

DESIGNED TO SERVE

2007 NACUBO Student Financial Services Survey

NOVEMBER 2007

Growing up in a wired world, with 24-hour access to information, college students arrive on campus with high customer service standards including expectations of services on-demand.¹ The impacts of technological advancements and an emphasis on the “customer” ripple throughout all aspects of campus life, but student financial services—by nature of its mission and function—has experienced particular pressure to adapt to the millennial student. In response, many student financial services offices have recast their physical arrangements and functions to accommodate a new level of complexity as well as increase operational efficiency.²

Background and Methodology

In 2003, NACUBO offered its first Student Financial Services (SFS) conference with a focus on “converging services.” Through this conference, NACUBO sought to equip student financial service professionals with the tools needed to create a blended office environment where students could experience “one-stop shopping”—in other words, pay a bill and receive financial aid counseling in the same place; identify potential cost-saving

approaches; and train staff to handle the ever-increasing complexities of financing, advisement, and collection.

In preparation for its fifth Student Financial Services conference in March 2007, NACUBO surveyed more than 2,000 student financial service professionals at member institutions. The survey aimed to obtain a more contemporary understanding of the functions of student financial services and, to some extent, identify how these services have changed over time.

The 2007 Web-based SFS survey focused on the following areas:

- Financial services provided to students;
- Methods of payment for tuition and fees, with an emphasis on credit cards;
- Third-party payors; and
- Integration of student financial services, with an emphasis on the services brought together.

¹ Between 1985 and 2005, frequent computer use among incoming female students more than tripled (increasing from 24 percent to 86 percent). Similarly, 85 percent of incoming male students reported frequent computer use in 2005, up from 31 percent in 1985 (Pryor, John, Sylvia Hurtado, Victor B. Saenz, Jose Luis Santos, and William S. Korn. 2007. *The American Freshmen: Forty Year Trends, 1966-2006*. Higher Education Research Institute, Graduate School of Education & Information Studies. University of California, Los Angeles).

² The term student financial services (SFS) has various meanings, depending on the institution. For some, SFS only includes student-related bursar functions, accompanied sometimes by student loan billing or collection responsibilities for institutional, Title IV, and Health and Human Services loans. Integrated student services take on less of a process-centered approach. For example, the financial aid office might merge with the bursar’s office, creating a one-stop model of student service delivery (Sinsabaugh, Nancy, ed. 2007. *Student Centered Financial Services: Innovations That Succeed*. Washington, DC: NACUBO).



The survey, which consisted of 25 questions, was tailored to participants based on whether they had achieved integration of student financial services, were in the process of doing so, or had not integrated.

Beyond analyzing basic frequencies for each question, NACUBO conducted cross-tabulations between survey responses and institutional characteristics (for example, full-time equivalent (FTE) student enrollment, institutional type, and control). To determine where relationships were significant, the chi-square test was administered. Throughout the report, these relationships are significant at the 99 percent confidence level. Please note percentages within the paper and figures may not add to 100 due to rounding.

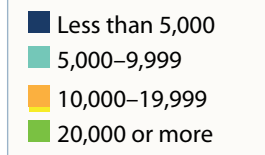
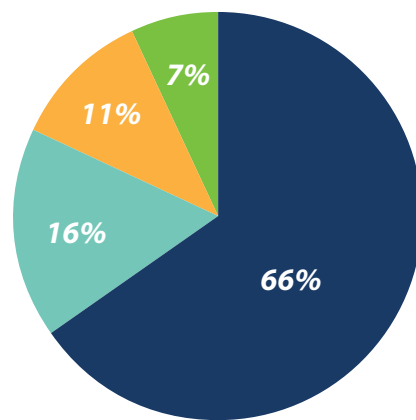
NACUBO received responses from 425 institutions, representing a response rate of 20 percent. Two-thirds of responding

institutions have a FTE student enrollment of fewer than 5,000 students (see Figure 1). Public institutions represent 44 percent of respondents, while independent institutions account for 56 percent of respondents.

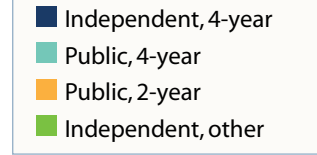
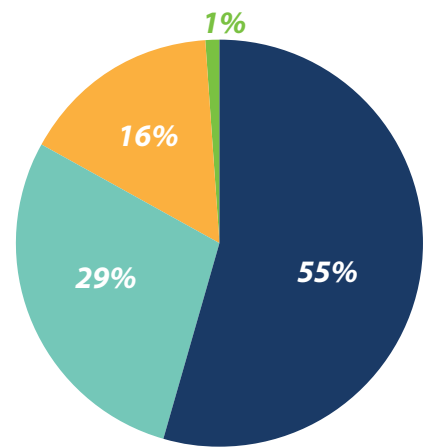
The majority of respondents (83 percent) are from four-year institutions, with two-year institutions representing 16 percent of respondents. Less than one percent of respondents identify as an “independent, other” type of institution. Survey respondents closely resemble the breakdown of NACUBO’s membership in 2007: Of the 2,095 regular NACUBO members, 50 percent are independent, not-for-profit, four-year institutions; 25 percent are public four-year institutions; 23 percent are public two-year institutions; and 2 percent are independent, not-for-profit, two-year institutions (see Figure 1 for comparison).

