

**Southern Association of College and University Business Officers  
“BEST PRACTICES”**

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## ***Abstract***

*Like many schools facing new financial challenges, Mary Washington College has been looking for ways to simultaneously reduce costs while we increase the level of service provided to our families. Although we fit the profile of a small private school, we are a state institution with all the financial pressures that our budget crisis in Virginia implies. Our decision to outsource administration of our monthly payment plan has helped us on both fronts.*

*We formed an exclusive partnership with Tuition Management Systems in 1999. That strategic partnership has been helpful in delivering the following benefits:*

- Administrative workload dropped significantly, especially in the areas of billing, payment processing, and inquiry resolution while we increased options and services for our customers.*
- We began allowing credit card payment with no merchant fees to the school, which has helped improve collections and convenience.*
- Our partner customized a credit card payment process for tuition and housing deposits to dramatically ease our collection process for these fees.*
- Cash flow has been enhanced by the success of payment plan marketing to encourage earlier payment schedules and reduce delinquency.*
- Additional revenue has been generated via fee sharing arrangements with our partner.*
- With better planning and counseling, our student debt burden has been reduced and now remains very favorable versus our peer group averages.*
- We have been able to introduce a wide variety of web capabilities with no capital outlay, development or programming initiatives.*

## **Mary Washington College**

### **Introduction**

Founded in 1908, Mary Washington College, Fredericksburg, Virginia, is a predominantly residential, coeducational, four-year, state-supported college with a student population of more than 4,700. A challenging and selective liberal arts and sciences college, Mary Washington College also prides itself on being responsive to demographic changes demanding regional educational services, and to evolving economic development needs fulfilled through the James Monroe Center for Graduate and Professional Studies. For these commitments and its academic excellence, Mary Washington has been recognized nationally by several publications as one of higher education's "Best Buys."

### **Statement of the Problem:**

#### **Inadequate Education Payment Options for Students and Families**

As a state-supported institution with typical budgetary constraints, Mary Washington College's Business Office faced a multifaceted dilemma: How to meet increasingly vocalized demands by students and families for education payment options delivered at the highest levels of service, while at the same time increasing cash flow, improving collections, and generating new revenue—all without increasing administrative costs. To resolve this dilemma, we needed to overcome three major problems.

First, students were increasingly requesting education payment options. We did not offer an internal payment plan and referred students to outside companies with no link to the college. Due to the strong financial circumstances most of our student's families enjoy, they were ineligible for financial aid. Although able to pay their tuition bills, they wanted a method of spreading their payments throughout the year, allowing them to maximize their cash flow, while minimizing their need to assume debt.

Second, our students and families wanted the flexibility and convenience afforded by credit cards to make payments to the school for tuition, room, board, and other associated expenses. We wanted to be responsive, but previously we had witnessed credit card merchant fees annually approaching \$1.3 million, over 2 percent of our operating budget.

Third, with the steady increase in the college's academic reputation and popularity, there has been and continues to be a concurrent increase in demand for information about financing education costs that threatened to exceed our Business Office resources. Having to respond to 600-700 telephone calls per week during peak periods, while fulfilling other responsibilities, was beyond our capability. Demand for these services had moved from a controllable seasonal occurrence to a near constant, almost unmanageable, level.

### **The Decision Making Process**

In evaluating how to best resolve these problems, we estimated the cost to develop, install, and maintain an internally administered education payment program with a 24/7,

real-time, Internet-based, customer-focused operation. We estimated the costs of required additions to staff and technological systems development, and quickly decided we needed to look for an alternative solution. We were aware of studies estimating a college could spend approximately \$528 per student to implement such a plan internally. Based on conservatively estimating that 25 to 50 percent of our student population would use the plan, our projected expenditure, using industry rules of thumb, would range from \$620,000 to \$1.24 million. Adding anticipated merchant fees, we realized implementing an internal payment plan was cost prohibitive. In addition, we wanted to ensure that the level of services provided was commensurate with our academic standards. Nothing less would be acceptable.

We decided to issue an RFP and solicited bids from outside resources to create and maintain an education payment operation. We felt strongly that if there was a way to resolve our problems without increasing administrative expenditures, we should pursue it and devote maximum resources to sustaining our academic excellence.

