggest problem occurs when students do not contact their loan servicer or avoid servicer calls that could explain the options for repayment. With the varied options available to borrowers, there is little reason to default on a student loan.

If a student defaults on a student loan, there can be severe consequences. Upon default, a collection charge of up to 24% of the balance is added to the loan amount due. Credit agencies are notified, and the ability to obtain credit at good terms in the future is put at risk. In addition, a defaulted borrower may be subject to having wages garnished, or tax refunds taken. These loans are rarely dischargeable in bankruptcy, so there is little likelihood of not being responsible for repayment. Students may rehabilitate their loans one time after their initial default, but this requires contacting their loan servicer and making nine payments over a 10-month period.

Kentucky does have a serious student loan default problem. We rank third in the nation in percentage of students defaulting on these loans. All parties involved share in the responsibility of avoiding defaults. Students need to accept responsibility for the borrowed money that allows them to pursue their postsecondary education. Our colleges and universities need to recognize that if they accept a student, it is their responsibility to offer the student every opportunity to be successful by providing needed resources such as tutoring, counseling and course offerings to accommodate on-time graduation. The General Assembly needs to assist students with financial need by appropriating the statutorily required lottery proceeds that this year alone would have provided need-based aid to an additional 25,000 students. Financial literacy programs need to be offered to students and families that provide skills to enable smart higher education choices. (KHEAA helps fill this need by providing certain financial literacy programs for Kentucky.)

KHEAA helps students who have questions about financial aid and student loans. [NSLDS](#) has online information about individual student loans.



Op-ed column from Dr. Rollins sent to Kentucky media 10/12/15.

# ADVANTAGE LOAN PROGRAM

Regardless of where the student lives or goes to school, there are **NO FEES** on the Advantage Education Loan Immediate Repayment options. The fixed interest rates are still as low as 4.95% and do not exceed 7.59%.



## ORDER PUBLICATIONS

- Advantage Loan brochures and flyers
- Comparison chart flyers:
  - Advantage Loans vs. federal loans
  - Advantage Loans vs. other private loans

Contact your marketing representative at 1.888.678.4625 or order online at [marketing@kheaa.com](mailto:marketing@kheaa.com)

## Help your students get started.

- [advantageeducationloan.com](http://advantageeducationloan.com)

To apply for an Advantage Education Loan.

- **Great Lakes Fast Choice**

Advantage Education Loans are listed on this site. In addition, loans are certified through Great Lakes' ScholarNet program and disbursed through Great Lakes' Central Disbursement Service.

- **ELM Select**

Advantage Education Loans are listed on this site.

- **Call KHESLC at 1.800.988.6333**

For more information or to request an application be sent via email.

If you use Fast Choice or ELM Select and the Advantage Loan product does not display on your list, please contact Meredith Geraci at [mgeraci@kheaa.com](mailto:mgeraci@kheaa.com) or 1.502.329.7100.



# USDE TO STOP SHARING PREFERRED SCHOOL LISTS

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The U.S. Department of Education has said it plans to quit giving colleges the names of schools that students have listed on the Free Application for Federal Student Aid (FAFSA). Students can choose the colleges that will receive the information from the FAFSA.

According to a story by Michael Stratford at *Inside Higher Ed*, the list of colleges is given in the order in which they are listed on the FAFSA. That has raised concerns that some colleges used the lists inappropriately.

Department spokeswoman Denise Horn said some colleges have used the list in the admissions process to see if their competitors were listed. Colleges have also used the list to determine how much institutional aid to provide, reasoning that there's no need to provide as much aid if the school is at the top of a student's list. "Institutional aid" refers to grants and scholarships provided by the school itself.

Plans are to stop sharing the lists beginning with FAFSAs processed starting January 2016. Click [here](#) to see Michael Stratford's full article.

## FSA CONFERENCE AGENDA

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This year's FSA conference program will focus on topics related to changes in Title IV legislation and corresponding regulations, such as protecting students' privacy and their loan data, Gainful Employment rules, the 150% Subsidized Direct Loan limitation and student loan repayment options.

