

Maximizing Student Collections

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Abstract

Student Financial Services at the University of Virginia (UVa) collects approximately 25 percent of the major sources of funds for the University. The major sources of the funds collected are from tuition and fees and auxiliary enterprises. The system and policies supporting these revenue collections have been established for several years. Student Financial Services has successfully implemented an integrated student affairs philosophy, together with innovative financial aid counseling and student accounts procedures supporting annual revenue collection rates of 99.98% of total revenues.

An Introduction to the University of Virginia

The University of Virginia is distinctive among institutions of higher education. Founded by Thomas Jefferson in 1819, the University sustains the ideal of developing, through education, leaders who are well prepared to help shape the future of the nation. The University remains public, supported by the Commonwealth of Virginia while also nourished by the strong support of its alumni. It is also selective; the students who come to UVA have been chosen because they show exceptional promise. With nearly 13,000 undergraduate and 6,000 graduate students, the University provides a personalized and well rounded education for all students.

The University of Virginia continues to be recognized for its excellence and is tied for the No. 2 public university, according to the 2007 *U.S. News & World Report*. Since *U.S. News* began ranking public colleges and universities in 1998, UVA has ranked either No. 1 or No. 2. UVA continues to rank in the Top 25 among the best of all national universities, public and private, tying with the University of Michigan at No. 24.

The operating budgets for July 1, 2006 through June 30, 2007, for all divisions of the University of Virginia total \$2.0 billion. Of the total budget, \$1.1 billion relates to the Academic Division, \$866 million to the Medical Center, and \$30.4 million to the University of Virginia's College at Wise.

The University introduced a comprehensive need-based financial aid program, AccessUVA, in February 2004. In 2004, the University began the process of annually phasing in the four components of AccessUVA which include:

1. Implementing a financial aid program designed to meet 100 percent of demonstrated financial need for all undergraduate students;
2. Replacing need-based loans with grants for qualifying undergraduate students with family income at or below 150 percent of the federal poverty level. This level has since been amended; the new qualifying level is a family income at or below 200 percent of the federal poverty level;
3. Capping need-based loans to all undergraduate students at approximately 25 percent of the total in-state cost of attendance over four years;
4. Initiating a program of financial literacy designed to educate students on issues of personal finance, consumer rights and responsibilities, and debt management.

Student Financial Services (SFS), staffed by approximately 50 individuals, was established in recent years by merging the Bursar's Office and the

Office of Financial Aid. The office is dedicated to providing students, alumni, and their families with efficient, courteous, and responsible financial services, while complying with all federal, state, and University policies. SFS provides financial assistance to students, many of whom might otherwise be unable to attend the University.

Statement of the Problem / Initiative

The University of Virginia has received decreasing financial support from the state in recent years. The University's budget is increasingly dependent on tuition revenues and philanthropy. Therefore in order to maintain and improve the University's programs and fund operations, it is imperative that the University maximize collection of receivables.

The University is highly regarded for its programs and extensive financial aid to undergraduate students. The socio-economic diversity of the undergraduate student population has fluctuated in recent years. The University's goal is to increase the socio-economic diversity through full implementation of AccessUVa, a comprehensive financial aid program that provides need-based aid. Each year, approximately 25 percent of undergraduate students qualify for need-based aid. Of those, 8 to 10 percent are eligible for the Pell Grant, the federal grant for the neediest of

families. Typically three out of five undergraduate students come from families who have incomes above \$100,000 and one out of five undergraduates have family incomes exceeding \$200,000. The majority of undergraduate students, or nearly seventy percent, are from in-state with the remainder from out-of-state. There is a significant cost of attendance differential for in-state students compared to out-of-state and international students, with out-of-state tuition & fees assessed at over three times the cost of that for in-state students.

