

Aerospace Training Student Loan Program

Report to the Legislature

December 2014

EXECUTIVE 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 Renton Technical College and the Washington Aerospace Training and Research (WATR) Center in Everett.

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, when the program was established, to the present:

- Number of completed loan applications.
- Number of loan program participants.
- Number of loan program participants who received an award for the aerospace training or educational program.
- Number of loan program participants who are employed, and the nature of that employment based on several criteria.
- Demographic profiles of loan applicants and loan program participants.

Findings include:

- 519 people have submitted completed applications for the loan as of October 15, 2014.
- 326 applicants received the loan.
- Of the borrowers, 67% (n = 220) are currently in repayment.
- 220 participants were contacted for the annual employment survey.
 - Of the 108 respondents to the survey, 85 percent are employed (n = 92), and 48 percent of those employed are working in the aerospace industry (n = 52).
- Although future demand for the loan program could increase, returning to the annual appropriation of \$250,000 per fiscal year, combined with projected repayments, will allow the program to serve students in the 2015 biennium.

This report fulfills requirements of RCW 28B.122.060(2), which directs the Washington Student Achievement Council (WSAC) 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).

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AEROSPACE INDUSTRY NEEDS

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 93,000 skilled workers. The industry is prone to some volatility. For example, in July and August 2014, there was an increase of 900 jobs in the aerospace industry, due in large part to temporary summer internships. This was followed by a loss of 1,200 jobs in September and October.¹

A gradual decline in aerospace employment is anticipated over the next few years. However, this downturn is expected to be relatively mild due to a large and increasing backlog of orders. Jobs reductions in recent years have primarily been the result of improvements in productivity and restructuring of manufacturing facilities. Significant cuts in production are not anticipated at this time.

Thus, the employment outlook in the state’s aerospace industry appears relatively robust. For Washington to maintain its position as a world leader in the aerospace industry, it must meet a persistent demand for specialized workers at various skill and education levels.

These needs are being addressed in part through programs such as the Aerospace Loan Program (ALP) through its partnership with the Washington Aerospace Training and Research (WATR) Center. The WATR Center provides training for specialized entry-level aerospace workers in 12-week short certificate programs. It is the only operational training center working with the ALP program. The WATR Center opened in June 2010 and, as shown in Table 1, has already graduated more than 2,500 students from aerospace certificate programs.

Table 1
WATR Center Performance Measures

Measurements	Number
Total WATR Center training graduates	2,502
Graduates who have applied for work	1,689
Graduates who have interviewed	1,568
Graduates who have received job offers	1,447
Graduates who are working	1,400
Graduates working at Boeing	838

WATR Center data as of 12/31/14

Table 2
WATR Center Graduates by Year

Year	Number of Graduates
2010	98
2011	554
2012	958
2013	586
2014	302

WATR Center data as of 12/31/14.

¹ Washington Economic Revenue and Forecast Council, 2014.

DESIGN AND IMPLEMENTATION OF ALP

ALP provides low-interest loans to students for tuition. ALP loans provide students with the opportunity to attain training in a high-demand industry in less than two quarters.

Aerospace Loan Program Partners

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

- **Washington Aerospace Training and Research (WATR) Center:** Coordinates aerospace short certificate training programs. Currently provides training at Edmonds Community College and Renton Technical College.
- **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. All payments for the training modules are sent to the Business Training Center.
- **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.
- **Aerospace Futures Alliance (AFA):** Composed of aerospace industry members. Represents the concerns and issues of its members and provides industry advice as it relates to the design of loan recipient eligibility requirements.
- **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

ALP was established to help financially eligible students pay for the tuition and fees charged for short certificate aerospace training programs.

In an effort to increase applications to the program, in March 2014, WSAC program staff coordinated with the ALP Advisory Committee to review the application process. The following recommendations were made:

- Lower credit score.
- Lessen language and restrictions around criminal history.
- Lessen language about credit history and simply state that a credit check will be run and a cosigner may potentially be needed.
- Remove the financial need criteria and apply only if limited funding becomes an issue.

To protect the state's fiduciary interests, available funds are prioritized to the lowest-risk applicants (average-to-high credit scores or no credit). Those with credit issues are required to submit a cosigner.