FIGURE 1: Profile of Responding Institutions

Distribution of Full-Time Equivalent (FTE) Student Enrollment



Distribution of Institutional Sector



HIGHLIGHTS OF THE FINDINGS

Financial Services

- Of the financial services presented on the survey, tuition payment plans are the most common financial service provided by responding institutions. A large percentage also offer Web-based student accounts and direct deposit of student wages.
- The larger an institution's FTE student enrollment, the more likely it is to provide the following services:
 - A call center
 - Direct deposit of credit balances
 - Direct deposit of student wages
 - E-payment options
 - Electronic distribution of 1098-T
 - Mandatory e-billing
 - Web-based student accounts

Credit Cards

- Almost every responding institution accepts credit cards for tuition and fee payments.
- More than a quarter of responding institutions charge fees to those who pay tuition and fees with a credit card.

Third-Party Payors

- More than a quarter of institutions transact with 100 or more third-party payors; almost 60 percent deal with fewer than 50.
- Half of the responding institutions use a paper-based process as the main method for handling third-party payor transactions.

Integration of Student Financial Services

- Forty-two percent of respondents are in the midst—or have already completed the process—of integrating their student financial services.
- Financial aid and the bursar's office/student accounts stand out as the two offices/services most often completely integrated.
- More than half of respondents who have integrated their student financial services or are in the process of doing so say they're mostly or highly satisfied with the integration efforts.
- Among those institutions that have completed the integration process or are in the process of integrating, almost 60 percent spent between one and three years on the project. Additionally, 72 percent did not eliminate positions as a result of the integration; and more than two-thirds did not encounter unexpected costs.

SERVING STUDENTS: WHAT'S OFFERED AND HOW

Types of services provided by the student financial services office typically vary by institution. To better understand the myriad services offered by member institutions, NACUBO asked survey respondents whether they provided a range of services, such as tuition payment plans, e-billing, and call centers. Respondents were also asked whether they provided these services in house, outsourced them to an industry partner, or used a combination of both approaches.

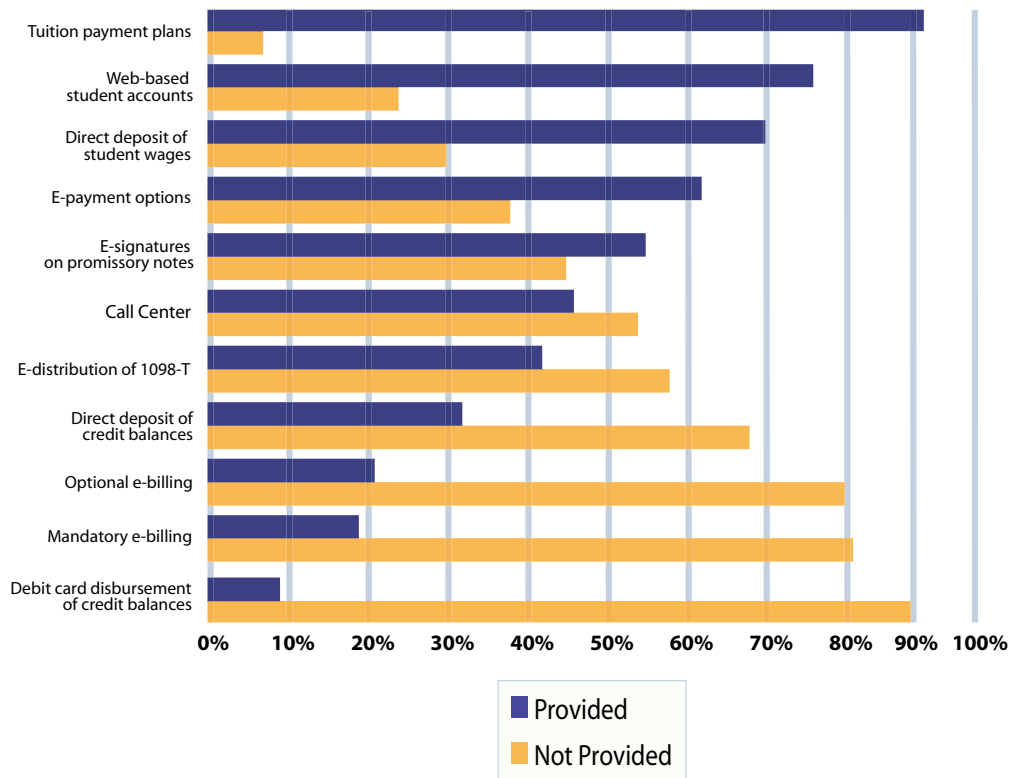
Payment Plans: Tuition payment plans top the list of services offered, with the vast majority (93 percent) of respondents providing tuition payment plan options (see Figure 2). Among these respondents, almost half manage the tuition payment plans completely in house, while 39 percent outsource the management (see Figure 3).

