



July 10, 2008

Dear Interested Party:

In 2007, the National Association of College and University Business Officers (NACUBO) commissioned the Third Party Payments (3PP) Work Group to review the third-party sponsor payment process, identify issues and potentially develop an automated solution for institutions nationwide.

The recommendations of the 3PP Work Group led to the development of the attached Request for Information (RFI). The goal of the RFI is to gather as much stakeholder input as possible regarding the automation of the third-party sponsor system. The enclosed RFI has been designed to elicit your ideas regarding technology resources, service coordination and management, system oversight, cost neutrality and implementation.

This request is for interested parties to provide information detailing their level of interest and ways in which they envision resolution to the issues associated with the process. Respondents are encouraged to make additional suggestions, comments or pose questions.

Information obtained from this RFI will be used in the ongoing planning of a newly restructured and automated billing system. You are encouraged to answer all questions, elaborating on those that are of most interest to your company/organization. It is recognized that respondents may have different areas of expertise and interest and may not be able to answer each item. Additional comments on any area not discussed in this RFI are welcomed and encouraged.

This RFI has been mailed to potential respondents known to the 3PP Work Group. Please feel free to share this RFI with any other interested parties. In addition, you are welcome to cooperate with other entities and answer jointly. Detailed instructions for the submission of responses are included in the final section of the RFI. Please submit all responses by August 29, 2008. If you have questions regarding this RFI, please contact Tadu Yimam at 202-861-2541 or via email at [tadu.yimam@nacubo.org](mailto:tadu.yimam@nacubo.org)

Thank you for your input on this important initiative.

Sincerely,

A handwritten signature in black ink that reads 'Anne C. Gross'.

Anne C. Gross  
Vice President, Regulatory Affairs

## Third-Party Sponsor Payment System Request for Information

### BACKGROUND

Colleges and universities have a need in the student financial/student accounts area to automate the third-party sponsor payment process (hereinafter referred to as “sponsor”). The National Association of College and University Business Officers (NACUBO) formed a work group to study the issue and to propose a solution. The work group is comprised of representatives from a range of schools from small private to large university and public institutions.

The work group identified issues associated with third-party payments. These include a paper process (certification from sponsor, student application, invoicing, and payment), non-standard process (each sponsor has its own method), students misunderstanding of their obligation (student does not understand that if the sponsor does not pay on time s/he must make payment to avoid late fees or other repercussions).

For clarification purposes the committee developed a definition of a third-party sponsor, as follows.

A third-party sponsor is an entity that has agreed to pay all or a specified portion of a student or group of students' tuition, fees, books and other charges at an institution of higher education. Third-party sponsors may include, but are not limited to, federal and state agencies, corporations, employers, school districts, trade unions, foundations, tribes, clubs, charitable organizations, and foreign governments. Institutions require a sponsor to provide an official document guaranteeing payment (i.e. letter, agreement, contract, certification, application, etc.). Sponsors are typically invoiced directly for the charges they have agreed to pay, but institutions may also have sponsors that do not require an invoice. The liability for payment of tuition and fees ultimately lies with the student if a sponsor fails to pay all amounts as agreed. University services to the student may be restricted if financial obligations are not met.

### SOLUTION

The analysis of the work group yielded the determination that the most effective solution would comprise several components:

- an agreement with the student detailing the student's ultimate responsibility
- an agreement with the sponsor detailing the sponsor's responsibility and procedural requirements
- an automated system that:
  - gathers sponsor, student, and institutional data
  - creates agreement documents
  - generates invoices, and reminder notices
  
  - produces reports
  - receives payments and sends payments to institutions
  - provides reconciliation
- an entity that will develop, maintain and manage the process for institutions (the preferable method)
- an entity that will develop and maintain a system (management at the school level as an option)
- a user group will continue to provide direction to the continued development of the system

### **Possible Financial Models**

The work group recognizes that there are costs in the development and maintenance of this type of system. While potential financial models have been discussed, the group would like to have comments on those it has identified. Moreover, the group is very interested in learning of any models that responding entities would like to propose. The possible ways that this system might work include:

- similar to a tuition payment plan, an entity develops and maintains a third-party sponsor system and provides it as a service to institutions; costs are generated through fees and float on funds
- an entity develops the system for partnership with institutions and/or associations and the costs are assumed by the institutions/and or associations and is “owned” by them; maintenance would be paid for on an as-needed basis.
- a vendor develops, maintains, and owns it, and sells it to interested institutions
- association and/or a school(s) partners with a vendor and share in selling and profits

### **Request for Information**

This request is for interested parties to provide information detailing their level of interest and ways in which they envision resolution to the solution. Respondents are encouraged to make additional suggestions, comments or pose questions.

### **RFI Process**

Upon receiving the responses, the work group will review the content and determine appropriate next steps. The current expectation is that the requirements will be updated as appropriate. It is hoped that the RFI process will elicit sufficient interest that discussions will be possible and a decision can be reached to begin development. If necessary a Request for Proposal (RFP) will be issued. It is expected that detailed functional specifications and technical specifications will be developed as needed.

