

Outsourcing Disbursement of Refunds to Give Students More Options and Decrease Costs for Institution

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Abstract

In the last five years Luther Rice University experienced substantial growth in both the student body and in the number of federal financial aid recipients. Consequently, LRU had numerous refunds to issue to students. Disbursement of these monies occurred only via paper check and included a delay for the students to access the funds. The disbursement process also entailed a cost to the school in terms of supplies and time required by staff members. Luther Rice partnered with Sallie Mae Business Solutions to enhance the disbursement service, which enabled students to choose from various methods to receive their refunds and gain quick access to their funds. The school implemented the new process over approximately four months using small groups of students initially to receive refunds and eventually using the new process for all student refunds. While LRU would have liked a few minor changes, the outsourcing of refunds was a success and benefited both the students and the institution.

Introduction of the Organization

In 1961, Dr. Robert Gee Witty, Pastor of the Central Baptist Church in Jacksonville, Florida, presented the need for a seminary to several Southern Baptist pastors. In 1962, Dr. Witty secured five pastors who signed the charter application, and on June 14th of that same year the State of Florida granted the charter. The first classes met in facilities provided by the church and all faculty were pastors who served Luther Rice Seminary without pay. The school retained the name Luther Rice Seminary until 2006, when it changed to Luther Rice University.

LRU offers both traditional semester-long, on-campus classes along with nontraditional online and modular courses. This innovative, nontraditional system has attracted thousands of students both nationally and internationally, with LRU having students from all 50 states of the U.S. and from 37 different countries.

In the last five years Luther Rice University has seen a 59% increase in the number of students and a 450% growth in the number of federal financial aid recipients. This growth brought an increase in the amount of disbursements for students, whether from refunds due to dropped classes or excess federal aid funds. Consequently, the number of disbursement checks grew dramatically.

LRU desires to offer an efficient and pleasant experience for the students when refunding their monies and decided to explore a new avenue to enhance the service. The school pursued a relationship with an outside vendor that could help with the speed and options for disbursing refunds to students. In addition, the outsourcing also benefited the institution by allowing the staff to focus on other financial issues.

Statement (restatement) of the Problem/Initiative

Luther Rice University offered refunds via paper check only option and students could either retrieve the checks at the school or choose to have them mailed. If the students chose to have their refunds mailed, they had to wait to receive the checks and deposit/cash them before the funds were usable. In addition to the limited refund options and the delay for the students, the institution incurred costs in terms of supplies and time. LRU prepared the checks onsite, so costs included blank paper checks, printer and mailing supplies, and postage fees incurred in mailing the checks to the students. Time was also required from various staff members because the process for preparing the checks included verifying the accuracy of the students' accounts, preparing the checks, having two staff members sign the checks, and emailing the students that the disbursements were ready. With new web based academic programs we had to send checks to students located all over the U. S. no longer were students coming by the office

to pick up checks as with campus based programs. There were also students who moved but not notified us of a change in their address of record. Once in 2006 some checks were counterfeited and cashed. Although our bank replaced the funds they had to close our account and open a new one. This caused more administrative work and the loss of customer service. It was clear that we needed to have more security in this process.

Design

Before implementation started we had several preliminary meetings with Sallie Mae Business Solutions. These meetings consisted of preparatory planning, staff training, contractual elements as well as marketing campaigns. Within the initial stages of development we specified features of the disbursement that the institution would like to have available. This included Debit Card color, logo selection and other logistical items.

When developing our strategy and methodology for implementing our best practice, we considered two aspects of the project. Every action within the disbursement process falls within one of these two procedures. First, we considered the process prior to the actual refund which involves collecting refund requests from students. We determined that the student should see as few changes as possible. The methodology in which they “requested” the refund should not change. We worked with our IT department in incorporating the disbursement selection page with our current website and Sallie Mae Business Solutions. This would mean that as far as the actual request was concerned there would be minimal change.

Second, we considered the process of disbursing the actual funds to the student. This is where the student will see the most change. Instead of coming by the school or

receiving a check from Luther Rice, the student will receive their refund one of three ways. The student will either receive a check, debit card or ACH (Direct Deposit).

Although this initiative did not require any additional personnel, it did require additional time from existing personnel. Those positions that were directly involved were the following; VP of Financial Affairs, Student Services Director, Student Accounts Personnel and our 3rd party programmer. Each position played a variety of roles within the planning, marketing and implementation of the initiative.

VP of Financial Affairs- Initiating the process, Approving terms of Agreements, Monitoring process and testing, providing banking information to Sallie Mae.

Student Services Director- Communication of changes to student body, Assisting in IT planning and changes, Liaison between Sallie Mae and Student Accounts.

Student Account Personnel- Testing product and tailoring procedural aspects, communicating procedures to students on a individual basis.

Programmer- Creating, implementing and maintaining Refund request application, Creating Load Files and Pay Files

CAPITAL EQUIPMENT PURCHASES/ELECTRONIC SYSTEMS SOLUTIONS

There was no additional capital equipment necessary nor were there any additional costs required from Sallie Mae Business Solutions.

COST AND/OR BUDGET RAMIFICATIONS

The time to complete the project by our programmer was estimated to be 50 hours and programming was completed within that time at a cost of about \$8,600.00.

All other staff members were able to perform the planning, testing and implementation of the project during the regular work day during the summer so there was no overtime costs.