Changes to the Clery Act, which includes revisions to the Violence Against Women Act (VAWA) that require schools to implement changes to further help protect their students, will be discussed. Financial aid professionals will learn how to implement these changes at their schools and will be able to use face-to-face, hands-on sessions using the department's data systems, such as COD and NSLDS.

Also included will be the essential sessions, such as the changes to the FAFSA and verification, as well as sessions on cash management and loan reconciliation, among others. Schools will also have the opportunity to provide feedback to FSA through the open forums.

# CLERY ACT

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[GEN-15-15](#) provides a summary of the final regulations (effective July 1, 2015) that were implemented, due to statutory changes, to the Clery Act under the Violence Against Women Reauthorization Act of 2013 (VAWA).

Nothing in the Clery Act, as amended by VAWA, alters or changes an institution's obligations or duties under Title IX as interpreted by the Office for Civil Rights.

GEN-15-15 provides an overview of the major changes to the Clery Act, which include the following:

- Require institutions to collect and report information about dating violence, domestic violence, sexual assault and stalking that occur on an institution's Clery geography and are reported to a campus security authority or a local law enforcement agency.
- Revise the categories of bias for the purposes of Clery Act hate crime reporting to add gender identity and to separate ethnicity and national origin into different categories.
- Require institutions to provide information on culturally relevant, inclusive prevention awareness programs to incoming students and new employees, as well as describe these programs in their annual security report (ASR) and require institutions to provide, and describe in their ASR, ongoing prevention and awareness campaigns for students and employees. These campaigns must include the same information as the institution's primary prevention and awareness program.
- Require institutions to provide for a prompt, fair and impartial disciplinary proceeding in cases of alleged dating violence, domestic violence, sexual assault or stalking.
- For a complete summary of all major changes, please see GEN-15-15.

## PRIOR-PRIOR YEAR (PPY)

Prior-Prior Year (PPY) income data will be allowed on the FAFSA starting with the 2017–18 school year. Forms will be available in October 2016, rather than January 2017.

Students can file a 2017–2018 FAFSA beginning October 1, 2016, instead of having to wait until January 2017. This earlier submission date will be a permanent change. Students who plan to submit a FAFSA for the 2016–2017 school year cannot file before January 1, 2016.

The following table provides a summary of key dates as for the transition using the early FAFSA submission time-frame and earlier tax information.

When a Student Is Attending College (School Year)	When a Student Can Submit a FAFSA	Which Year's Income Information Is Required
July 1, 2015–June 30, 2016	January 1, 2015–June 30, 2016	2014
July 1, 2016–June 30, 2017	January 1, 2016–June 30, 2017	2015
July 1, 2017–June 30, 2018	October 1, 2016–June 30, 2018	2015
July 1, 2018–June 30, 2019	October 1, 2017–June 30, 2019	2016

The new process will reduce the pressure on students and parents. It will eliminate the need for estimating figures to meet deadlines for applying for state financial aid programs. The timing is also more in line with the college admissions process.

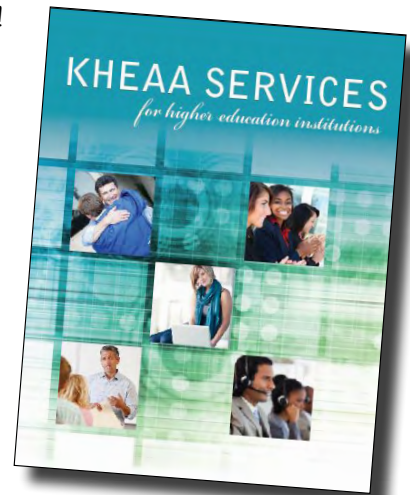
# KHEAA VERIFY

FAFSA Verifications got you down? Contact us — we can help!  
We take the extra steps to put your students' needs first.

KHEAA will handle your verifications, allowing your staff to focus on other pressing matters in the office. And best of all, you can award your students' financial aid promptly.

## Benefits of using KHEAA Verify

- Personalized service
- Lower administration costs
- Electronic process
- Verification conducted by experienced staff
- Compliance with federal regulations
- Inexpensive and easy to use



Our verification process is easy to use.