Web-Based Accounts & Direct Deposit of Student Wages: A large percentage of responding institutions also offer Web-based student accounts (76 percent) and direct deposit of student wages (70 percent). Among these respondents, almost all manage their Web-based student accounts entirely in house (92 percent).

Call Centers: Nearly half (46 percent) of the respondents provide call centers, and most of them choose to manage the call center completely in house.

Debit Cards: Providing debit cards for disbursement of credit balances is the service provided least often; only 9 percent of respondents do so.

FIGURE 2: Student Financial Services Provided or Not Provided



Very few differences emerged between the service offerings at public and independent universities or between two-year and four-year colleges and universities. However, although 19 percent of institutions overall have mandatory e-billing on their campuses, public institutions appear to be more likely to require e-billing than their independent counterparts. Of the 19 percent of institutions with mandatory e-billing, 72 percent are public institutions, while only 28 percent are independent.

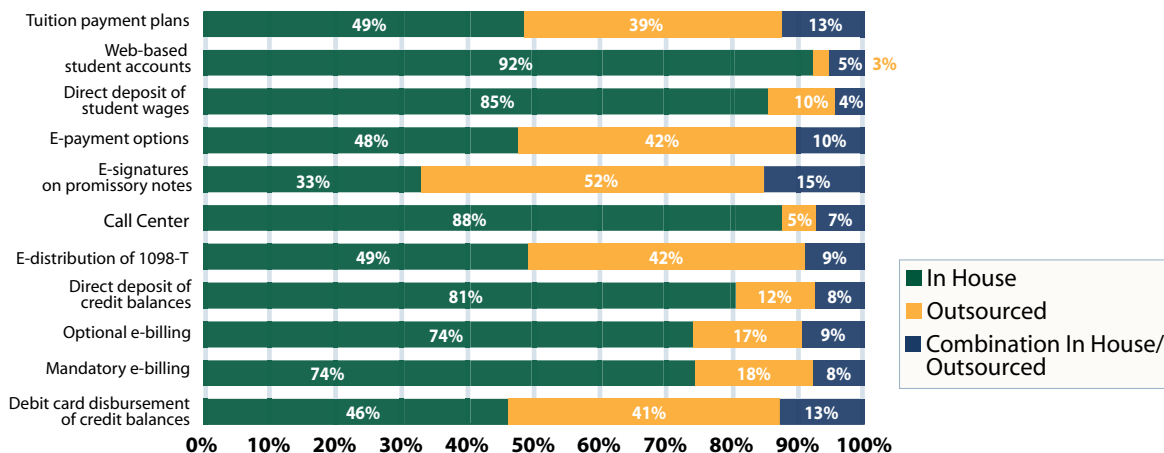
In addition, four-year institutions seem more likely to offer electronic signatures on promissory notes: 61 percent of them do so, compared to 25 percent of two-year institutions. This may be attributed to more students taking out loans at the four-year level; therefore, community colleges might not easily justify the time and resources necessary to implement this service.³

The likelihood of an institution offering several of the financial service offerings increased with enrollment size. The larger an institution's FTE student enrollment, the more likely it is to provide the following services:

- Call center
- Direct deposit of credit balances
- Direct deposit of student wages
- E-payment options
- Electronic distribution of 1098-T
- Mandatory e-billing
- Web-based student accounts

For example, only 19 percent of institutions with an FTE student enrollment of fewer than 5,000 provide direct deposit of credit balances, compared to almost all (97 percent) of institutions with 20,000 or more FTE students. In addition, 72 percent of institutions with an FTE student enrollment of 20,000 or more offer electronic distribution of the 1098-T. In comparison, a little more than a third of institutions with fewer than 5,000 FTE students offer the form electronically.

FIGURE 3: Student Financial Services Provided: In House or Outsourced



³ See The College Board. *Trends in Student Aid*. 2007. Washington, DC.

Can I Charge That?

As retailers and service providers increasingly allow consumers to purchase and pay for goods and services online, higher education is following suit by allowing for payment with plastic.⁴ The acceptance of credits cards for tuition and fee payments at colleges and universities is widespread and increasing.

Credit Card Acceptance: The vast majority (94 percent) of responding institutions accept credit cards, either directly or through a third-party provider, for payment of tuition and fees (see *Figure 4*). This represents an increase of 12 percentage points since 2003, when NACUBO conducted its Tuition Payment by Credit Card Survey.⁵ Of those institutions that currently accept credit cards, 80 percent accept credit cards directly from all students, 11 percent accept them directly from only some students or for particular programs, and 53 percent accept payments through a third-party provider.