Student Financial Services, working closely with the Revenue and Collections Division of Financial Administration, is charged with the collection of approximately 25 percent of the University's major sources of funds for the Academic Division. Student Financial Services collects the maximum amount of receivables even with the following challenges:

- *Limited collection systems:* Payments must be made in person during normal business hours at the cashier's office, mailed or wire transferred. Only cash, checks, or financial aid are acceptable forms of payment. There is currently no e-commerce system to receive credit cards or electronic or ACH payments.
- *Off-grounds location:* The cashier's office, financial aid administrators and student account counselors are located away from the central grounds area. Students must walk approximately 2

miles to the office, ride the university bus, or drive to make payments when the deadline is immediate.

Design and Implementation

The opportunity to positively affect the collection of receivables was realized when the University of Virginia Bursar's Office and Office of Student Financial Aid were merged under one umbrella, Student Financial Services. This was a positive development that was beneficial for students, because it meant moving from a punitive environment, where previously students were suspended by the Bursar's Office for non-payment of fees, to a more student-oriented model. Our current policies for the most part require an in-person visit to receive financial aid counseling or to apply for local remedies to resolve outstanding account balances.

The goals of the office were to provide financial aid timely where eligibility existed and to collect receivables to the greatest extent possible, while mitigating disruption to the student's experience at the University.

Therefore several policies were developed to support receivable collection including:

- Billing for undergraduate tuition, fees, housing and dining is initiated in July, prior to the beginning of the fall semester. Payment is expected within 30 days or the beginning of the fall semester, whichever is first.

- Establishing a policy for financial aid administrators to determine the conditions under which a student can remain enrolled and registered -

“**The Modicum Policy:** If the student has a modicum chance of securing enough financial aid to pay the bill, *allow them to register.*

Financial aid administrators/advisors determine if the Modicum Policy comes into play.”

- Administering university financial resources to temporarily defer or offset outstanding balances. UVa has two local funds available to students, through in person visits. The first, the Brewer Emergency Loan, is available up to the registration deadline and defers payment of up to one-third of the total charge for tuition, fees, room and meals for ninety days. If funds are not received within ninety days, a late fee and block are placed on the student’s accounts. The second resource is the Lee Emergency Loan, which is available on an ongoing basis throughout the semester. It must be applied for and received in person. The Lee Loan is a one-time per semester \$500 no interest loan on signature only that can be applied to the student’s account.
- Establishing a contract with First Marblehead to provide non-need loans to students. The Gate Loan is a signature only, no cosigner loan available to undergraduate students up to the cost of

attendance. The rejection rate for this loan historically has been less than 2 percent.

Student Financial Services also facilitates improved communication between the bursar and financial aid offices, as well as “one stop shopping” for students. Another feature of Student Financial Services, and one that is unique to the University of Virginia, is the School’s ability and willingness, upon completion of all requisite paperwork by the student, to apply the monies for all grants and loans before the University has received payment for the financial aid. The benefit of this arrangement is that disbursements of funds are delivered more quickly to the students. Ultimately, students can come to Student Financial Services to gain financial information, education, and counseling, as well as financial aid.

Benefits

Although there are challenges to collecting receivables without the assistance of an e-commerce system, the benefits are numerous. For the student, for whom the University exists, there are multiple resources centralized for their benefit. The one-stop approach allows the student to verify their account balance, receive immediate counseling or service to receive a local fund, and have the funds applied to their account to

defer a block to their account. Therefore, students have the opportunity to receive personalized service and in most cases, experience little or no interruption to their student status as a result of an outstanding account balance.

The communication among financial aid administrators and student account counselors is enhanced through the receivables policies.

Cooperation, for the student's benefit, is demonstrated through working together to assist a student in resolving an outstanding student account issue. Many times working together on a student's behalf has resulted in problem solving that may not have occurred if approached by an individual staff person.

The institution benefits from the collection of the receivables, because the receivables provide a significant portion of the academic division's operating budget. Receiving the projected amount of revenue negates the need for the University to seek financing to cover any revenue shortfalls. Additionally, the University can deliver the programs and initiatives as planned for the benefit of the student body and employees.