

**2010 SACUBO BEST PRACTICES ENTRY:**

**SECURE VAULT PAYMENT: AN EFFICIENT, SECURE MEANS  
OF PAYMENT FOR THE UNIVERSITY OF GEORGIA'S  
CUSTOMERS**

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## **Abstract**

*Faced with mounting expenses for processing credit card transactions in tight budget times, the University of Georgia (UGA) needed a better option to facilitate eCommerce. So, UGA implemented a couple of different options: 1) a transition to a third-party vendor for credit card payments and transfer of the processing fees to payers; and 2) the use of eChecks (ACH from payers' bank accounts).*

*However, students and parents were not completely satisfied with these new methods. Customers complained about the 2.75% convenience fee added by the third-party vendor to their transactions when they selected credit card payment. They also were opposed to providing the sensitive bank account data required to facilitate eChecks. Instead, many returned to traditional checks, with more students showing up at cashiers' windows to make payments. While the University realized substantial savings from the transfer of the credit card fees, much of the gain was negated by the increased staff time required to process paper checks or track down eChecks with insufficient funds, closed accounts or bad account numbers. The Bursar's Office needed to improve cash flow for the institution.*

*It's easy to understand why UGA listened with open ears when approached with another possible solution developed by NACHA—The Electronic Payments Association (NACHA) and TouchNet, a third-party vendor. The prospect was Secure Vault Payment (SVP), a process through which students and parents can make payments directly from their own bank accounts with no personal banking information divulged. No fees are charged to the payer. The cost to UGA is minimal, and UGA has the added bonus of knowing that adequate funds are available for payment.*

*In May 2009, UGA became the first university in the nation to offer Secure Vault Payment, and the option already has proven to be a win-win for all involved. In just the first four months of its implementation, more than 170 payments (totaling \$150,000) have been processed (and this has all been accomplished without any advertising). The Bursar's Office sees great potential for expansion of SVP in other eCommerce transactions at the University in the future. It is a process improvement that saves time and money, while making customers feel more secure about the transactions they are making.*

## **Introduction of the Organization**

The University of Georgia (UGA), established in 1785 as the nation's first state-chartered university, is the flagship institution among the 35 colleges and universities in the University System of Georgia. With nearly 35,000 students, approximately 9,000 faculty and staff, and an annual budget of \$1.3 billion, UGA is the largest and most comprehensive educational institution in Georgia and a driving force in the state's economic growth.

The University of Georgia's academic reputation is on the rise, and admission is increasingly competitive. Approximately 18,000 applicants applied for the fall 2009 class of just over 4,700 freshmen. The University of Georgia is ranked 21<sup>st</sup> among the nation's top public universities by *U.S. News & World Report*, and the institution is consistently recognized as one of the best values in American higher education. Sixteen colleges and schools, along with auxiliary divisions, conduct the University's tripartite mission of teaching, research and service.

Nearly 1,600 employees serve in the University's Office of Finance and Administration, striving to provide the essential support required by the University of Georgia to achieve its ambitious goals. Seven divisions are housed under the auspices of Finance and Administration, managing the University's fiscal, human and physical resources. The Controller's Division is one of those divisions, and this submission addresses a collaborative effort of its Bursar's Office with NACHA—The Electronic Payments Association (NACHA) to make e-transactions more reliable, secure and efficient for the institution and customers alike.

### **Statement/(Restatement) of the Problem/Initiative**

When credit card processing fees at the University of Georgia exceeded \$500,000 in 2004, the University began investigating ways to reduce the costs of receiving tuition payments from parents and students. After considerable research, the University embarked upon an initiative to move tuition payments online using a third-party vendor to accept payments. Beginning in November 2004, students and parents were able to pay online using credit card or eCheck [Automated Clearing House (ACH) from their bank account].

The transition to a third-party vendor resulted in a number of challenges. First, there was the high cost to the student or parent of choosing to use a credit card. Credit card transactions require a convenience fee of 2.75% of the overall payment. That meant that a student using a credit card to make a payment on a student account balance of \$7,000 would incur a fee in the amount of \$192.50. Second, due to Visa's rules regarding convenience fees, students and parents could not use these popular cards to make payments.

By transferring the credit card expense from the University to the payer, UGA saved \$600,000 in the first year alone. However, the University wanted to offer an online payment option to students that did not have a cost associated with it. Another option available at the time allowed students and parents to pay their student account balances using eChecks (ACH). This method required payers to provide their checking account information (i.e., account and routing number) to the third-party servicer to complete the payment and resulted in no cost transactions to the student. While it may sound like a good alternative, it actually ended up causing additional problems for the University.

