The Smart Receivables Playbook: Rethinking Tuition Payments In A Time Of Transformation, a PYMNTS and Flywire collaboration based on research and interviews, examines the unique accounts receivable challenges facing educational institutions and explores how the institutions can address them.
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Many current and soon-to-be college students have had to learn the importance of resilience and adaptability over the past 15 months. These lessons in many ways extend to institutions of higher education themselves. A massive shift to digital education technologies and platforms has occurred over the past year, with online and asynchronous learning in many ways supplanting — not just supplementing — the traditional classroom and campus experiences.

These shifts have brought school financial leaders to the fore, the figures charged with keeping institutions afloat and students enrolled amid myriad challenges, including a tumultuous economy. School bursar’s offices play vital roles in ensuring students and their families pay tuition and fees as well as in helping them with financing and financial assistance where needed. These school leaders are also serving increasingly diverse student populations that include adult learners and tech-savvy Generation Z individuals accustomed to doing everything online.

Meeting payments needs across a broad range of groups amid shifting financial circumstances requires flexibility, strategic planning and coordination. This raises the question whether school financial leaders have the tools they need to enable more seamless and flexible payment experiences that afford their teams real-time visibility, data insights and control in managing student accounts.

PYMNTS’ Smart Receivables series examines how financial leaders across several industries are approaching both longstanding accounts receivable (AR) frictions and new challenges brought about by recent events. In this Playbook, we turn our attention to higher education, a sector in which successful payment operations are measured not in single transactions but in enduring relationships with students.

The digital shift that has so altered the learning experience has not necessarily extended to school administrative and financial offices. Most school financial leaders consider their payment operations only somewhat effective at best, according to PYMNTS’ research — and this is not for lack of spending. School leaders estimate that they are spending close to 3 percent of their annual budgets on payment operations, and this approximation does not take into account the less quantifiable costs caused by human error and the time wasted on suboptimal processes like manual data entry.

In the Smart Receivables Playbook: Rethinking Tuition Payments In A Time Of Transformation, a PYMNTS and Flywire collaboration, we offer an on-the-ground perspective on how higher education institutions are adapting to the pandemic and addressing the challenges and pain points they face. The report draws on Payments 2021, a companion study based on extensive surveys of financial leaders in the technology, healthcare and education sectors, as well as other leading sources and interviews with academic experts and school financial officials.

Here’s what we learned.
Overall enrollment at United States higher education institutions in the spring of 2021 was down 3.5 percent from the year prior, reflecting a loss of 603,000 students. The education sector is very large and diverse, however, and a closer look reveals more complexities.¹

Some segments of the market have had enrollment hold steady or even increase, including private four-year colleges and graduate schools, the latter of which experienced a nearly 5 percent increase in enrollment. Research also indicates that a greater proportion of older adult students (those 25 and older) enrolled at four-year colleges and universities in spring 2021 compared to 2020. It is possible that pandemic-related disruptions reinforced desires for many older students to complete degrees, improve their skills or acquire new abilities.

On the other hand, the pandemic has caused considerable financial strain at community colleges and two-year schools and dramatically curtailed in-

ernational student enrollment amid pandemic-based border restrictions. Enrollment among traditional college-age students fell by more than 13 percent at community colleges. Foreign student enrollment overall fell by nearly 18 percent in 2020 from 2019.

A takeaway from the various data points cited above is that the education market is in a state of flux. Students and their families are weighing their options, a natural response to the past year’s tumultuous events. Some students might be considering taking gap years, while others might determine that now is the time to go back to school, having obtained new clarity regarding their professional and academic aspirations. These circumstances illustrate why flexibility has become important for school admissions and finance teams aiming to accommodate and support the shifting educational goals of changing and diverse student bodies.

The pandemic has intensified the already complex payment relationships school financial offices must manage.

The payment relationships school financial offices are responsible for managing have long been complex, involving funding from multiple sources, including parents, students, government-backed loans, private student loans and grants. The payment cycle is also unique relative to other sectors, as payments can come in semesterly or quarterly bases or off-cycle.