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.
- Declare intent to work in the state of Washington in the aerospace industry.
- Have no felony convictions.
- 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 last seven years.
 - Is delinquent on any state or federal debt.
 - Is 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.

APPLICATION PROCESS

ALP application materials are available at the www.readysetgrad.org/ALP website. Completed applications are mailed to the Council. Loans are made on a first-come, first-served basis to eligible applicants who submit completed applications.

Students with other financial aid resources, such as Veterans Benefits or employer assistance, are not eligible for ALP. 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 felony are not eligible for the loan.

Tables 3 shows application history for ALP. For 2014-15, of all completed applications submitted (n = 519) to date, 63 percent have received a loan (n=326).

Table 3
ALP Application History

Academic Year	Applicants Awarded*	Applicants not Funded	Total Applications
2011-12	50	63	113
	44%	56%	
2012-13	185	140	325
	57%	43%	
2013-14	63	25	88
	72%	28%	
2014-15 as of 10/15/14	28	29	57
	49%	51%	

*Reasons applicants were not funded include: depletion of available funds (2011-12 only); withdrawn applications; lack of cosigner; other funding sources; criminal history; not enrolled; other.

APPLICANT PROFILES

Table 4 provides demographic information for the students who submitted ALP applications from 2011-12 through 2014-15.

- 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, 32 to 43 percent were unemployed.
- Applicants were less likely to have dependents.

Table 4
Demographic Profiles of ALP Applicants*

Number of Applicants	2011-12	2012-13	2013-14	2014-15
Total Applications	50	325	88	57
Age				
18–25	48%	41%	55%	47%
26–35	18%	35%	22%	33%
36–45	28%	16%	17%	12%
46 and over	6%	8%	7%	7%
Gender				
Male	86%	84%	91%	72%
Female	14%	16%	9%	28%
Dependent Status				
With Dependents	n/a	29%	17%	25%
Without Dependents	n/a	71%	83%	75%
Average # of Dependents Reported	n/a	1.8	1.7	1.6
Ethnicity				
African-American	16%	7%	8%	5%
Alaska-Native	2%	1%	0%	4%
Asian-Pacific Islander	8%	8%	6%	14%
Chinese	0%	1%	1%	2%
Filipino	10%	4%	2%	7%
Korean	4%	4%	6%	4%
Vietnamese	2%	6%	6%	2%
Other	2%	6%	10%	9%
White Caucasian	48%	40%	47%	54%
No Response	8%	23%	15%	0%
Employment Status at Time of Application				
Working - full time	18%	33%	33%	39%
Working - part time	2%	23%	34%	19%
Not working	0%	43%	32%	37%
No Response	80%	0%	1%	5%
Disability	0%	1%	0%	0%
Geographic Location				
Franklin	0%	<1%	0%	4%
Grays Harbor	0%	0%	0%	0%
Island	4%	2%	0%	0%
King	32%	40%	41%	35%
Kitsap	2%	1%	0%	0%
Pierce	4%	8%	7%	12%
Skagit	0%	1%	0%	0%
Snohomish	58%	46%	50%	47%
Thurston	0%	<1%	0%	0%
Whatcom	0%	1%	1%	0%
Other		1%	1%	2%

* 2011-12 information is for 50 awarded students only. 2014-15 data is as of 10/15/14.

STUDENT DISBURSEMENTS

The Washington Student Achievement Council disburses loan funds to Edmonds Community College to cover tuition payments. 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. 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, with the option of adding a Quality Assurance Certificate.

REPAYMENTS

ALP repayments from students are billed using 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.

WATR Center provides job search assistance and job coaching for all students attending WATR classes. A retention specialist is assigned to support students in developing a resume, accessing online application systems, and conducting mock interviews. Students are not required to take advantage of the retention specialist's assistance; however, loan recipients who request an additional payment deferral beyond the first six months are required to work with a retention specialist to ensure they have resources to do an effective job search.

The interest rate is set using the Federal Stafford Direct Loan program interest rate at the time the recipient's promissory note is signed. The federal interest rate is currently 4.66 percent for unsubsidized loans; this is the rate used for ALP in 2014-15.