Every two-year institution and most four-year institutions responding to the survey accept credit cards for tuition and fee payments. Public institutions are more likely than independent institutions to accept credit cards for tuition and fee payments (98 percent versus 90 percent, respectively). This gap, however, is narrowing. The 2003 NACUBO credit card survey found a difference of 18 percentage points between public (92 percent) and independent institutions (74 percent) that accepted credit cards for payments; in 2007, the gap narrowed to 8 percentage points.

Credit Card Fees: More than a quarter (26 percent) of responding institutions charge fees to students or parents who pay with a credit card directly or through a third-party provider (see *Figure 4*). This practice is on the rise. Compared to the 2003 credit card survey, when 14 percent of institutions reported charging such fees, the 2007 Student Financial Services survey shows an increase of 12 percentage points in four years.

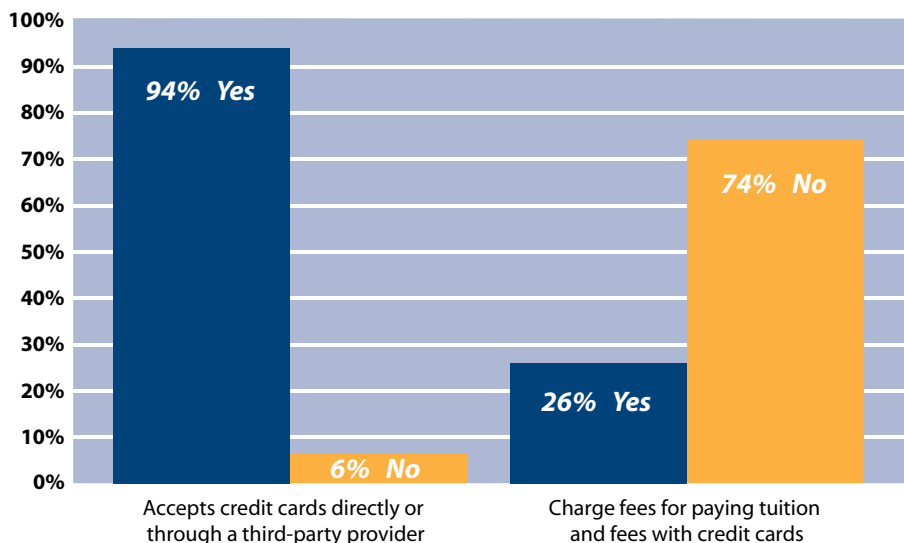
Four-year institutions are more likely to charge a fee than their two-year counterparts (29 percent versus 9 percent, respectively). In addition, as an institution's FTE student enrollment increases, so does the likelihood it will charge fees for using a credit card to pay tuition and fees. More than half of institutions with an FTE student enrollment of 20,000 or more charge fees, compared to 23 percent of institutions with fewer than 5,000 FTE students.

The 2007 Student Financial Services survey reports no difference between public and independent institutions' propensity to charge fees for using credit cards to pay tuition and fees. That finding diverges from the 2003 NACUBO Credit Card Survey, which found that public institutions were more likely than private institutions to charge such fees.

4 See Durkin, Thomas A. "Credit Cards: Use and Consumer Attitudes, 1970-2000." Federal Reserve Bulletin, September 2000.

5 In 2003, NACUBO conducted a survey on tuition payments by credit cards. Survey results are available in the brief, "Paying with Plastic: Analyzing the Results of the Tuition Payment by Credit Card Survey," August 2004. While the 2007 SFS survey results updates changes in credit card acceptance for tuition and fee payments, the institutions in each study's sample vary; as a result, comparisons should be interpreted with caution.

FIGURE 4: Credit Card Acceptance and Charging Fees for Tuition and Fee Payments



Paper Checks: While the use of credit cards to pay tuition is increasing, the traditional method of payment—the paper check—is on the decline. Almost 60 percent of respondents estimate that the percentage of tuition and fee revenue coming in from paper checks decreased in the course of a year.

Taking the place of the traditional paper check are not only credit cards but also e-checks and electronic funds transfer (EFT). Almost 60 percent report an increase in tuition and fee revenue from credit cards in the last year; almost every respondent reports that volume of revenue from e-checks and EFTs has either increased or remained about the same in the last year.



Too Much Paper, Too Many Payors

The complexity of financing a college degree has increased as payment options have grown and students' sources of financial support have become more varied. This reality has, in turn, affected the staff time needed to process payments and aid from multiple payors.⁶ Processing third-party payments for institutional charges from employers, state and federal agencies, foreign governments, and scholarship providers can be time consuming and costly, particularly for institutions dealing with large numbers of payors.

The number of third-party payors at an institution can reach more than 100, and the process is still largely paper-based—conditions likely to contribute to institutional dissatisfaction. To explore the potential burden of third-party payor transactions, NACUBO asked survey respondents to estimate the number of third-party payors to their institution and their level of satisfaction in dealing with these payors.