- ⇒ You send us student files needing to be verified.
- ⇒ KHEAA staff contacts the students on your behalf.
- ⇒ Students upload data using a secure student portal.
- ⇒ We follow up with students who need to submit additional information.
- ⇒ Once verification is complete, we submit changes to CPS.

At any time during the process, you can monitor our progress via MyKHEAA, a secure website, which gives you full control over the process and ensures your students' verification needs are met.

## High Praise

Since we started using KHEAA Verify to conduct our FAFSA verification duties, staff has had more time to focus on other pressing matters and our students are being awarded aid in a more timely manner than ever before.

- Lori Mitchum, former Financial Aid Director, Murray State University

**Imagine what we can do for you!**



# LOWERING YOUR COHORT DEFAULT RATE

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KHEAA can help you lower your CDR and get your student borrowers back on track.

If you don't have KHEAA's Cohort Default Management Services yet, call for a presentation. We offer three types of services from which to choose. Pick one, two or all three to get the best fit for your school.

- **Student Transition Service** provides customized email messages and videos geared to students at critical times during their college career.
- **Early Intervention** reaches out to your students who will soon enter repayment through graduating, withdrawing or dropping below half-time status.
- **Default Prevention** contacts all borrowers in your cohort. These borrowers are counseled on their repayment, deferment and forbearance options. Special attention is given to borrowers who are reported late on payments. KHEAA continues to work with the borrower even after they have defaulted.

## Great Results

KHEAA has a strong history of resolving delinquencies within its own portfolio and for institutions having Cohort Default Management Services contracts.

Since providing Cohort Default Management Services, KHEAA has been successful in resolving 60.42% of delinquencies for two-year community and technical colleges and 73.86% for four-year public and private institutions, with an overall resolution rate for all institution types of 62.05%.

Since using KHEAA's Cohort Default Management Services, we have seen an increase in our resolution rate, a decrease in our delinquency rate! We are especially happy with how 2013 is closing and how 2014 is progressing.

- Ryan Dulude, Assistant Director of Financial Aid,  
Community College of Vermont

**Learn how our KHEAA  
Verification and Cohort Default  
Management Services can help  
you and your students:**

- Call 1.888.678.4625
- Email [marketing@kheaa.com](mailto:marketing@kheaa.com)

## TIPS FOR STUDENTS — 0% CREDIT CARD OFFERS

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College students and high school seniors headed for college may receive letters offering them credit cards with zero percent fees. Most cards that offer zero percent interest to new cardholders do so for only a limited time, perhaps six months. After that, the interest rate may rise to more than 20 percent, depending on the cardholder's payment record during the introductory period. If all the purchases are not paid off before the introductory rate expires, the higher interest rate may be applied to those purchases from the time they were made.

Students should contact the credit card issuer to make sure they understand exactly what their obligations will be. It is always a good idea to get that information in writing and to save it for future reference.

## WINNERS!

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### **Magoffin County resident wins KHEAA's iPad giveaway**

Congratulations to Sharon Crace of Salyersville, who was the August winner of our iPad giveaway. The sweepstakes was held through KHEAA's Facebook page.

Kentucky residents have another chance to win a new iPad from KHEAA in a sweepstakes being held through Facebook in November. The contest runs from 12 a.m. on November 1 through 12 a.m. on December 1.



*iPad giveaway winner Sharon Crace and KHEAA Outreach Counselor Amanda Keller*

To enter, a Kentuckian must visit the KHEAA Facebook page, click on the orange graduate icon and answer one question about college. KHEAA will not share or sell any personal information to a third party.

Prior winners are not eligible. The drawing will be held in early December, and the winner will be notified by email. The winner must respond by email within three calendar days to receive the iPad. If no response is received within three days, another winner will be drawn.

## PROMOTE YOUR SCHOOL ESSAY CONTEST WINNER

Katelyn Mofield, a junior at STEAM Academy in Lexington, won the Promote Your School essay contest sponsored by KHEAA. She earned a \$500 college scholarship and the opportunity for her school to be featured in future college planning materials published by KHEAA.