### **Tentative Timeline**

- issue RFI by July 31, 2008
- responses due by August 29, 2008
- review of responses completed by September 15, 2008
- conduct discussions or issue RFP by October 15, 2008
- make final decision by December 31, 2008
- development completed by third-quarter 2009
- testing and rollout end 2009

### **Responses to the RFI**

Interested parties are encouraged to submit their ideas and proposals on how the need identified by the 3PP Work Group could be met. Please send your response to Tadu Yimam at [tadu.yimam@nacubo.org](mailto:tadu.yimam@nacubo.org). Questions may also be directed to Ms. Yimam, by email or at 202.861.2541. Responses will be shared with members of the work group for the purpose of review and discussion but will not be made public.

## THIRD-PARTY BILLING SYSTEM FUNCTIONAL REQUIREMENTS

### Overview

The system will:

- allow for the entry of bio/demo/academic student data (web-based either manual or file entry)
- allow for the entry of bio/demo third party/sponsor (web-based either manual or file entry)
- allow for the entry of school data (web-based either manual or file entry)
- generate an agreement for the student to identify policy terms and conditions (hard-copy or electronic); this should have the ability to be a promissory note
- generate an agreement for the third party/sponsor to identify policy terms and conditions (hard-copy or electronic)
- track students who are receiving third party/sponsor payments
- create anticipated credit and/or real credit to be passed to student account (requires an interface); also allow manual entry into student account
- generate a bill to send to third party/sponsor (by student or group of students for same sponsor; awareness of security issues by group is necessary)
- the invoice needs user-defined text area that can include schedule of payment, refund policy, due dates, etc.
- ability to handle multiple payment methods: paper check/EFT/credit card (payment acceptability will be based on institutional requirements and/or SP or School method)
- tracking ability for payments received (paper checks/EFT/other?)
- be able to accept EFT
- do we want to set up auto debit?
- reports

### Methods of Processing

There are two potential paths to process third-party payments. One is the Service Provider (SP) Method whereby a separate entity would develop the system, maintain it and manage the process. It is described below. The other is the School method in which a product (system) is developed and managed locally by a school. The differences between the two methods are the interaction between the vendor and the school and the overhead in maintenance. The SP method would have the vendor responsible for development, maintenance and additional accounting and reconciliation activity.

No matter which method for which is selected, the system processing and requirements are essentially the same.

#### ***Service Provider Method***

The SP method will manage the entire process similar to a tuition payment plan. This method has less processing overhead for the school. The key functionality for the system would essentially stay the same as the school method although there is some additional overhead for the service provider to conduct appropriate accounting.

In this method the vendor establishes a website and the school, sponsor and student create the Master Records with all pertinent information. The vendor will ensure that agreements are signed and that invoices are issued on time and that payments are collected on time. The vendor will

provide transaction files on a periodic basis (determined by the school) certifying signed agreements and detailing anticipated and/or actual payments. Payments will be transmitted on a periodic basis (determined by school). The vendor will provide reports which are outlined below. The vendor will send reminders and reconcile payments with the institution.

*It is essential that a user group be included in the development cycle of the system and that an ongoing role would be established to assist in deciding upon updates and fixes for problems.*

### **School Method**

In this method the school has access to a web-based system that includes the following elements and design capabilities. However, collection of payment and management of reminders, invoices, etc. would all be handled at the school level. There is also a question of how maintenance will be handled. Will each school make changes? Can a consortium be developed to make changes and fixes?

N.B. each school would have to manage the interface development to upload payments to the financial aid and/or student accounts system regardless of method as schools' systems of records vary.

### **Data Elements**

#### **3PP sponsor record data elements**

- name
- ID (unique ID generated specifically for this purpose)
- contact person
- contact information
- payment policy requirements (for notifying students when they apply)
- intended methods of payment and information needed from school
- contact information (address, email, phone, IM, fax etc.)
- contact person (title, etc.)

#### **School record data elements**

- name
- ID (unique ID generated specifically for this purpose)
- contact person
- contact information (address, email, phone, IM, fax, etc.)
- terms
- due dates
- refund policy
- accepted method of payment and associated information (EFT account #, etc.)
- preferred method of contact (email, IM, letter, etc.)
- frequency of payments
- reminder specs (to student? to sponsor? for agreements? for upcoming due date? for missing due date?)
- other?

#### **Student record data elements**

- institution
- SID (school-generated ID)
- year in school
- term for which charges are covered
- #credits registered
- #credits completed
- charges expected to be paid
- program of study
- contact information (phone, address, email, IM, etc.)
- preferred method of contact
- other?