Third-Party Payors: The number of third-party payors varies at responding institutions—some process fewer than 50 payors, while others deal with hundreds. For example, almost 60 percent of institutions deal with fewer than 50 third-party payors; slightly more than 40 percent deal with 50 or more. A little more than a quarter of institutions transact with 100 or more third-party payors (*see Figure 5*).

Not surprisingly, institutions with larger FTE enrollments are more likely to report dealing with a higher number of third-party payors. More than three-quarters (76 percent) of institutions with 20,000 or more FTE students transact with 100 or more third-party payors, while only 15 percent of institutions with fewer than 5,000 FTE students deal with that many.

Level of Satisfaction: Most institutions are either “somewhat satisfied,” “satisfied,” or “mostly satisfied” with third-party provider transactions (*see Figure 6*). Specifically, 30 percent are somewhat satisfied, 36 percent are satisfied, and 25 percent are mostly satisfied. For the most part, institutions did not answer on the extremes of the scale—either “not satisfied” (6 percent) or “highly satisfied” (3 percent).

Type of Process: The fact that institutions are not overwhelmingly satisfied with third-party provider transactions could be attributed to the fact that half of respondents still use a primarily paper-based process to handle these transactions. Only 37 percent of respondents use software that ties into a student accounts system, and less than 10 percent have stand-alone software for the process.

A significant relationship was found between institutional satisfaction with third-party payors and the type of process used to handle the payors (paper versus software). Three-quarters of those institutions that are “not satisfied” with their third-party payor transactions use paper-based systems. On the other hand, 69 percent of institutions that are “highly satisfied” with their process use software.



⁶ See Sinsabaugh, Nancy, ed. 2007. *Student Centered Financial Services: Innovations That Succeed*. Washington, DC: NACUBO.

FIGURE 5: Estimated Number of Third-Party Payors

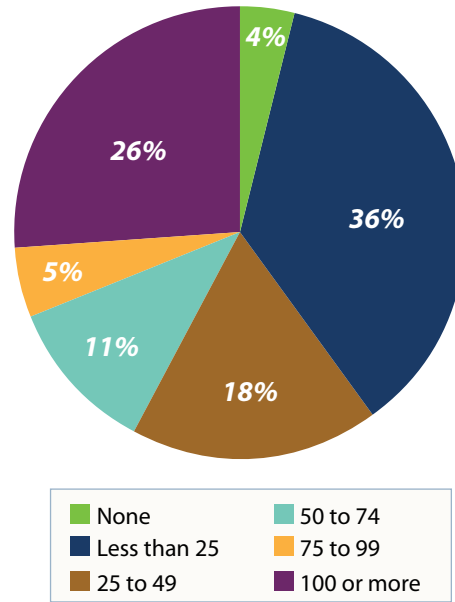
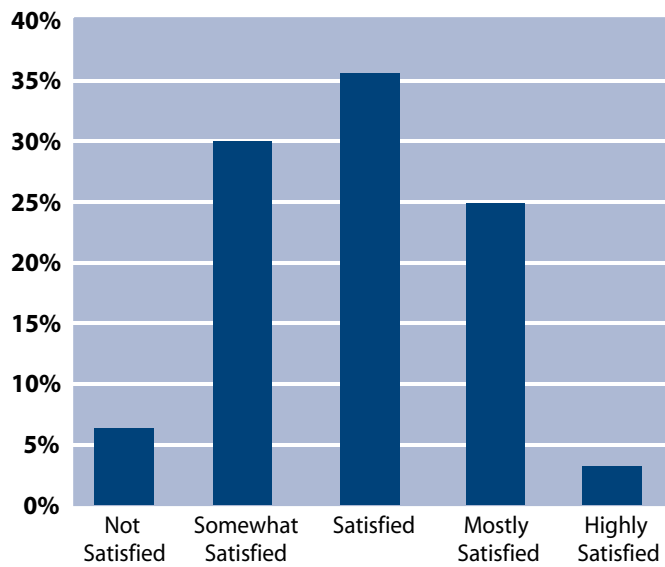