### **Best Practice Initiative: Outsourcing**

Our RFP was very explicit with clearly stated key objectives: To secure a partner able to provide cutting edge payment plan technology, seamless Internet access for our students and families, and 24/7, personalized, customer service. Also critical was the ability to offer full, convenient, and flexible credit card usage to our users—at no cost to the school. We initially reviewed four or five providers, but then narrowed our formal RFP submission to two potential partners, each with national reputations. We wanted a partner

with a superior, demonstrable track record fully capable of addressing each of our business requirements. Specifics absolutely required from our provider in the RFP included, but were not limited to, the ability to:

- Demonstrate a complete solution supporting our entire technology platform;
- Demonstrate excellent service history; flexible, innovative, superior technology, including cost/payment/debt calculation;
- Demonstrate fulfillment of specified goals in regard to recruitment, retention, cash flow, customer service, reduction of student debt;
- Demonstrate ability to market plans to families and measure their effectiveness;
- Demonstrate telephone service center capabilities to achieve all objectives;
- Demonstrate web- and paper-based enrollment processes;
- Demonstrate methods/timing of disbursements and payments received;
- Demonstrate electronic posting to student accounts, eliminating manual entry;
- Demonstrate different ways to access general/student specific information;
- Demonstrate 24/7 operations;
- Demonstrate multiple billing options/payment methods, including credit cards, electronic checks (ACH) and web-based processes;
- Demonstrate application and late fees, and ability/inability to share fees with the school.

Based on analysis of the final submissions, we entered into an exclusive partnership with Tuition Management Systems, Newport, Rhode Island. Immediately upon receipt of the award, Tuition Management Systems, working in conjunction with the school's

administrators conducted a review of Mary Washington's administrative operations. This led to a complete analysis of our business operations and student needs, and development of the strategic, customized education payment operation in place today.

### **Benefits**

Outsourcing to a national provider of education payment plans has resulted in the development of a strategic partnership dedicated to addressing Mary Washington's specific challenges and issues. Most important of all, while our student body has increased by more than 25 percent since the introduction of an education payment plan, administratively we have been able to maintain Business Office staffing at near 1999 levels, while simultaneously significantly increasing our ability to offer enhanced services to our students and families. By outsourcing the payment plan, we are able to offer products and services to our students and their families previously beyond the scope of our staff. Extended telephone and service hours allow for proactive education payment and debt-limitation counseling for families, 24-hour account setup, with enrollment also possible by Internet, flexible billing via mail, coupon booklets and electronically, as well as flexible payment methods, i.e., electronic payment, and payment by credit card. Students and families have 24-hour, seven days a week access to their accounts via the Internet, interactive voice and by fax.

As a result, we have witnessed a marked growth in enrollment in our education payment plan, 24.5 percent over two years, while we virtually eliminated the majority of costs associated with plan marketing, enrollment, billing, servicing accounts, processing payments, data entry, and the production of reports. Based on the estimated costs to

create and manage a comparable education payment operation internally, using industry validated costing parameters, we estimate savings of approximately \$620,000 to \$1.24 million in administrative expenditures. Coupled with the avoidance of merchant fees, conservatively we saved \$1.7m in academic year 2001-2002 by choosing Tuition Management Systems as our exclusive provider.

In conjunction with our partner, we introduced a credit card payment process to cover tuition and housing deposits. With merchant fees eliminated, our cash flow issues were eased. Cash flow has actually improved. With costs of marketing falling on the shoulders of our partner, their timely and effective customized marketing materials encourage our students to establish payment schedules earlier. As a result, we witness significantly higher enrollments in the plan earlier each spring, with receipt of payment from more than half of our enrollees beginning as early as May for the coming academic year.

Early and effective marketing of our education payment plan helps students and families strategically plan and control their finances. With more families able to budget their tuition and housing costs using monthly, quarterly or other customized payment schedules, delinquencies have been reduced. Students borrow less, and overall student debt burden is significantly lower at Mary Washington than at other comparable institutions.

Additional revenue is generated annually through fee sharing arrangements with our partner. Delinquent payment fees are shared, providing the school with a new stream of revenue, while at the same time encouraging timely payment by students and families.

With state-of-the-art administrative and Internet technology provided at no cost, we have introduced a wide variety of web capabilities with no capital outlay, development costs, or time taken away from other responsibilities and expended on programming. Our partner provides a customized link to their website that allows our students and families to enroll online and to access and deal with account inquiries. With this technology in place, 13 percent of our students enrolled electronically in our education payment immediately on implementation, our technology continues to be enhanced, and our products and services continually upgraded with no financial expenditures from the school.

Why reinvent the wheel? Exclusively outsourcing to a qualified partner with demonstrable technological superiority saves time and valuable financial resources, better devoted to academic excellence.