First of all, the number of credit card payments fell significantly, and the Bursar's Office saw a substantial uptick in the number of students and parents writing paper checks to make payment. This reduced the efficiency of payment processing and increased the number of students coming to the office to make payment in person. Second, with eChecks—just as when a paper check is written—the University is not guaranteed for several days and sometimes even a few weeks that sufficient funds exist to support the transaction. The University experienced an increase in unfunded payments with the eCheck payment option: non-sufficient funds transactions, invalid account numbers and closed accounts.

All of these concerns required additional collections work by the Bursar's Office staff. The cost of chasing down these payments began to increase the cost of eChecks to the University, negating the efficiencies that were expected to be achieved by the process improvement. Most significantly, the University found that a number of students and parents would not consider using eChecks because they preferred to avoid providing checking account information (i.e., account number and routing number) online. Maximizing the efficiencies to be gained by transitioning students and parents to electronic payment was rife with challenges.

Thus, when the University was approached by NACHA to consider an alternative electronic method for students and parents to make payments—which did not require the collection of banking information—the Bursar's Office's interest was piqued.

## **Design**

Individuals involved in the processing of payments within the Bursar's Division were asked to help assess this new payment option and how it would assist in reaching the goal of processing more payments electronically. The assessment team consisted of five members of the Bursar's and Student Accounts offices who analyzed the proposed system over a period of five months.

### ***Step 1***

The assessment team worked together to determine the criteria that would be necessary for UGA to implement this new payment option. Among the necessary functions:

- clearly identifiable value proposition to both the individual making payment as well as UGA;
- ease of use;
- greater security than with traditional credit/debit cards and eChecks;
- immediate authorization of the transaction and guaranteed payment;
- ability to handle international transactions;
- low cost per transaction; and
- strong organization behind the product.

### ***Step 2***

The Bursar's staff met with representatives from NACHA and TouchNet (UGA's third-party payment processor) to discuss the proposed alternative, Secure Vault Payment (SVP), and how it worked. SVP (<http://www.securevaultpayments.org/>) was already being used by a number of online merchants. Key in the analysis was UGA's

understanding of why NACHA, the governing body for electronic commerce, felt it was necessary to develop a new online payment option for consumers. NACHA already had partnered with Synovus (a financial services holding company with approximately \$34 billion in assets based in Columbus, Georgia, providing commercial banking, retail banking and investment services in Georgia, Alabama, South Carolina, Florida and Tennessee), to process these new payments for online retailers. However, NACHA also was keenly aware of higher education's trend to reduce costs by outsourcing credit card payments. NACHA felt the Secure Vault Payment option could benefit colleges and universities. Given the partnership between NACHA and Synovus, NACHA engaged several institutions in the state in discussions about the product.

### *Step 3*

After meeting with representatives from both NACHA and TouchNet, UGA personnel were convinced that this payment method would satisfy the evaluation criteria and that parents and students would appreciate and quickly gravitate to this new, more secure form of payment. Secure Vault Payment requires only a few simple steps. During the payment process the payer chooses SVP as the payment method. The payer identifies his/her bank and is immediately redirected to that bank's log-in screen. The payer accesses the accounts via the normal log-in process for electronic banking functions and selects the account (i.e., checking, savings, etc.) from which the debit will be made. Once the "submit" button on the bank's screen is pressed, the payer is immediately returned to the receipt page of the UGA Student Account system payment process. At no time is personal banking information divulged to the University.

The Bursar's Office saw the potential benefit of this new system and decided to pursue it. In May 2009, UGA became the first institution in the nation to implement Secure Vault Payment.

## **Implementation**

### ***Step 1***

The UGA's Bursar's Office worked closely with NACHA, eWise Systems (the technology provider of SVP) and TouchNet Systems to deploy SVP as a payment method on the UGA payment site. In addition, the Bursar's Office worked with Columbus Bank and Trust (a Synovus affiliate in Georgia) to set up an account for transaction payment settlement. NACHA and TouchNet negotiated on the University's behalf to reach an arrangement with the bank that was favorable to the University; thus, UGA incurred only minimal cost to deploy this new payment method.

### ***Step 2***

UGA first introduced Secure Vault Payment to students and began accepting SVP as a method of payment method in May 2009. In order to minimize disruption to the Bursar's Office in the event of any problems upon launch of the system, no initial advertising or promotion was used. Instead, SVP was simply listed as a payment method alongside credit card and eCheck on the student account payment screen.