FIGURE 6: Level of Satisfaction in Handling Third-Party Payor Transactions



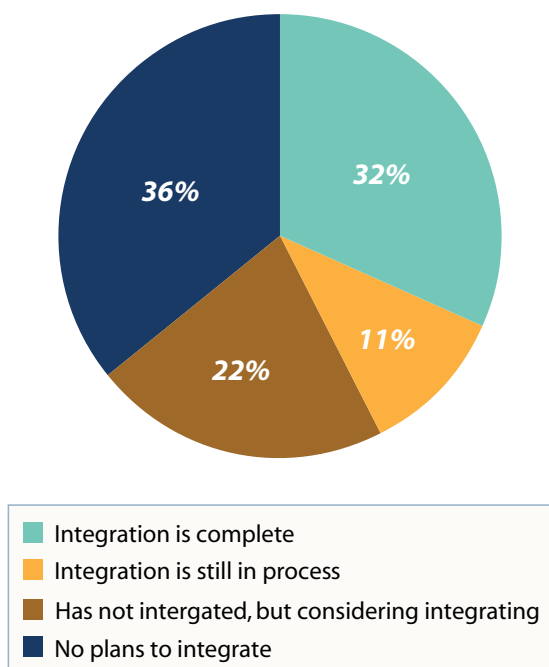
Making the Move to Integrated Services

In their quest to improve services for students and meet rising customer expectations, some institutions have moved away from a traditional student financial services model—where the financial aid office and bursar office function independently from one another—to a more integrated model where the two might join forces.

With the introduction of software that manages the integration of the financial aid and bursar function, many campuses have integrated billing and collection, as well as other offices, to provide more streamlined services for students.⁷ Where once students would have to physically move from one office to another to pay a bill, receive financial aid, and enroll for classes, integration now provides a “one-stop shopping” experience, either physically or virtually, for students.

According to the 2007 survey, 42 percent of respondents have already integrated their student financial services or are in the process of doing so (see Figure 7). An additional 22 percent of institutions are considering the move to an integrated model. More than a third (36 percent), however, have no plans to integrate services.

FIGURE 7: Distribution of Plans for Integration of Student Financial Services



⁷ See Sinsabaugh, Nancy, ed. 2007. *Student Centered Financial Services: Innovations That Succeed*. Washington, DC: NACUBO for a full description of integrated student financial services, plus 18 case studies describing the effective redesign of student financial service programs at institutions across the country.

NOTE: From this point forward, results apply only to the subset of respondents (42 percent of all respondents) who either integrated their student financial services or are actively in the process of integration. These findings do not include responses from institutions that are considering the move to an integrated model or those that have no plans to integrate services.

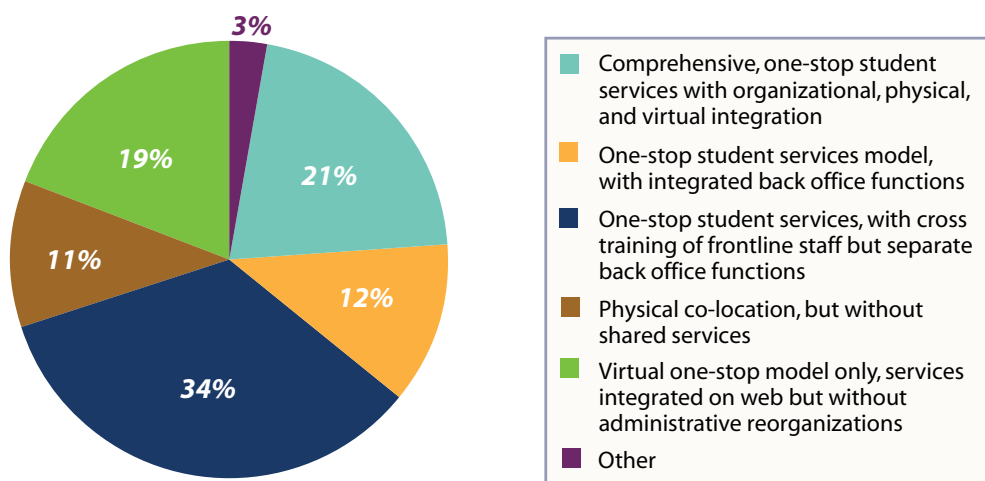
Project Management: Of the respondents who either have integrated their student financial services or are in the process of doing so, more than half (51 percent) report that a committee or task force had responsibility for managing the integration process, while 36 percent had a single team/project leader.

Reporting Structure: Most frequently, the integrated student financial services office ultimately reports to the business office (Chief Financial Officer and the Vice President of Finance and Administration) or the Vice President/Dean of Enrollment Management. Some respondents report shared governance between those two offices.

Integration Model: The integration models implemented vary considerably, with no one model emerging as the clear favorite. Slightly more than a third have implemented or are currently implementing a one-stop student services model with cross training of frontline staff but separate back office functions (see *Figure 8*). Just over one-fifth (21 percent) favor a comprehensive, one-stop student services model with organizational, physical, and virtual integration.

Enrollment size, institutional type, or control does not appear to influence the likelihood of integration or which model is implemented.