The financial strains created by the pandemic have intensified many of these challenges. Every education institution surveyed in the Payments 2021 study indicated that they had to return some portion of tuition and fees during the 2020 academic year, with most estimating they refunded on the order of 5 to 20 percent. This not only impacts institutions’ bottom lines but can also complicate disbursing refunds properly, especially if entities are reliant on paper checks and must locate current addresses for students.
Our research documents the array of challenges school financial leaders face. Nearly half of two-year college and community college leaders (48 percent) view the paperwork associated with student loan programs as a major pain point, as do 36 percent of those at four-year colleges and universities. A quarter of community and two-year colleges also cite regulatory requirements for government payments as a pain point, as do 19 percent of four-year colleges and universities.

Colleges and universities in North America are valued worldwide for their reputations, and this has undoubtedly been a boon for these institutions. Working with international students also creates its share of frictions and complications for student financial offices, however. Approximately 80 percent of finance leaders at two- and four-year institutions say it is difficult to receive payments from foreign student loan programs, and half say the same about payments from foreign governments. Another third say receiving payments directly from students and families is also challenging.

These unique challenges facing educational institutions take their place alongside the AR challenges facing large organizations, such as exception management, payment delays and fraud. Some that are particularly challenging for educational institutions, however, include the ability to handle payment questions from customers, the length of time it takes to receive payments and the ability to handle recurring billing payments. Close to one-third of education financial leaders cite each of these as organizational pain points.

Another challenge looms large among the most acute frictions facing educational institutions: 20 percent of financial leaders consider fraud to be their single greatest AR pain point. It is safe to say that as tuition and fee payments are increasingly handled through digital channels, the threat posed by this problem will grow, as will the risks of reputational harm that can result from such cases. This underscores the importance of making robust security an integral component of digital payment tools.
Rethinking Tuition Payments In A Time Of Transformation

Schools spend 2.7% of their annual budgets on payment operations.

**Most school finance leaders consider their payment operations to be only somewhat effective at best.**

Educational institutions are already devoting substantial resources to their payment operations. The average school spends 2.7 percent of its annual budget just on payment operations, including payment processing, and one-third of institutions spend three to four percent of their budgets in this way. This figure does not reflect the full costs associated with ineffective payment operations, which can include wasted employee hours spent addressing errors and filing paper as well as less quantifiable impacts, such as disenchanted students.

Schools spend 2.7% of their annual budgets on payment operations.
Our data further shows that most finance officials in the education sector are less than satisfied with their payment operations even with the considerable sums being spent in this area: 72 percent of them consider their payments operations only somewhat or slightly effective.

These levels are comparable to other sectors we examined as part of our Payments 2021 study, but one could argue that the stakes of having ineffective payment operations are especially high for educational institutions. They typically do not deal with one-time transactions with anonymous customers, after all. The expectations of students and families are considerably higher — for many, college may represent their greatest financial investment. Reliable, secure and effective payment systems can in many ways be a cornerstone for school financial offices’ ability to build long-lasting student relationships.

72% of school financial leaders consider their payments operations only somewhat or slightly effective.
WHY THE ROAD AHEAD RUNS THROUGH THE BURSAR’S OFFICE

The Smart Receivables series has documented a pattern across business sectors: AR is moving from being a back-office function that is dealt with after customers and clients sign on the dotted line to serving vital strategic roles in organizations. Digital technology is weaving together the various components of customer acquisition and retention, including payments. The education space is not immune to these trends, especially in the current social and economic environment, where the college experience is trending toward becoming digital-first.

Our research indicates that school financial leaders are well aware of the strategic importance of AR, but many of them believe they need new and better tools to achieve such aims. Two types of capabilities are paramount: billing management and real-time visibility and control over payments.

More than half of school financial leaders say they need to expand their billing and subscription management capabilities (53 percent) or introduce them (7 percent) in order to meet their strategic goals. This suggests that administrators find the existing systems they are using to manage these essential tasks lacking.

