

Aerospace Training Student Loan Program

Julie Japhet

Associate Director of Student Financial Assistance

December 2012

Washington Student Achievement Council

www.wsac.wa.gov

13-1002

Summary

The Aerospace Loan Program was created to provide low-interest loans to students who are registered in an authorized aerospace training or education program, are making satisfactory progress, and have declared an intention to work in Washington's aerospace industry.

Authorized programs include the Washington Aerospace Training and Research (WATR) Center in Everett, the Spokane Aerospace Technology Center, and Renton Technical College.

This annual report describes the design and implementation of the ALP program, and provides the following information pertaining to the first cohort of ALP recipients:

- Number of loan applicants
- Number of loan program participants
- Number of loan program participants who complete an aerospace training or educational program
- Number of loan program participants who have been placed in employment, and the nature of that employment based on several criteria
- Demographic profiles of loan applicants and loan program participants

Findings include:

- Through November 2012, 288 people had completed applications for the loan (113 in 2011-12, 175 in 2012-13).
 - 61 percent of these applicants (n=177) had received a loan (50 in 2011-12, 127 in 2012-13).
- For the first cohort, 94 percent of recipients completed the training program (n=47). In addition, through November 2012, two recipients from the 2012-13 cohort had completed the training program.
- Of the 49 recipients who completed certificates, 96 percent responded to an employment survey (n=47):
 - 51 percent (n=24) found aerospace employment or have pending job offers in the industry. Of these 24 loan recipients:
 - 12 are earning more than \$30,000 and less than \$60,000
 - 12 are earning less than \$30,000
 - None are earning more than \$60,000
- WATR Center reports that for the most recent trainees, the average amount of time spent searching for jobs has increased.

Contents

Introduction	1
Background.....	1
Design and Implementation of ALP.....	2
Aerospace Loan Program Partners and Their Roles.....	2
ALP Student Eligibility.....	2
Eligibility Criteria for ALP Loans	3
Program Funding and Student Disbursements	4
Application Process	4
Repayments	5
Applicant Profiles	6
Employment Status	7
Administrative Challenges.....	8
Program Budget	9
Conclusion	9

Tables

Table 1. WATR Center Performance Measures as of November 2, 2012	1
Table 2. 2011-12 Loan Application Determinations	5
Table 3. 2012-13 Loan Application Determinations	5
Table 4. Profiles of 2011-12 ALP Applicants	6
Table 5. Profiles of 2012-13 ALP applicants through November 15, 2012.....	7
Table 6. Employment Characteristics of 2011-12 ALP Certificate Completers	8

Contacts

Author Contact Information.....	9
---------------------------------	---

Introduction

This report fulfills requirements of RCW 28B.122.060(2), which directs the Washington Student Achievement Council to collaborate with the state’s aerospace training and research programs to provide annual reports to the Legislature on the Aerospace Training Student Loan program (ALP). The loan program was established through legislation passed in 2011.

Background

Washington’s aerospace industry is a major contributor to the state’s economy. More than 700 aerospace related businesses operate in the state, employing more than 96,000 skilled workers (WA Economic Revenue and Forecast Council, 2012). For Washington to maintain its position as a world leader in the aerospace industry, it must meet the growing demand for specialized workers at various skill and education levels.

These needs are being addressed in part through programs such as ALP and its partnership with the WATR Center. The WATR Center has developed a market niche for training specialized aerospace entry-level workers in 12 to 16 week short certificate training programs. It is the only operational training center working with the ALP program.

The WATR Center opened in June 2010. As shown in Table 1, the WATR Center has already graduated more than 1,300 students from aerospace certificate programs.

Table 1. WATR Center Performance Measures as of November 2, 2012

WATR Center training graduates	1,359
Graduates who have applied for work	1,042
Graduates who have interviewed	908
Graduates who have received job offers	788
Graduates who have been hired or have start dates	717

The ALP provides low-interest tuition loans to students who otherwise could not afford the cost of an aerospace training program. ALP loans are in high demand from students, in part because standard financial aid sources are not available to students in short certificate programs (less than two terms).

Design and Implementation of ALP

Aerospace Loan Program Partners and Their Roles

Multiple entities were instrumental in establishing ALP and today play critical roles in its operation:

- **Washington Aerospace Training and Research Center** - Coordinates aerospace short certificate training programs throughout the state. It currently provides training offered at Edmonds and Renton Community Colleges. There are plans to expand to Spokane.
- **Edmonds Community College Business Training Center** - Has administrative oversight of the WATR Center. Assists in registering ALP recipients into the WATR Center training certificate programs.
- **Washington Student Achievement Council** - Serves as ALP program administrator. Screens and selects applicants, collects and manages repayments, defines loan amounts and repayment terms, and sets the loan interest rate and annual loan limit.
- **Aerospace Future's Alliance (AFA)** - Comprised of aerospace industry members. Represents the concerns and issues of its members and provides industry advice.
- **Aerospace Employers** - Include Boeing and other aerospace suppliers. Act as consultants, particularly in regard to hiring practices and the design of loan recipients' eligibility requirements.

