

# **Aerospace Training Student Loan Program**

*Report to the Legislature*

**December 2013**

## **SUMMARY**

The Aerospace Loan Program (ALP) provides low-interest loans to students who are enrolled 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 and Renton Technical College.

This annual report describes the design and implementation of the ALP program. The report also includes the following information pertaining to ALP recipients from fiscal year 2011 to the present:

- 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:

- 521 people submitted applications for the loan.
- Of the 251 people who received the loan, 80 percent (n=202) are currently in repayment.
- Of 109 respondents to the employment survey, 78 percent are employed (n=85), but only 39 percent of those employed are working in the aerospace industry.
- The program had over \$420,000 in surplus funding in fiscal year 2013 and is projected to have surplus funding in fiscal year 2014 if demand does not increase.

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## **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 (Washington 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 entry-level aerospace 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 2,000 students from aerospace certificate programs.

**Table 1**  
**WATR Center Performance Measures as of November 19, 2013**

WATR Center training graduates	2,056
Graduates who have applied for work	1,450
Graduates who have interviewed	1,310
Graduates who have received job offers	1,188
Graduates who have been hired or have start dates	1,127

ALP provides low-interest tuition loans to students who otherwise could not afford the cost of an aerospace training program. ALP loans are providing students with the opportunity to attain training in a high-demand industry in less than two quarters.

# 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.
- **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 loan applicants, collects and manages repayments, defines loan amounts and repayment terms, and sets the loan interest rate and annual loan limit.
- **Aerospace Futures Alliance (AFA):** Comprised of aerospace industry members. Represents the concerns and issues of its members and provides industry advice.
- **Aerospace employers:** Includes Boeing and other aerospace suppliers. Act as consultants, particularly in regard to hiring practices and the design of loan recipient 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.

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 8th 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 (including 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.

## STUDENT DISBURSEMENTS AND PROGRAM FUNDING

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

Student loan amounts are limited to a recipient's 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.

In fiscal year 2011-12, the first year of ALP, the program received \$250,000 in General Fund-State (GF-S) dollars. 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 \$1,250,000 in GF-S. The program funded 185 students for a total expenditure of \$823,000.

For the current fiscal year, 2013-14, the program received an additional \$1,250,000 in GF-S. The program has funded 16 loans expending approximately \$57,600 as of November 15, 2013.

## APPLICATION PROCESS

ALP application materials are available on the Washington Student Achievement Council website at <http://www.wsac.wa.gov/PayingForCollege/StateAid/Aerospace>. Completed applications are mailed 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 pursuing the loan. Applicants who have a criminal record that would prevent them from being hired by an aerospace employer are denied the loan.

*"I strongly suggest enrolling in the program for someone who is interested in a career in aerospace but without any manufacturing or aerospace experience."*

*— Solomon Bate, Edmonds – Snohomish County*

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, 3, and 4 show the number of students who submitted completed ALP applications during the 2011-12 and 2012-13 academic years, and during the first portion of the 2013-14 academic years, and the status of those applications. Of all applications, 48 percent have received a loan (n=251) to date.

**Table 2**  
**2011-12 Loan Application Determinations**

Applicants Awarded*	Funds Exhausted	Ineligible Applicants	Applications Withdrawn	Total Applicants**
50	30	13	20	113
44%	27%	11%	18%	100%

**Table 3**  
**2012-13 Loan Application Determinations**

Applicants Awarded*	Funds Exhausted	Ineligible Applicants	Applications Withdrawn	Total Applicants**
185	n/a	146	41	372
50%	n/a	39%	11%	100%

**Table 4**  
**2013-14 Loan Application Determinations**  
*(as of November 15, 2013)*

Applicants Awarded*	Funds Exhausted	Ineligible Applicants	Applications Withdrawn	Total Applicants**
16	n/a	9	1	36
44%	n/a	25%	28%	100%

## **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.

Defaulted loans are referred to one of three contracted collection agencies. Ten students have defaulted on their loans and are in collections. As loans are repaid, funds will be issued to new applicants in future years.

To date, 187 ALP participants are repaying their loans, and 15 students have paid their loans in full. The program has received approximately \$178,253 of loan repayment funds.