As of November 2014, 220 ALP participants are repaying their loans and 41 students have paid their loans in full, as shown in Table 5. As loans are repaid, funds will be issued to new applicants in future years. The program has received approximately \$569,472 in loan repayment funds.

Defaulted loans are referred to a contracted collection agency. Nineteen percent (n = 42) of the students in repayment status have defaulted on their loans and are in collection status as of November 2014.

Table 5
Repayment Account Status

Academic Year	Total Accounts Currently in Repayment	Total Accounts Paid in Full	Total Accounts in Collection Status	Total Amount of Principal Paid	Total Amount of Interest Paid	Total Amount Paid in Repayment
2011–12	35	15	11	\$139,355	\$12,780	\$152,135
2012–13	161	26	31	\$132,760	\$277,968	\$410,728
2013–14	24	0	0	\$6,170	\$439	\$6,609
Total	220	41	42	\$278,285	\$291,187	\$569,472

Note: The chart represents individuals in repayment only and does not include individuals who are in grace period, in deferment, or still in school. No 2014-15 participants have been placed into repayment yet.

EMPLOYMENT STATUS AFTER CERTIFICATION

The Council conducted an employment survey of ALP program certificate recipients in October 2014. The survey was sent to 220 borrowers who received loans between 2012 and 2014 (who were in repayment or who had been in their grace period for a minimum of three months). Forty-nine percent (n=108) responded to the survey. Of the respondents, 85 percent (n = 92) were employed. Of those who were employed, 48 percent (n = 52) had secured employment in the aerospace field.

Table 6 shows the type of work performed, employment status, and wage ranges for the 52 loan recipients employed in aerospace. For borrowers unable to obtain employment, the key challenges were noted—including the lack of job experience and lack of job openings—as shown in Table 7.

Table 6
Employment Characteristics of Surveyed ALP Borrowers
Working in Aerospace as of October 2014

Aerospace Job Categories		
Assembly Mechanic	28	54%
Electrical	7	13%
Tooling	4	8%
Quality Assurance	3	6%
Other Aerospace	10	19%
Wages		
Less than \$30,000	21	40%
Greater than \$30,000, less than \$60,000	29	56%
Greater than \$60,000	2	4%
Employment Status		
Full Time	52	100%
Part Time	0	0%
Employers		
Boeing	32	62%
Other (13 other aerospace employers)	20	38%

Table 7
Examples of Employment Barriers from Survey Responses

Employment Barriers (multiple choices allowed)		
Lack of job experience	24	46%
Certification not enough to be competitive in job market	12	23%
Jobs they qualified for offered wages that were too low	15	29%
Lack of job openings	20	38%
Other	20	38%

PROGRAM BUDGET

The program was designed to eventually be self-sustaining as borrowers finish training and begin repayment. The annual appropriation for Aerospace Loans increased from \$250,000 to \$1.25 million beginning in Fiscal Year (FY) 2013.

In fiscal year 2011-12, the program received \$250,000 in General Fund-State (GF-S) dollars. This 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 fiscal year 2013-14, the program received an additional \$1,250,000 in GF-S. The program funded 62 students for a total expenditure of \$247,200.

For fiscal year 2014-15, the program received an additional \$1,250,000 in GF-S. As of October 15, 2014, the program has funded 28 students and a total of \$153,600.

To date, the program has received over \$569,472 in repayment funds. ALP recipients have three years to repay their loans. The program expects \$500,000 to be received in the 2015 biennium.

With expenditures less than appropriations for two consecutive years, and repayment funds returned to the program, the agency proposed a reduction to ALP as part of the agency's required 15 percent budget reduction submission to the Office of Financial Management.

Although future demand for the loan program could increase, returning to the annual appropriation of \$250,000 per fiscal year, combined with projected repayments, will allow the program to serve students in the 2015 biennium.

CONCLUSION

Washington developed the Aerospace Loan Program (ALP) to provide tuition assistance for eligible students enrolled in the state's short-term aerospace training programs. Of the 326 recipients funded through October 2014, 67 percent (n=220) are in repayment. Of those in repayment, nineteen percent are in collection status (n=42). Due to reduced demand and return of repayment funds, the program is nearly self-sustaining for the 2015 biennium.

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