Although we are a small college our growth has been dramatic we expected to increase from 1,200 paper checks in 06-07 to 1,600 checks in 07-08 which would mean estimated costs of \$12,000 processing expenses in supplies and labor. We should be able to more than offset that costs in our first year and the increase in customer satisfaction would be another positive factor that can not be measured by dollars.

Implementation

In order to implement this process we wanted to approach the disbursements on a small scale before introducing it to the whole student body. However, prior to implementation we marketed the product to each individual group. We found that performing preliminary marketing was helpful in assisting students that were unsure of the sign up process. This “testing” also helped LRU staff learn how to address questions the student body had. Sending initial emails walking students through this process made the disbursement process much smoother. The initial marketing gave us a good sense of how the student body would react to this change. We were pleased by the initiative that the smaller group of students took from the marketing emails. When implementing the process we started with small groups and gradually increased towards the implementation for the whole student body. The following was the implementation time line:

Summer 2007

May 2007

- Marketing and sign up for student employees

- 1st Payment sent to Sallie Mae Business Solutions for disbursement to student employees
- All funds were received by students

June 2007

- Evaluating May's disbursement
- Collecting documents that were received by student employees in the mail
- Verifying information on checks and debit cards

July 2007

- Selection of six students for 2nd payment
- Marketing sent via personal phone call to students
- 2nd Payment sent to Sallie Mae Business Solutions for disbursement to students
- Exceptions flagged for record discrepancies
- Discrepancies corrected in file
- All funds were received by students
- Selection of ten students for 3rd payment
- Marketing sent via personal phone call to students
- 3rd Payment sent to Sallie Mae Business Solutions for disbursement to ten students

Fall 2007

August 2007

- Marketing sent to whole student body regarding new disbursement process
- 1st full run for disbursements to students.

Although we were not strictly held to a timeline when it came to the disbursements, our goal was to thoroughly test the disbursement process several times before implementing on a large scale. We were not concerned that the first three disbursements happened within the summer but rather that they happened smoothly. One of the pitfalls that we encountered was the IT skill level of our students. Some students had problems signing up for the disbursements. We found that not all information was typed in correctly by some students which prevented a timely refund in those cases. We found

that in order to manage these exceptions we would need to spend a little time helping these individuals through the process.

LRU chose to use the single sign on method so students would not have to create another username and password. Our programmer built a platform so students could use the login they use on the LRU website. During this process there were a number of issues that had to be overcome. The two largest issues are: students who have not been sent in the initial load file receive an error message if they try to login prior to their information being sent and when the students bookmark the website it saves the main Sallie Mae login screen rather than the single sign on screen. Prior to developing a platform for the single sign on process it would have been nice to know the capabilities of the process are quite limited.

Another pitfall that we encountered was the submission of Pay-Files and Initial Load-Files. Initial Load-Files and Pay-Files are documents that the institution must submit to Sallie Mae Business Solutions prior to disbursements of monies. There are certain formats that these files must be in to be submitted correctly. In our case we had a 3rd party programmer that was able to meet these requirements. This could possibly be a challenge for those institutions that do not have personnel with ability to do this.

These steps to implementation helped us test the process before introducing this service to the student body. By performing smaller disbursements throughout the summer, we were able to experience possible problems that might occur. Because summer is a slower time for our institution, we were able to invest in correcting and perfecting the process on a more detailed level.

Benefits

Outsourcing disbursement of refunds benefits students in two ways. First, students now have more options to receive their monies. Before, students only received refunds via paper check, but now they choose to have the refunds deposited onto a debit card, transferred to a bank account via ACH, or mailed in the form of a paper check. The second benefit to students is the change can offer a faster disbursement time of the refund. If a student chooses to have the monies placed onto a debit card, the refund can be available on the same day that the institution processes the refund. If the student chooses an ACH direct deposit instead, the disbursement can be applied to a bank account the following business day after LRU processes the refund.

Along with benefiting the students, outsourcing disbursement of refunds also aids the school in various ways. One way is that it frees staff to focus on other financial issues. The previous check-writing process required approximately 5 hours and at least three staff members. Now, two staff can handle the process in approximately one-and-a-half hours. Another help to the school is the costs for blank checks, printer supplies, and postage decrease because LRU no longer has to prepare and mail paper checks. We have also added more security to the cash disbursing process by eliminating much of the paper check and mailing activity. A final benefit is the ease of monitoring the disbursements online. Sallie Mae Business Solutions offers LRU the ability to view the date the refund request file was submitted by the school, the date the disbursement was issued to the student, and the clearance date of the check/debit card/ACH transfer to the student.

Retrospect

Although the preparation, testing and implementation of this practice has been a smooth process, there are a few things that we wished could have happened differently.

Because of our ability to cut checks manually we were never under much of a time crunch, but looking back we would have budgeted more time to thoroughly test and prepare for the disbursement process. We did mention some areas of interest of improvement to Sallie Mae Business Solutions. It would be helpful if we could include the student's ID number on the debit card along with their name. We also felt that the training provided by Sallie Mae Business Solutions would be more beneficial had it been a realistic run through of the disbursement process with test accounts. Our test run was done with our live bank account and with current students who were employees of the institution. Although things ran smoothly with the test run, we would have felt more comfortable using a "dummy" site.

All in all the process was very encouraging and we found the support from Sallie Mae Business Solutions was very helpful. The benefits of using Sallie Mae Business Solutions to process student refunds far outweigh the costs. We significantly decreased the lag time for refunds to get to the students and increased the ability of our employees to focus on other internal issues.