ALP Student Eligibility

The Aerospace Student Loan Program was established to help financially eligible students pay for the tuition and fees charged for short certificate aerospace training programs. If a student has access to other financial assistance that covers these educational expenses, they are not eligible for ALP.

State law directed the Higher Education Coordinating Board (HECB), succeeded by the Washington Student Achievement Council, to develop eligibility criteria for receiving ALP loans. The HECB established criteria with input from aerospace employers, banks and other lending entities.

To protect the state's fiduciary interests, available funds are prioritized to the lowest risk applicants (average-to-high credit scores or no credit) and applicants who do not have criminal backgrounds that would prevent them from being hired in the industry.

Eligibility Criteria for ALP Loans

An applicant must:

- Be a United States citizen or an eligible non-citizen.*
- Be 18 years of age or older.
- Be a high school graduate or have a GED.
- Have at least an eighth grade level of reading and math skills.
- Demonstrate financial need.
- Not be receiving student financial aid or veteran's benefits.
- Not be receiving full funding for Dislocated Worker Services or Workforce Investment Act benefits to pay for the certification course.
- Declare intent to work in the state of Washington in the aerospace industry.
- Have no criminal or felony convictions (include theft, robbery, or shoplifting).
- Not be delinquent on any state or federal debt.
- Complete the prescreening application process for the Aerospace Training and Research Program with the WATR Center.
- Meet satisfactory academic progress program requirements to receive second loan installment.
- Submit a cosigner application if:
 - Credit history falls below 640
 - Current lien(s)
 - Filed for bankruptcy within last seven years
 - Delinquent on any state or federal debt
 - Not current on child support payments

*Non-citizen eligibility:

- U.S. nationals (includes natives of American Samoa or Swain's Island) are eligible.
- U.S. permanent residents who have an I-151, I-551, or I-551C (Permanent Resident Card) are eligible.
- Persons having only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464) are not eligible.
- Persons in the United States on certain visas, including an F1 or F2 student visa, or a J1 or J2 exchange visitor visa are not eligible.
- Persons with G series visas (pertaining to international organizations) are not eligible.

Program Funding and Student Disbursements

In fiscal year 2011-12, the first year of ALP, the program received \$250,000 in state General Fund money. This amount funded 50 students with \$4,800 per recipient. The first cohort of loan recipients began aerospace job training in January 2012.

For fiscal year 2012-13, the ALP program received a \$1,250,000 appropriation. Through November 2012, \$587,400 of the funding had been committed to 127 of an anticipated 250 loan recipients. Sufficient applicant demand is expected to utilize the full amount of the 2012-13 fiscal-year appropriation.

Student loan amounts are limited to the recipients' actual cost of tuition. Each training module is \$2,400 and students can borrow enough to cover three modules. The average student completes two modules, although a third Quality Assurance Certificate option recently was added that was not available to the first cohort.

The Student Achievement Council disburses loan funds to Edmonds Community College to cover tuition payments, rather than directly to the students. A student must successfully complete a training module before tuition is paid for the next module.

Application Process

ALP application materials are available on the Washington Student Achievement Council website, www.wsac.wa.gov/PayingForCollege/StateAid/Aerospace. Completed applications are mailed or faxed to the Council. Loans are made on a first-come, first-served basis to eligible applicants who submit completed applications.

Credit reports and criminal background checks are run on all ALP applicants in order to determine eligibility. Applicants who have derogatory credit must obtain a cosigner to continue to pursue acquisition of the loan. Applicants who have a criminal record that would prevent them from being hired by an aerospace employer are denied the loan.

"Thank you for the Washington Aerospace program loan that I've received. Your support kept me from worrying so much about the cost of tuition as a student. I truly value my education here at Washington Aerospace Training & Research Center, and this loan afforded me the opportunity to study a new program.

— Truc Nguyen, Lynnwood

Once a loan applicant is approved, the monies needed to complete their certificate education plan are set aside for their use in the next available training session. When the entire legislative allotment has been fully committed, the application cycle is closed.

Tables 2 and 3 show the number of students who submitted completed ALP applications during the 2011-12 academic year, and during the first portion of the 2012-13 academic year. The tables also show what decisions were made concerning the applications.

Table 2. 2011-12 Loan Application Decisions

Applicants awarded*	No award – funds exhausted	Ineligible applicants	Applications withdrawn	Total Applicants**
50	30	13	20	113
44%	27%	11%	18%	100%

*47 of the 50 awarded applicants (94%) completed their aerospace certificate program

**33 applicants submitted incomplete applications that are not included in this total

Table 3. 2012-13 Loan Application Decisions
(through November 15, 2012)

Applicants awarded	No award- funds exhausted	Ineligible applicants	Applications withdrawn	Total Applicants**
127	0	29	19	175
73%	0%	17%	10%	100%

*2 applicants had already completed their aerospace certificate program through November 2012.

