

Aerospace Training Student Loan Program: 2017 Annual Report

December 2017

BACKGROUND

This report is submitted pursuant to the requirements of RCW 28B.122.060, which directs the Washington Student Achievement Council (WSAC) to collaborate with the state's aerospace training and educational programs to provide annual reports to the Governor and Legislature on the Aerospace Training Student Loan program.

DESIGN AND IMPLEMENTATION

The Aerospace Loan Program (ALP) provides low-interest loans to Washington students enrolled in an eligible training program. Currently, there is only one participating program: the Washington Aerospace Training and Research (WATR) Center program located at Edmonds Community College.

To earn the WATR Center Aerospace Certification, students must complete a four-week online segment, followed by an eight- to twelve-week on-site classroom segment specializing in one of four areas: assembly mechanic, composites, electrical, or tooling. Upon completing the Aerospace Certification program, students have the option of enrolling in a third segment to earn a Quality Assurance Certification.

Students typically request and receive up to \$5,100 to complete their Aerospace Certification, which includes up to \$2,400 for the online segment and up to \$2,700 for the on-site segment. In addition, students may request and receive up to \$2,700 for the Quality Assurance Certification, bringing the maximum loan amount to \$7,800. Payments for each subsequent segment are issued only upon successful completion of the preceding segment and verification of satisfactory academic progress. The loan amount may be reduced if the student has other financial resources that lower the cost of attendance, such as veteran's benefits, employer assistance, or scholarships.

The student/borrower has six months from the certification program completion date to begin repaying the loan. Students who withdraw from the program must begin making payments immediately. Payments are to be made monthly. The student/borrower has up to four years to repay the loan.

Aerospace Loan Program Partners

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

- **Washington Student Achievement Council (WSAC):**
 - Serves as ALP program administrator.
 - Screens and selects applicants for the loan, collects and manages repayments, defines loan amounts and repayment terms, and sets the loan interest rate and annual loan limit.

- **Washington Aerospace Training and Research (WATR) Center:**
 - Coordinates aerospace short certificate training programs.
 - Provides training at Edmonds Community College.

- **Edmonds Community College Business Training Center:**
 - Has administrative oversight of the WATR Center.
 - Assists in registering ALP recipients into WATR Center training certificate programs.
 - Receives and processes ALP payments for training modules.
- **Aerospace Futures Alliance (AFA):**
 - Is composed 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 recipient eligibility requirements.
- **Everett Community College:**
 - Was authorized in the 2015 Legislative Session to participate as a site, but has not done so.
- **Renton Technical College:**
 - Enrolled ALP participants at their campus in 2016, but currently does not offer any programs that qualify for ALP.

APPLICATION PROCESS

Students who wish to participate in ALP may access the application materials online at www.readyssetgrad.org/ALP. The application process consists of completing a program application and promissory note and mailing the completed materials to WSAC. An internal committee reviews the application and runs a credit report to verify eligibility. Applicants who have derogatory credit must secure a cosigner to continue pursuing the loan. There is no application deadline; rather, WSAC staff reviews applications on a rolling basis throughout the year. WSAC awards loans on a first-come, first-served basis to eligible applicants who submit completed applications.

Table 1 shows the application and award history over the six years of program operation, from 2011-12 through 2016-17. In total, ALP has received 838 completed applications, of which 482 (or 58 percent) have been awarded a loan. The program received the largest number of applications in 2012-13, at 334. In 2016-17, the program experienced a sharp drop in the number of applications, receiving only 38. Numbers remain low, with only ten applications submitted in the first five months of the 2017-18 application cycle.

Table 1: ALP Application and Award History

Academic Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Complete applications received (#)	113	334	92	167	94	38	838
Applicants funded* (#)	50	185	61	107	60	19	482
Applicants funded* (%)	44%	55%	66%	64%	64%	50%	58%

*Reasons applicants were not funded include depletion of available funds (2011-12 only), declined awards or failure to enroll, failure to obtain a requisite cosigner, and other.

Eligibility Criteria for ALP Loans

In order to protect the state's fiduciary interests, funds are awarded to applicants who meet credit criteria (average-to-high credit scores or no credit history). Those with credit issues are required to submit a cosigner application.

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.
- Declare intent to work in the state of Washington in the aerospace industry.
- Meet satisfactory academic progress program requirements to receive additional loan installments.
- Submit a cosigner application if applicant:
 - Has a credit history that falls below 600.
 - Has any open collection accounts.
 - Has a current lien(s).
 - Has filed for bankruptcy within the last seven years.
 - Is delinquent on any state or federal debt.

*Acceptable non-citizen statuses for eligibility may include:

- Deferred Action for Childhood Arrivals (DACA)
- Permanent Resident (Alien Registration Receipt Card)
- Conditional Permanent Resident (I-551C)
- Arrival-Departure Record (I-94)
- Victim of Human Trafficking
- Designation as:
 - Refugee, Asylum Granted, Indefinite Parole, Humanitarian Parole, Cuban-Haitian Entrant
 - Citizen of Republic of Palau, Citizen of Republic of the Marshall Islands, Citizen of Micronesia

DEMOGRAPHIC PROFILES

Table 2 provides demographic information for the students who submitted complete ALP applications from 2011-12 through 2016-17. The majority of applicants were male and between the ages of 18 and 35. The racial group with the largest representation was Caucasian, followed by Asian-Pacific Islander.