FIGURE 8: Distribution of Integration Models at Institutions that Have Integrated or Are in the Process of Integrating



Offices and Services Integrated:

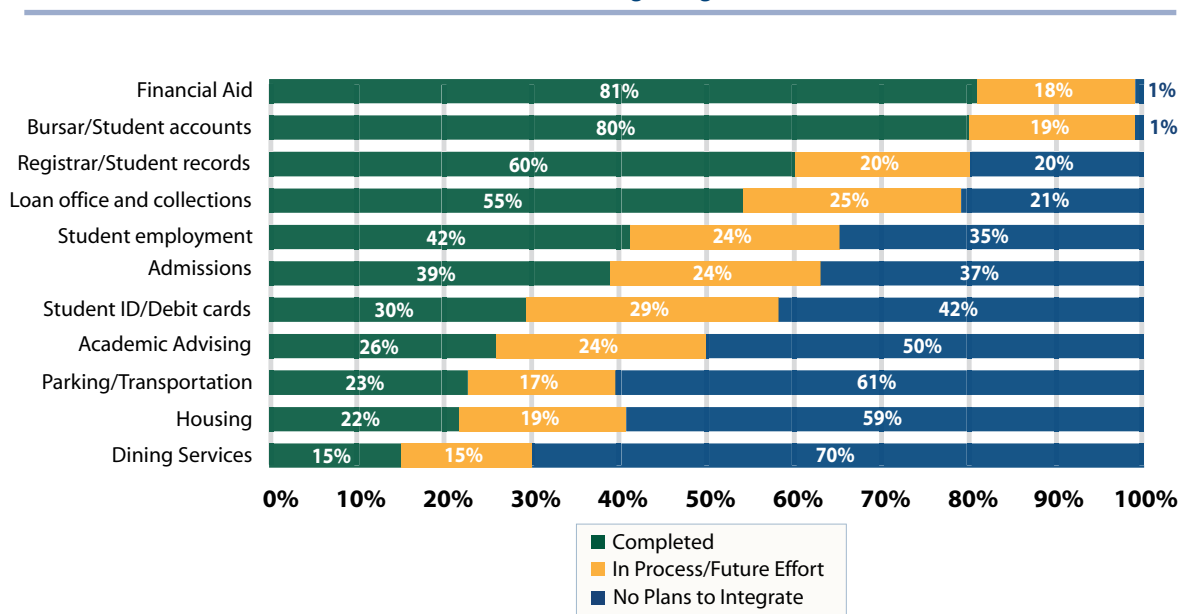
The level of integration differs from one institution to another. Some integrate a wide range of offices and services—from financial aid to academic advising to dining services, for example—while others integrate two offices, such as financial aid and bursar/student accounts. To gauge which offices/services are core to the integration process, NACUBO asked respondents to indicate which offices were completely integrated, in the process of integration, the focus of a future integration effort, or not planned as part of the integration.

Overall, the financial aid office and the bursar’s office/student accounts emerge as the two offices/services most often integrated. Approximately 80 percent of respondents who had integrated services or were in the process of doing so had integrated those two offices/services (see Figure 9). Registrar/student

records followed, with 60 percent indicating that integration of that service was complete. Most respondents say their institution has no plans to integrate dining services, parking/transportation, or housing.

Very few significant differences were found between two-year or four-year institutions or public or independent institutions with respect to integration of certain offices/services. However, compared to their four-year counterparts, two-year institutions are more likely to integrate their admissions office and academic advising department. For example, 76 percent of two-year institutions had integrated their admissions office compared to 31 percent of four-year institutions. More than half (54 percent) of two-year institutions integrated academic advising while only 21 percent of four-year institutions integrated that department.

FIGURE 9: Offices/Services Integrated at Institutions that Have Integrated or Are in the Process of Integrating



Reasons for Undertaking Integration. The number one reason for integrating student financial services is to “improve customer service” (73 percent), followed by the desire to “improve efficiency, save money.”

Tools for Measuring Success: Underscoring the focus on improving customer service are the tools used to measure the results of the integration project. Most institutions (60 percent) measure their results through student satisfaction surveys, followed by internal performance metrics that compare pre- and post-integration results (see Figure 10).

Level of Satisfaction: In the end, institutions report they are quite satisfied with their efforts to integrate student financial services (see Figure 11). More than half (57 percent) are “mostly satisfied” or “highly satisfied” with the results of their integration efforts. Only 3 percent report being “not satisfied.”

Integration Timetable: For almost 60 percent of institutions, the integration process took between one and three years to complete (approximately two years, on average). Ten percent report an integration process lasting 9 or more years.

Staffing and Financial Consequences: Nearly three quarters (72 percent) did not eliminate positions as a result of the integration; rather, half reported hiring new staff to accommodate the integration. The vast majority (88 percent) reassigned responsibilities and positions, and two-thirds changed reporting structures. In addition, 67 percent of respondents did not encounter unexpected costs related to the integration process.

Many institutions that have undertaken the integration process report satisfaction with the final result. That finding, coupled with the likelihood that customer demand will continue to increase, points to the probability that more institutions will seriously consider integration of student financial services in the future.

Designed to Serve

Based on responses to the NACUBO Student Financial Services survey, institutions understand that student financial service offices play a key role in creating a first-rate experience for students by providing a range of services, convenience, and support. From offering tuition payment plans to students and their families, to accepting credit cards for tuition and fee payments, to allowing students to see their accounts online, to managing multiple third-party payors, to integrating offices for enhanced service, respondents are “bringing it all together” to fulfill their mission—serving the student.