One major shortcoming appears to be real-time insight into payments and accounts. Half of school financial leaders say they need to either add or enhance real-time access to payment transaction data as part of their strategic objectives. This relates to two other goals: expanding payment methods that are accepted (cited by 40 percent of school financial leaders) and real-time payments (cited by 35 percent).
The importance of real-time visibility and control over payments and transaction data dovetails with another priority among school financial leaders: being able to provide greater flexibility around tuition and fees. More than 80 percent of financial leaders at four-year universities find the option of offering flexible payment plans tailored to students individual needs attractive, including 21 percent that find such services “very attractive.” The level of interest among two-year and community colleges is even stronger, with 95 percent of them at least somewhat interested in such services, including 21 percent that find them very compelling.
Education institutions face a unique array of payments-related challenges. What are some of the key ways digital tools can address them?

Digital [technology] is making the entire education payment process faster, easier and more secure for both schools and students. The most obvious example is modern, convenient, online payment methods that enable students and families to pay from anywhere in the world, at any time, via their payment method of choice — and then being able to track the status of that payment from the time they make it to the time the school credits their account. That eliminates a lot of stress for the students and prevents families from having to participate from off-campus. These tools use analytics and machine learning to anticipate when a student might be having trouble making payments and then [schools can tailor] payment plan offers to fit that student’s specific situation. Payment compliance, security and privacy have also been improved significantly with robust fraud protection and alerts, bank-grade encryption, and built-in know your customer (KYC) logic.

How has the pandemic and subsequent events affected how education administrators are approaching accounts receivable and billing matters?

Internally, it’s really made contactless, remote engagement a high priority. Schools are trying to minimize unnecessary face-to-face engagement where it does not add value, and tuition payment is one of the things at the top of that list. By freeing themselves of a lot of the manual tasks required in billing and past-due receivables process to proactively communicate with students to remind them of upcoming payment dates and to engage with them to collect on outstanding accounts, reduce collection agency placements, and keep more students enrolled. Related to this, some schools are also automating the offering of flexible self-service payment options that make education costs more manageable for students and their families. These tools use analytics and machine learning to anticipate when a student might be having trouble making payments and then [schools can tailor] payment plan offers to fit that student’s specific situation. Payment compliance, security and privacy have also been improved significantly with robust fraud protection and alerts, bank-grade encryption, and built-in know your customer (KYC) logic.

How can student financial offices play more strategic roles at their institutions?

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The whole world has been spending a lot more time online over the past year and half. This is especially the case for college students, for whom the internet largely supplanted the physical campus. While the shift online was necessarily improvised in the early days of the pandemic, many educational institutions have since gotten better at integrating digital technology into both academic and administrative functions. Many school leaders are coming to recognize that for a digital-first generation of college students, there is no going back.

Janelle Kilgore has had a frontline perspective on these shifts as vice provost for strategic enrollment management at the University of North Dakota, a state school with approximately 10,000 students.

“Our students are having these great online experiences with these big vendors such as Amazon and Apple,” she said. “We want to make sure that our technology here at the university is as seamless and as easy to navigate as some of those bigger applications.”

The move toward self-service and digital student account management has been occurring at educational institutions for some time, but Kilgore noted that it has been an especially high priority for her and her team at UND.

“This is not to say that the pandemic did not present myriad unprecedented challenges for students and staff at UND. Beyond health concerns, the situation severely affected students’ finances and their ability to pay tuition and fees and otherwise support themselves.

A need for support
The pandemic has prompted consumers, businesses and nonprofit organizations to reconsider their economic priorities. These challenges have been particularly acute for working students, who make up a large portion of the UND student population. Being able to work with students through changing and challenging economic times is not only important for schools’ own bottom lines but vital to fulfilling their larger social missions as educational institutions.

“We had been doing a lot of process improvement over the last several years,” she said. “I felt like if the pandemic was going to happen, it probably happened at the best time because we were prepared. We had been working with students and encouraging them to not stand in a line to pick up this or pick up that.”

This support has taken several forms, including forgoing late payment fees, offering payment plans and helping connect students to external funding sources, such as assistance through the CARES Act.

This speaks to the key roles played by school financial offices — and their elevated importance in the current environment. Administrators must be able to work with multiple payers in integrated ways while also minding compliance matters in a highly regulated arena.