Table 2: Demographic Profiles of ALP Applicants

Academic Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Complete Applications	50*	334	92	167	94	38
Age at time of application						
18–25	48%	51%	55%	46%	49%	53%
26–35	16%	28%	20%	32%	29%	29%
36–45	30%	13%	16%	16%	18%	11%
46 and over	6%	8%	9%	7%	3%	8%
No Response	0%	0%	0%	0%	1%	0%
Gender						
Male	86%	83%	90%	72%	74%	74%
Female	14%	17%	10%	27%	24%	13%
No Response	0%	0%	0%	1%	1%	13%
Race						
African American	16%	7%	9%	10%	7%	13%
Alaska Native	2%	1%	0%	1%	0%	0%
Asian-Pacific Islander	24%	23%	22%	32%	33%	24%
Caucasian	48%	40%	46%	41%	44%	24%
Other	2%	6%	10%	9%	12%	16%
No Response	8%	22%	14%	8%	4%	24%

*In 2011-12, demographic data was not available for all 113 applicants, but only for the 50 awardees.

PROGRAM COMPLETION & LOAN REPAYMENT

According to data provided by the WATR Center, about 96 percent of all ALP participants (2011-12 through 2016-17) completed the Aerospace Certification program.

ALP recipients are expected to begin making monthly payments on their loan within six months of their program completion date, or immediately if they withdraw prior to completion. If a recipient is over 90 days behind on making a payment, their account is considered to be in default status and is sent to collections.

Current account status for the 482 students who have received ALP loans since 2011-12 is as follows: 53 percent have paid off the loan in full, 45 percent are in repayment (good standing and default statuses), and two percent are in the grace period, yet to begin making payments.

Table 3: Current Account Status

Academic Year	2011-12 (N=50)	2012-13 (N=185)	2013-14 (N=61)	2014-15 (N=107)	2015-16 (N=60)	2016-17 (N=19)	Total (N=482)
In repayment	34%	22%	30%	70%	95%	42%	45%
Good standing	2%	1%	16%	52%	55%	42%	--
Defaulted (in collections)	32%	21%	13%	18%	40%	N/A*	--
In 6-month grace period	0%	0%	0%	0%	0%	58%	2%
Paid in full	66%	78%	70%	30%	5%	0%	53%

*Default rates are not applicable for 2016-17 recipients because not enough time has passed for them to be in default status.

It should be noted that the ALP program has a high default rate, with over one-quarter of all recipients going into collections at some point during their repayment period. About one-third of the inaugural cohort of 2011-12 have yet to pay off their ALP loans and are currently in collections.

Table 4: Default Rates

Academic Year	2011-12 (N=50)	2012-13 (N=185)	2013-14 (N=61)	2014-15 (N=107)	2015-16 (N=60)	Total (N=463)
Current default	32%	21%	13%	18%	40%	23%
Prior default	2%	8%	7%	1%	0%	4%
Ever defaulted	34%	28%	20%	19%	40%	27%

EMPLOYMENT STATUS AFTER CERTIFICATION

WSAC conducted an employment survey of ALP recipients in November and December of 2017. The survey was sent to 19 borrowers who received loans between 2016 and 2017 and who had left their program either through completion or withdrawal. This represents all participants not previously surveyed who were either in their grace period or in repayment. Eighteen of the nineteen recipients (95 percent) responded to the survey. As shown in Table 5, most of the respondents (89 percent) indicated that they were employed.

Table 5: Employment Status of Surveyed ALP Borrowers (n = 18)

Employment Status	Number	Percent
Employed	16	89%
Unemployed	2	11%

Table 6 shows employment characteristics for the 16 respondents who reported being employed. The majority (69 percent) had found new jobs since completing the aerospace certification, while the other 31 percent had the same job as before. Most (81 percent) reported working full-time, and 44 percent had secured employment in the aerospace industry. When asked what type of aerospace work (could select multiple types), the most common response was electrical assembly mechanic (n=4), followed by manufacturing assembly mechanics (n=3) and composites (n=1). Respondents estimated their gross annual incomes to be in the range of \$30,000–\$60,000 (56 percent) or less than \$30,000 (44 percent).

Table 6: Employment Characteristics for Employed Survey Respondents (n = 16)

New or same job	Number	Percent
Have new job since completing the certification	11	69%
Have same job as before	5	31%
Full- or part-time		
Full-time	13	81%
Part-time	3	19%
In aerospace industry		
Yes	7	44%
No	9	56%
Estimated gross annual income		
Less than \$30,000	7	44%
Greater than \$30,000, less than \$60,000	9	56%
Greater than \$60,000	0	0%

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