FIGURE 10: Tools Used to Measure Results of Integration Process at Institutions that Have Integrated or Are in the Process of Integrating

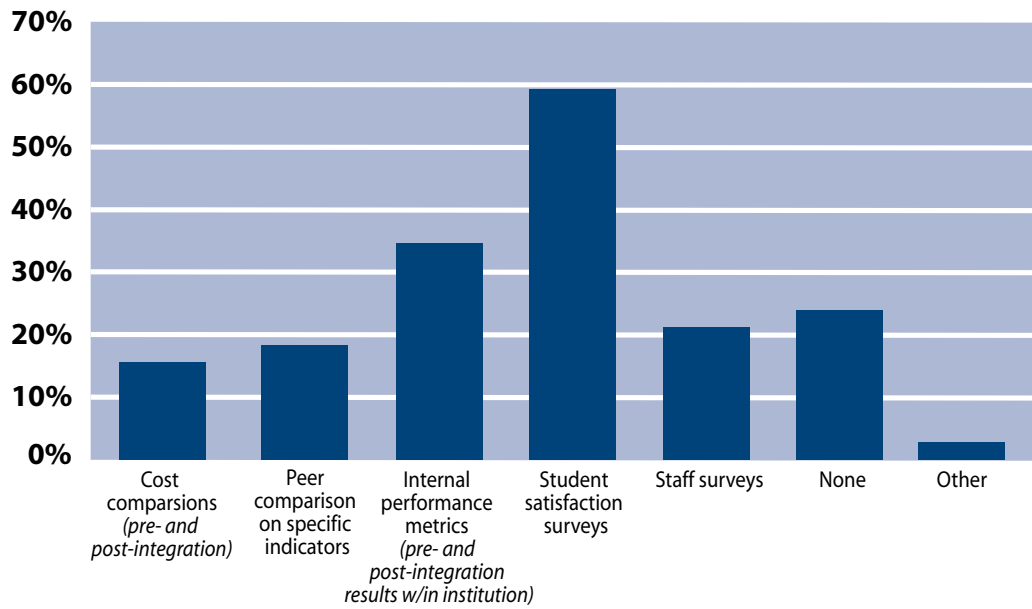
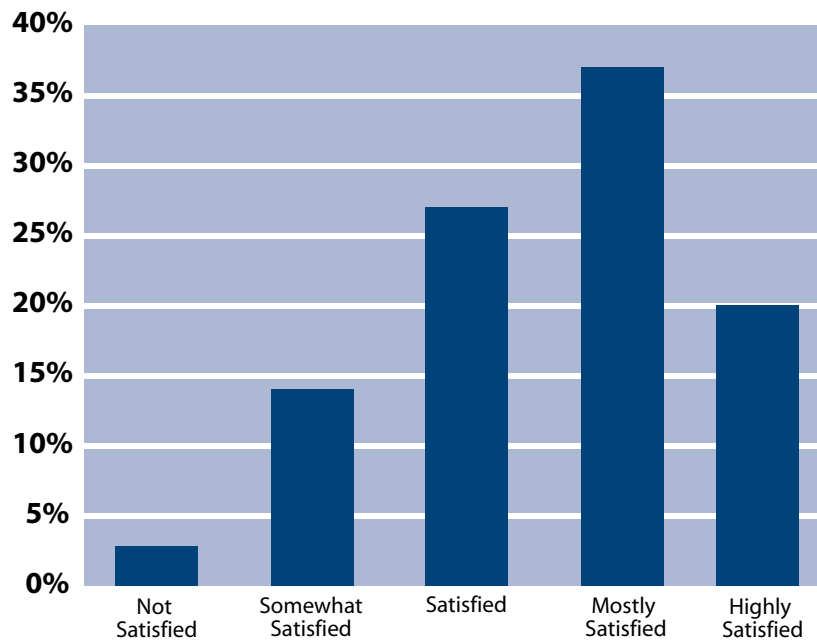


FIGURE 11: Level of Satisfaction with Integration Process at Institutions that Have Integrated or Are in the Process of Integrating





Acknowledgements

This paper and the analyses it contains reflect the work of Christina Redmond Daulton, manager, research and policy analysis, and Jessica Shedd, director, research and policy analysis, at NACUBO.

Special thanks to Anne Gross, vice president, regulatory affairs, at NACUBO. Anne serves as the association's liaison to the student financial services community, and as part of her commitment to this community, initiated this survey, assisted in the design of the study, and offered guidance and feedback throughout the project.

NACUBO expresses its appreciation to student financial service professionals at the 425 member institutions who took time out of their busy schedules to complete the survey. Their responses not only have increased NACUBO's understanding of the myriad and changing issues facing student financial services but also will help their colleagues develop more effective student financial service operations.