

ELECTRONIC FINANCIAL AID REFUND DISBURSEMENT RAMPS UP EFFICIENCY AT NORTH CENTRAL MISSOURI COLLEGE

When she became the vice president of administrative services at North Central Missouri College (NCMC), Sharon Barnett knew the school needed to make changes to its financial aid distribution system. Although there were more efficient options on the market, the school opted to begin using paper checks while its IT department investigated much-needed upgrades to its student information system and distribution methods.

THE PROBLEMS WITH PAPER

By using paper checks, NCMC was facing a number of challenges — for the administration and students. According to Barnett, the process was inefficient on both a time and cost level and was doing more harm than good in the area of student satisfaction.

To start, some students of the Trenton, MO, school would claim checks were not received. In many cases, the checks were lost or sent to an incorrect address. Rarely, the claim turned out to be fraudulent, requiring another level of paperwork.

Barnett cited an example: An NCMC student who claimed to not receive a check was instructed to destroy the check if it arrived as the school was putting a stop payment on it and issuing a new one. The student proceeded to cash the original check at a retail location — where the stop payment was not picked up — and went on to cash the second one as well.

Another problem the school was running into was that of bad addresses. Students frequently move during their time in college. As they progress from semester to semester, it's rare that a student makes the necessary changes to his or her personal information with the school's administrative offices. When a check is mailed to the incorrect address, it is either returned and voided or lost, and a stop payment must be issued.

The alternative is to send the check to the students' home address — or in other words, to mom and dad. Most parents would diligently ensure their children received their checks as soon as possible — but using regular mail, it was often days after the funds should have been received by the student that the check actually arrived.

TIME AND MONEY

Time is of the essence when it comes to financial aid distribution. Title IV regulations mandate that financial aid funds must be disbursed within 30 days from the time the school receives the funds from the government. Although the school made every effort to get students their refunds in a timely manner, delays associated with late receipt of checks would sometimes occur and even lead to complaints from students and their parents.

"From a financial perspective, just to distribute the checks was costly considering printing checks and envelopes combined with postage. That doesn't even account for the labor costs involved in cutting, processing and mailing out all of the checks," says Barnett.

Barnett found that the time and financial impacts of using paper checks went hand-in-hand. Each check needed to be hand-signed by a board member. For any lost or returned checks, Barnett's staff members had to monitor, handle and manage the process.

Barnett further explains, "The reissuance of a single check is a lengthy process. We must first issue the stop payment, which requires the completion of an online questionnaire. Then a new check must be issued. This takes about 30 minutes per check."

In 2008, NCMC went through a major upgrade in its administrative software. It was time to begin considering paperless systems — and eliminate the need for paper checks for good.

DIRECT DEPOSIT

Among the options on the market is ACH — or automated clearing house. With ACH distribution, funds are deposited directly to each student's personal checking account.

Using ACH, administrators collect each student's bank routing number, bank account number and personal information set. While ACH is certainly a paperless process, Barnett was seeking a more streamlined and secure solution for NCMC.



Between the need for data collection and the liability associated with storage of the students' personal information, ACH presented other challenges. For one, the manual data entry involved inherently holds the potential for inaccuracies and mistakes, not to mention it takes a substantial amount of time. Additionally, storing students' personal information would make the school's information system an attractive target for hackers.

Another challenge of the ACH process is that there is no check number associated with the distribution. Funds are deposited to the account using the students' routing and checking account numbers. The school has to issue a pre-note to test that the account is valid before it can issue the direct deposit refund — adding an extra step.

Furthermore, in cases when a student doesn't have a bank account, an alternative method of distribution needs to be determined.

SEARCHING FOR A SOLUTION

While NCMC was looking for a paperless financial aid distribution method, members of the IT department attended the Heartland Campus OneCard user group conference hosted by Heartland Campus Solutions.

The OneCard System is a Heartland product NCMC had previously installed for student identification and a portion of its on-campus spending. The user group conference provides school administrators a forum to learn tips, best practices and how to optimize efficiencies using the product.

At the conference, Alan Barnett, chief information officer at NCMC, learned that Heartland was offering a new financial aid product that distributes refunds to a virtual checking account linked to a Discover® debit card called "Acceluraid."

"When he returned from the conference, he told me Heartland was introducing a paperless, integrated product in Acceluraid. At the time, I was researching solutions, and the product I was looking into just didn't seem to be as well integrated as this one, so I said, 'let's try it,'" explained Barnett.

A GOOD MATCH

Beginning in January of 2010, NCMC implemented the system on its campus.

"Heartland offers Acceluraid as a standalone product or as an integrated solution with the Heartland Campus OneCard System — enabling the Discover debit card and the OneCard to draw from the same financial account. It allowed us to start where we needed to and grow the program to suit our students' needs," Barnett added.

With the OneCard System already in place at NCMC, students already had been furnished with a financial account at Central National Bank (CNB), the sponsoring bank of the OneCard. Upon the installation of Acceluraid, students expecting reimbursement were also given a Discover debit card that was linked to their existing OneCard accounts.

By incorporating the financial aid reimbursement into the same financial account, the school expanded students' purchasing power on- and off-campus.

Students can now use their financial aid refunds for on-campus services such as printing, copying and dining. Plus, students are able to use the prepaid Discover card for purchases anywhere Discover is accepted.

"We have the accounts set up so we can do our own wire transfer online. From the student side of it, they are happy to get their money faster. Usually it's same or next day," says Barnett.

As for changing her students over to the new method of disbursement, Barnett explains Acceluraid has been a hit — for the majority of students.

"Most of them are very used to paying with a card and have taken right to it. We did have a handful of students who asked for a check rather than the card. I felt it would impact the efficiency of using this process, so I explained the spectrum of options they now have," she says.

Barnett went on to explain that with Acceluraid, the students are able to use the Discover card for purchases and ATM withdrawals, to request a check through the bill pay system or transfer funds from the Acceluraid account to another checking account.

THE RIGHT MOVE

"Everything went off without a hitch, and I was absolutely thrilled with the results. I have more than 25 years of experience in higher education institutions, and this was the smoothest execution I've ever experienced for such an undertaking," says Barnett.

By eliminating paper checks, NCMC quickly saw a reduction in the costs, delays and operational hurdles Barnett's team was running into.

With the success of the Acceluraid implementation, Barnett began to examine other methods to streamline operations on campus. Already, NCMC has begun paying the salaries of student employees directly into their Acceluraid accounts to be accessed using their Discover cards or OneCards. The school is also making students' print and copy expenses easy to pay with their OneCards. And because all of the purchases are debited from the same account, it simplifies account management for the student — and the school.

"Since we've been using Acceluraid, our students are receiving their refunds an average of five to seven days earlier than they had been using the previous check system. Our administration has been able to save money on personnel costs, check issuance and reconciliation issues caused by delayed deliveries and lost or returned checks," explained Barnett.

She adds, "Acceluraid has proven to be a much more efficient process, and it has really made a difference for our school and our students."