#### **Additional data**

- agreement text, letter text, message, email text (it's collected and must be user-definable and updateable to be used for reminders, invoices, agreements, etc.)
- extract file layout for input and output

#### **Processing**

- website is established and appropriate IDs and passwords are issued with appropriate security levels
- sponsor creates Master Record on 3PP website
- school creates Master Record on 3PP website
- student creates Master Record and application on 3PP website
- the record for the student is matched to the school and sponsor; once all records are joined, the student record will be updated by the sponsor to show the amount covered, the type of charges covered, an approval code, the method of payment that will be sent to the service provider (if the service provider or school will accept more than one method.)  
As some institutions might have reservations about students applying online, the use of the online application for students might be limited to those sponsors and/or institutions who choose to use this feature. Therefore, this feature needs to have flexibility.  
*N.B. Only student records that are approved and certified by the sponsor will be sent to the institution. Depending on the institutional requirements, student records might only be sent once actual payments are received.*
- agreement for sponsor (for specific student; for groups of students by school) is generated and transmitted/mailed to sponsor
- agreement (s) is tracked for e-signature or hard-copy signature
- agreement (s) for student (to school) is generated and transmitted/mailed to student
- agreements are tracked for e-signature or hard-copy signature
- sponsor requirements for student is displayed and generated and transmitted to student (track student acknowledgement)
- sponsor invoice is generated (by school or groups of students or individual student depending on sponsor input and/or school requirements)
- reminders are generated according to school specs for example, 15 days before due date to student and sponsor, if signatures are not collected within a set amount of time, etc.
- transaction file of anticipated payments is sent to the school for uploading to school's financial aid and/or student accounts system (if school will apply anticipated/expected credit)
- payments are collected and transmitted to schools on an ongoing basis (based on school input as to frequency)

- preferably the sponsor will certify all students regardless of school and send the payment to the SP and have the SP sort out the payments and send payment to the correct schools
- sponsor should be able to certify all students for a specific school on one screen and have a bill generated for all monies due
- transaction file of actual payments is sent to school for uploading to school's financial aid and/or student accounts system
- reversal of payments (for whatever reason) is sent to school for uploading to school's financial aid and/or student accounts system
- generate reports as requested by the school (see reports listing below) sponsors who have not paid, students who will owe money, etc.
- notification to students of non-payment by sponsor
- print any documents as requested by sponsor/student/school

**Documents generated** (electronic with ability print)

- student agreement/P-note that informs student that it is her/his responsibility to conform to sponsor agreements and pay bill if sponsor does not pay on time (based on school input)
- sponsor agreement that gives the sponsor the school's requirements for payments and due dates (based on school input)
- sponsor requirements (based on sponsor input) for the student describing the sponsor's requirements for payment such as grades, courses taken, etc.
- reminders (based on school input)
- invoice to sponsor
- FERPA notice to sponsor
- reports

**Reports**

1. students who are getting payment from third party/sponsors for a given term; probably want report by student and also by sponsor (for sponsors who have more than 1 student); include student bio/demo/program/charge/payment amount
2. third party/sponsors who are past due or some other indicator that they are in jeopardy of not paying
3. reminder emails; hard-copy notices to students and sponsors (for those who request this)
4. The system needs to be capable of displaying all students for a particular sponsor, sorted alpha, by term, by program/degree.
5. historical report of third party/sponsors who have paid on time
6. students who owe money because third party/sponsor did not pay on time
7. letters, messages, notifications to students and sponsors who was sent what and when
8. user defined reports feature

**Things to consider and some additional questions about processing:**

- ability to handle multiple entries for an entity for example, different schools within a decentralized University environment might have different due dates depending upon program or other division; sponsors might have different requirements depending on the program a student is in or the type of school
- should there be a different due date (earlier than the regular due date) for 3PP? – this would be somewhat similar to tuition payment plans which have a different schedule of payments and a cutoff date to meet the true due date
- interfaces for transaction files (expected payments, actual payments, reversal of payments) need to be developed by the school so that it can be uploaded into the financial aid and/or

student accounts system of record; this is necessary regardless of which method is chosen; schools need to be prepared to handle this

- manual entry by both school and sponsors need to be accommodated
- investigate the possibility of commercial student software systems (PeopleSoft, Banner, Sigma, etc.) developing the interfaces
- what should be done if a 3PP sends the payment to the SP late? will it be accepted? will it be turned back? how to handle this
- in the Service Provider method, do we want to allow the SP to decide how/when to remind the 3PP of upcoming payments or do we want to require that they send emails/letters/IMs etc to notify both the sponsor and the student of upcoming due date?
- schools and sponsors should be able to update due dates, key events, and other pertinent information through web
- if there is no vendor or ELM-type entity managing this, the school will have to manage the entire process

### **Security Issues**

- appropriate levels of security to ensure data protection and integrity, is essential
- data is protected from use for other than in the process and management of third-party purposes
- user ID/PW web-based system so that students/sponsors/schools can access easily
- who will manage/issue user ID and PW
- will sponsor have same ID/PW for all schools/students?
- will school have same ID/PW for all sponsors?
- need to flesh out security issues so that schools can't see other schools info; sponsors can't see other sponsors; students can only see their own (if students are allowed to enter their data)

### **Technical Issues**

- web-based
- generic/common file format to be able to enter multiple students into system and to extract to send data to student accounts/financial aid other systems

### **Submission**

Please submit a hardcopy and electronic version of your plan by **August 29, 2008**.

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