“That’s one of the ways that these federal dollars are directly relieving the AR burden that the university is carrying,” said Jed Shivers, UND’s vice provost and vice president for finance and opera-
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Reopening campus to a new normal

The fall 2021 semester appears to be a lot more auspicious than the fall 2020 semester, which occurred when the country was still in the thick of the pandemic and vaccines were still in development. Enrollment trends are looking up at many campuses, including UND. The university has observed a 2 percent increase in students completing the Free Application for Federal Student Aid (FAFSA) over last year.

UND plans to fully open its campus, meaning lecture, residence and dining halls will be at full capacity, barring a resurgence of the pandemic.

“Assuming that [the pandemic does not surge again], the campus will be fully loaded,” Shirvers said. “It’ll look like our campuses looked, and we’ll finally get to see students happily walking on our campus again, so that’s something that we’re all really looking forward to.”

This does not mean that the financial situations of students and families will suddenly and permanently be on firm footing, however.

“We’re running into a new population of students as we go into this upcoming academic year,” Kilgore said. “Even though job opportunities are back, we’re still going to see some students that are still continuing to struggle.”

This likely means that the importance of being able to offer students agile and flexible digital financial services and tools will keep growing in semesters to come.

Our students are having these great online experiences with these big vendors such as Amazon and Apple.

We want to make sure that our technology here at the university is as seamless and as easy to navigate as some of those bigger applications.

JANELLE KILGORE
Vice provost for strategic enrollment management at the University of North Dakota
Southern New Hampshire University (SNHU) associate vice president of student financial services Jodi Abad told PYMNTS that financial aid, advisory staff and housing, job and food insecurity reflected the biggest areas of need for the school’s students during the pandemic. SNHU set out to fully reimagine its campus-based experience over the past year to provide more affordable, flexible and accessible pathways to higher education for students and families facing the pandemic, the unstable economy and uncertainty surrounding higher education.

SNHU positioned itself well to move to a fully online experience, and its staff moved seamlessly to remote work. Financial aid staffers made themselves available for students via phone, email and video from 8 a.m. to midnight each weekday, and 9 a.m. to midnight on weekends. SNHU offered students a variety of payment options prior to the pandemic, and it continued to accept check payments via the mail. The school receives checks both at the institution’s bank lockbox and at an on-site location. SNHU also accepts all major credit cards as well as a limited number of wire payments (for its international population), and it offers several payment plan options that can be managed online for convenience.

Abad notes that an upside to the pandemic is that institutions have had to figure out how to offer more flexibility to students through opening more channels of communication. “We are always exploring enhancements to the student experience from a self-service standpoint ([i.e.] live chat, video conferencing),” stated Abad.

“During this time, we also transitioned our third-party invoicing and payments to [be handled] completely online.”

SNHU went fully remote for the entire 2020-2021 academic year, and it experienced significant enrollment growth in its fully online programs during this time as a result. Those enrolled students trended younger, indicating that students of all ages are seeking more flexibility and the lower costs of a fully online degree. SNHU plans to bring students back to campus in the fall, but a large portion of its students will remain fully online.

“Our reimagined campus experience offers opportunities for students to engage in a mix of online, face-to-face, and outside-the-classroom learning,” she said.

Based on SNHU’s enrollment trends and what the school is hearing from its students, Abad does not anticipate that things will fully revert to the way they were before 2020. “While many traditional-aged students are craving the campus experience and student life, they are also indicating that they want increased flexibility with a mix of online and campus courses, lower costs, and more personalized support,” she says. “We anticipate more colleges across the country will also rethink their business models and academic offerings in the wake of the pandemic.”

Case Study
Southern New Hampshire University On Moving The Student Financial Office Online

While many traditional-aged students are craving the campus experience and student life, they are also indicating that they want increased flexibility with a mix of online and campus courses, lower costs, and more personalized support.

JODI ABAD
Associate vice president of student financial services at SNHU
The future of learning

An interview on future higher education trends with Jeffrey A. Greene, chair of learning, development and psychological studies at the University of North Carolina

The pandemic has impacted innumerable aspects of life, especially in the realm of education and the ways academic institutions have adapted to the new circumstances over the past year and a half. Online technology has become not merely a supplementary part of education but fundamental to it.