Mofield chose to answer the topic “My aspiration for my generation.” She wrote that she wanted her generation to make the world a better place and that hers is a generation “capable of enormous passion.”

One judge wrote that Mofield’s essay was “exceptionally well conceptualized and constructed; virtually lyrical in its positivism and optimism.”



*Katelyn Mofield*

KHEAA staff presented Mofield with a certificate at her school. Counselor Eric Ridd also accepted a certificate honoring STEAM Academy as the Kentucky 2016 Model School, which will be featured in upcoming college planning materials.

The contest, held annually since 2003, was open to all rising Kentucky high school juniors and offered a choice of four essay topics.

Mofield and other academy students will participate in a photo shoot at the school. The pictures will be used by KHEAA in free college planning guides for high school students, as well as posters, brochures and other publications.

## ELEMENTARY STUDENT WINS IPAD

KHEAA Outreach Counselor Audrey Fowler presented Justin Colgate with a new iPad on October 14 at Caverna Elementary School in Cave City.

Justin won the iPad in a drawing held by KHEAA at the Kentucky State Fair.



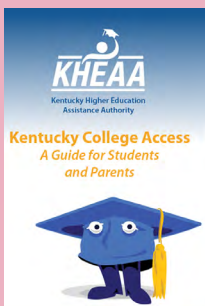
*Justin Colgate with KHEAA Outreach Counselor Audrey Fowler*

## 12

# STAY CONNECTED

## Download KHEAA's free Kentucky College Access mobile app.

- iPhone/iPad: (App Store>Search Store>KHEAA)
- Android: (Google Play store>KHEAA)



More ways for your students to get financial aid, scholarship and money tips!



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[facebook.com/kheslc](https://facebook.com/kheslc)

# Mark Your Calendar

- October [National Cyber Security Awareness Month.](#)
- Nov. 11 KHEAA and KHESLC offices will be closed for Veterans Day.
- Nov. 26–27 KHEAA and KHESLC offices will be closed for Thanksgiving.
- Dec. 24–25 KHEAA and KHESLC offices will be closed for Christmas.
- Dec. 31–Jan. 1 KHEAA and KHESLC offices will be closed for New Year's.
- Jan. 18 KHEAA and KHESLC offices will be closed for Martin Luther King, Jr.'s Birthday.

- 2015 conferences:

Oct. 7–9	<a href="#">2015 SASFAA Management Institute</a>	Orlando, Fla.
Oct. 14–16	<a href="#">KASFAA Fall Conference</a>	Erlanger, Ky.
Oct. 15	<a href="#">KHEAA Board of Directors Meeting</a>	Frankfort, Ky.
Oct. 16	<a href="#">AASFAA Fall Workshop</a>	Montgomery, Ala.
Nov. 1–4	<a href="#">NCASFAA Fall Conference</a>	Winston-Salem, N.C.
Nov. 9–10	<a href="#">OASFAA Fall Conference</a>	Columbus, Ohio
Nov. 9–11	<a href="#">Missouri MASFAP Fall Conference</a>	Lake Ozark, Mo.
Dec. 1–4	<a href="#">FSA Training Conference</a>	Las Vegas, Nev.
Dec. 8	<a href="#">KHEAA Board of Directors Meeting</a>	Frankfort, Ky.

- 2016 conferences:

Jan. 28–29	<a href="#">Indiana ISFAA Winter Conference</a>	Indianapolis, Ind.
Jan. 31–Feb. 3	<a href="#">Michigan MSFAA Winter Training</a>	Lansing, Mich.
Feb. 7–10	<a href="#">SASFAA Annual Training Conference</a>	Greensboro, N.C.
Apr. 13–15	<a href="#">KASFAA Spring Conference</a>	Lexington, Ky.

## YOUR OPINION MATTERS

Do you have a subject you would like to see addressed in the KHEAA Advisor? If so, please send it to Eleanor Kley at [ekley@kheaa.com](mailto:ekley@kheaa.com)