**Table 5. Fiscal Year 2011-2012**

Total Number of Accounts Placed in Repayment	Total Amount Paid on Principle	Total Amount Paid on Interest
41	\$73,890.46	\$7,610.97

**Table 6. Fiscal Year 2012-2013**  
(as of November 15, 2013)

Total Number of Accounts Placed in Repayment	Total Amount Paid on Principle	Total Amount Paid on Interest
146	\$89,728.21	\$7,023.39

Note: The charts represent individuals in repayment only and do not include individuals who are in grace period, deferment, or still in school.

## APPLICANT PROFILES

Table 7 provides demographic information for the students who submitted ALP applications from 2011-12 through 2013-14. For 2011-12, demographic data is provided only for the 50 applicants who were awarded.

- The majority of applicants were younger than age 36 and were predominantly Caucasian males located in King and Snohomish Counties.
- Among those whose employment status could be determined at the time of application, 36 to 45 percent were unemployed.
- Applicants were less likely to have dependents.

**Table 7**  
**Demographic Profiles of ALP Recipients**

Number of Applicants	2011-12*	2012-13	2013-14
	113	372	36
<b>Age</b>			
18 -25	42%	45%	53%
26 -35	20%	31%	14%
36 -45	24%	15%	19%
46 and over	14%	9%	14%
<b>Gender</b>			
Male	84%	83%	91%
Female	16%	17%	9%
<b>Dependent Status</b>			
Dependents	n/a	27%	19%
Without Dependents	n/a	73%	81%
Average Number of Dependents Reported	n/a	1.9	1.7

Ethnicity	2011-12*	2012-13	2013-14
African-American	16%	9%	14%
Alaska-Native	0	1%	0
Asian-Pacific Islander	8%	6%	11%
Chinese	0	1%	0
Filipino	10%	4%	3%
Korean	4%	4%	0
Vietnamese	2%	6%	8%
Other	2%	5%	8%
Caucasian	48%	42%	42%
No response	10%	22%	14%
<b>Employment Status at Time of Application</b>			
Working - full time	18%	31%	36%
Working - part time	2%	20%	17%
Working – But known status	0	2%	0
Not working	2%	45%	36%
No Response	78%	2%	11%
Disability	0	*0%	
<b>Geographic Location</b>			
Franklin	0	0	0
Grays Harbor	0	0	0
Island	4%	1%	0
King	40%	45%	44%
Kitsap	2%	1%	0
Pierce	0	7%	0
Skagit	0	1%	0
Snohomish	54%	43%	53%
Thurston	0	1%	0
Whatcom	0	1%	3%

\*2011-12 profile data reflects only 50 awarded applicants.

## EMPLOYMENT STATUS AFTER CERTIFICATION

The Council conducted an employment survey of known ALP program certificate completers in November 2013. The survey was sent to 202 loan recipients and 54 percent responded to the survey. Of the respondents, 78 percent were employed. Of those who were employed, thirty percent had secured employment in the aerospace field.

Table 8 shows the type of work performed, employment status, and wage ranges for the 33 completers employed in aerospace. The earliest certificate completers finished the WATR Center program in March 2012.

**Table 8**  
**Employment Characteristics of Surveyed ALP Certificate Completers**  
**Working in Aerospace**

Aerospace Job Categories		
Assembly Mechanic	19	58%
Electrical	3	9%
Tooling	2	6%
Quality Assurance	3	9%
Other Aerospace	4	12%
No Response	2	6%
Wages		
Less than \$30,000	25	76%
Greater than \$30,000, less than \$60,000	8	24%
Greater than \$60,000	0	0%
Employment Status		
Full Time	27	82%
Part Time	0	0%
Did not indicate	6	18%

## **PROGRAM BUDGET**

In FY 2011-12, the ALP program expended nearly all funds, totaling \$240,000. In 2012-13, the ALP program expended \$823,000 of the appropriated \$1,250,000, leaving a balance of \$437,000 to serve students in 2013-14.

For FY 2013-14, as of November 15, 2013, the program has expended approximately \$57,600 of the appropriated of \$1,250,000. In addition, the program has received over \$178,000 in repayment funds.

ALP recipients have three years to repay their loans and the program had been expected to be self-sustaining by 2014-15. The program has sufficient funding to issue loans in the 2014-15 fiscal year.

## **CONCLUSION**

Washington developed the Aerospace 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.

Of the 251 recipients, 187 are in repayment. There appears to be a delay in the length of time recipients are able to obtain aerospace-related employment. The program is nearly self-sustaining with renewable funds.

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