**67 applicants submitted incomplete applications that are not included in this total

Repayments

ALP repayments from students are billed via a contracted billing agency. Recipients are given a six-month grace period to look for work before beginning their loan repayments. Loans must be fully repaid within three years.

The interest rate is fixed at the Federal Stafford Direct Loan program interest rate at the time the recipient’s promissory note is signed. That interest rate currently is 6.8 percent for unsubsidized loans.

By November 2012, two recipients among the first cohort of recipients had already repaid their entire loan amounts. As loans are repaid, funds will be issued to new applicants in future years. No new loans utilizing repaid funds are anticipated until 2013.

Defaulted loans will be referred to one of three contracted collection agencies. There have been no defaults to date.

Applicant Profiles

Table 4 provides demographic information for the 146 students who submitted ALP applications in 2011-12.

- The statistics show that the majority of applicants were younger than age 36 and were predominantly male.
- Among those whose employment status could be determined at the time of application, slightly more of the applicants were unemployed than were employed.
- Applicants also were less likely to have dependents than no dependents, in those cases where dependent status could be determined.

Table 4. Profiles of 2011-12 ALP Applicants

Age Categories		Dependent Status	
18 - 25	36%	Applicants with Dependents	16%
26 - 35	23%	Applicants with no Dependents	39%
36 - 45	22%	Unknown	45%
46 and over	19%		
Gender		Employment Status at Time of Application	
Male	85%	Employed	29%
Female	15%	Unemployed	33%
		Unknown	38%

Table 5 shows similar trends for the 242 students who submitted ALP applications through November 15, 2012, during the 2012-13 award cycle.

Table 5. Profiles of 2012-13 ALP applicants through November 15, 2012

Age Categories		Dependent Status	
18 - 25	49%	Applicants with Dependents	24%
26 - 35	32%	Applicants with no Dependents	76%
36 - 45	11%		
46 and over	8%		
Gender		Employment Status at Time of Application	
Male	83%	Employed	48%
Female	17%	Unemployed	52%

Employment Status

An employment survey of known ALP program certificate completers to date (n=49) was conducted in November 2012, via email and phone. Of the 47 who responded to the survey (96 percent), approximately half (n=24) had secured jobs in aerospace, while the remainder were either unemployed or employed in a non-aerospace field.

The employment status of certificate completers in previous cohorts who continue to seek employment will be updated in future annual reports.

Two-thirds (n=16) of the respondents who had located work in the aerospace industry at the time of the survey had their employment status improve after completing the certificate. These recipients had either been unemployed (n=9) or partially employed (n=7) at the time of application.

Table 6 shows the type of work performed, employment status, and wage ranges for the 24 completers employed in aerospace. Note that the earliest certificate completers finished the WATR Center program in March 2012.

Table 6. Employment Characteristics of Surveyed ALP Certificate Completers Working in Aerospace (n=24)

Aerospace Job Categories	
Mechanical	12 (50%)
Electrical	3 (13%)
Other	9 (37%)

Wages		Employment Status	
Less than \$30,000	12 (50%)	Full time	24 (100%)
Greater than \$30,000, less than \$60,000	12 (50%)	Part time	0 (0%)
Greater than \$60,000	0 (0%)	Temporary	0 (0%)

Administrative Challenges

ALP is Washington’s first funded traditional student loan program for postsecondary education. Because federal lending laws apply, special training efforts were needed to ensure that administrative staff became familiar with Truth in Lending Act (TILA) regulations.

Establishing an appropriate level of promotion for the ALP program was another challenge. Potential training students need to be made aware of the program. However, it also is important not to over-promote the program in a way that would deplete loan funds and create false expectations. The current promotion level is well paced as the applications and dollar expenditures are on track to be fully spent by the end of the fiscal year

Program Budget

The ALP program is expected to be self-sustaining in three years. That also is the length of time ALP recipients have to fully repay their loans. During the interim, the amount of the repaid loan money will be insufficient to award new loans at the current rate.

To continue to serve students at the current rate, another state appropriation likely will be needed for the 2013-14 academic year.

Conclusion

Washington developed the Aerospace Student Loan Program (ALP) to provide tuition assistance for financially eligible students enrolled in the state's aerospace training programs. ALP addresses a growing need for skilled workers in this key state industry.

The program was launched during fiscal year 2011-12, with a \$250,000 appropriation from the state General Fund. The program is operating with a \$1,250,000 appropriation in 2012-13.

The first year's appropriation provided 50 recipients with loans totaling \$4,800 per recipient. Forty-seven of the initial recipients completed aerospace training and became eligible for employment in an aerospace field. Of those, about half became employed in aerospace, and the others either continue to seek employment or were working in non-aerospace fields.

ALP is expected to become self-sustaining in three years, after initial loans are repaid. The program will need a new appropriation in 2012-13 for additional loans to be awarded in the near term.

Author Contact Information

Julie Japhet
Associate Director of Student Financial Assistance
juliej@wsac.wa.gov, 360.753.7840

Rachelle Sharpe
Director of Student Financial Assistance
rachelles@wsac.wa.gov, 360.753.7872