However, the Bursar's Office staff was amazed at how many payers clicked on the "more information" button and began using the system. Since its implementation only a few months ago, more than 170 SVP transactions have been processed.

### *Step 3*

The Bursar's Office continues to work with NACHA and TouchNet to identify future methods to communicate the value of using SVP as a payment method for tuition. In addition, it is hoped that use of SVP can be expanded to other campus units currently engaged in eCommerce and credit card processing. SVP could prove attractive to their customers as well.

### **Benefits**

UGA realized the benefits of SVP as a payment method the moment it was activated. These benefits are mutual to the institution and parent/student payees alike. For example, positive attributes for students and parents include:

- **Very safe, secure method of payment with no personal data ever shared**
  - No personal or private information (i.e. card number, checking account information, etc.) is ever divulged by the payer during the transaction.
- **No convenience fee to payer**
  - Since the cost of the transaction is so low, there is no need to pass it on to the students via a convenience fee.
- **Very easy to use**
  - No initial set-up is required by payer.
  - The payer identifies his/her financial institution (FI) and is automatically redirected to the FI's log-in screen.
  - Log-in to the FI occurs the same way as for all e-banking transactions to which the payer is accustomed.

- The payer can select the account to be debited.
- Once payment is confirmed, the payer is automatically redirected to the UGA payment receipt page.

As significant as the benefits are to the payer, they are even greater for the University and include:

- **Immediate authorization of the transaction in real time**
  - The Bursar's Office knows immediately that the tuition payment is good. There is no longer the chance that the payer's checking account might be closed, incorrect data might have been entered or that there are insufficient funds in the account. The Bursar's Office submits "pre-note" files on the bank account information provided by new eCheck customers or customers needing to change their bank account information. However, no "pre-note" verification is needed when SVP is used. This translates to valuable time savings for the UGA Bursar's Office staff.
- **Guaranteed payment within 24 hours via ACH**
  - Funds are received in the UGA settlement account within 24 hours via ACH, improving cash flow for the institution. As more payers take advantage of SVP, the Bursar's Office will reap the benefits of fewer paper checks to process and deposit.
- **No data to receive and protect**
  - As a result of the way the transaction is conducted, no bank account data is retained by UGA or the third-party processor. Thus, additional administrative and security measures regarding data are avoided.

- **Low cost per transaction, fixed at no more than \$1.00 per transaction**
  - More than \$150,000 has been paid via SVP by customers towards student accounts within the short time this payment method has been offered. This process improvement was implemented at no cost to the customer and a minimal \$173 in processing fee costs to the University.
- **Ability to accept international transactions in the future**
  - SVP is in the midst of being integrated within many other banks and ACH platforms. This will enable UGA to accept payments from international students with the same cost-saving benefits of using SVP with domestic banks. This has significant applicability due to the high number of international students who attend the University of Georgia.

The University anticipates that the SVP payment method can be incorporated into other applications at UGA that engage in eCommerce. These may include transactions within the TouchNet Marketplace application (a vendor-provided, eCommerce platform for credit card processing used widely by UGA departments for online conference registrations, sales of departmentally produced materials, etc.) and/or additional transactions on campus. Use of SVP could result in increased efficiencies and sales volume, as online customers become more comfortable with this secure payment option.

The UGA Bursar's Office believes this payment method has the ability to revolutionize the way payments are accepted by the University. Bursar's Office staff members are eagerly awaiting additional banks to accept and process SVP as an online payment option. In our view, every SACUBO member should become aware of SVP and consider its benefits for their school.

## **Retrospect**

In looking back over this experience, the UGA Bursar's Office would definitely make the same decision to implement Secure Vault Payment. One of the main reasons for the smooth transition was that UGA's third-party payment processor did the majority of the work to establish SVP as a payment method within the student accounts software. This was a significant benefit to the University.

Considering there was no formal advertising and that the number of banks currently participating in SVP is limited, UGA is satisfied with the present level of customer use of the new payment method. However, UGA and its students could derive even greater benefit if more banks participated in the SVP format. The Bursar's Office has engaged several banks in discussions about SVP and is hopeful that these banks will take steps to incorporate SVP into their electronic banking functionality, thereby significantly increasing the population that can utilize SVP.

Looking forward, if local, regional and national banks join SVP, the UGA Bursar's Office would consider removing the eCheck as an option for payment. This would provide greater security and assurance to customers and remove the risks associated with maintaining customers' banking data.

As requested by NACHA, UGA gave a presentation on SVP at the NACHA Payments 2009 Conference in Orlando in April. It is our hope that through such opportunities to share this information with colleagues, other institutions will learn of this emerging best practice.