These shifts raise important questions about how educational institutions will function as conditions continue to evolve in the months ahead and how they will maintain and enhance their core value propositions. To address some of these and other essential matters, PYMNTS spoke to Jeffrey A. Greene, chair of learning, development and psychological studies at the University of North Carolina.

How do you think the momentous events of the past year will affect higher education going forward?

“I think it has really accelerated higher education leaders and educators thinking about what can be done and what should be done. I think some students were surprised at some of the flexibility afforded some of them and they liked it. Don’t get me wrong — I’m not saying that every student wants to be completely online now — but there are certain kinds of courses, certain kinds of students and certain kinds of aspirations for interactions where the online modality really makes a lot of sense.”

“There was already trend toward hybridization, there was already a trend toward flexibility, there was already a trend toward active learning. The pandemic accelerated [these]. There will be some return to the things that happen best synchronously and in person, but we’re going to continue building on the things that worked well asynchronously.”

Does this mean an end to campus life as we have known it?

“What I’m seeing — and when I talk to students and read things — is that students who were expecting a residential experience or an on-campus experience, they want that and they’re eager to come back to that. When you think about the higher education experience, there’s a lot of pieces to it, and some of those pieces are very hard to deliver online. … But the opportunities for hybrid learning, the opportunities to engage with people that might not be at your local campus, the opportunities to make connections and engage in internships with a diverse number of companies in places around the world, those things are going to continue — they have to continue.”

How is all this impacting the finances of educational institutions?

“I think the challenge there is that higher education is not monolithic, so there really are different kinds of institutions and different kinds of experiences within higher education. … You really do see these differential effects, where the institutions that have a lot of resources and lots of support weather it pretty well. And
then there’s a middle tier of institutions that receive state support or other kinds of support, and they were doing OK. Then, unfortunately, there are these institutions that are smaller, more niche. Their sources of revenue are more restricted. We’ve seen a drop in lower-income students at community colleges. I think some of that will bounce back, but institutions that have relatively narrow revenue streams and that depend upon those kinds of students, I think they’re going to have to get innovative very quickly.”

What about international students? Do you see them coming back?

“It’s a little hard to forecast, given the course of the pandemic in other countries. I think the United States might have some concerns about making sure that people are coming in and that they are healthy and that they have done what they need to do to be healthy. ... I still think there will be a significant percentage of international students that will want a synchronous, face-to-face type experience, and they’ll ... still want to come to the United States to get that kind of experience with our faculty.”
Students are educational institutions’ most valuable resource, and the officials in charge of school financial offices are essential to sustaining and maximizing their value. Effective payment operations are essential both to ensure that organizations have the resources to support their vital missions and to make sure that students — their customers, in effect — have access to the flexible, convenient and seamless payment options they need.

The events of the last 15 months have raised the stakes and the expectations for better digital payment capabilities and platforms. Student financial offices need to be agile and flexible in working with a diverse array of students and families as their priorities and financial circumstances change. They need to have comprehensive real-time visibility over myriad student accounts, funding sources and financing entities, and they must meet the high standards for digital functionality that new generations of college students expect.

Technology providers offer a range of digital tools to address the various frictions and challenges AR departments face. This opportunity raises many important questions for educational institutions in deciding which types of digital solutions to pursue.

- Is the service tailored to the unique needs of educational institutions?
- Does the provider have a track record working with established institutions in the education space?
- Is the provider able to support efficient and cost-effective cross-border payment relationships?
- Can the provider’s services be easily integrated into existing enterprise systems without necessitating major disruptions?
- Does the provider employ data and payments protection protocols that are certified by accredited international bodies?
Most of the data in this playbook comes from the Payments 2021 Report, which is based on a survey of 459 payments professionals conducted between Oct. 30, 2020, and Nov. 12, 2020. Respondents hailed from firms across three different sectors: travel, technology and education. Our survey was limited to respondents working in payments at organizations generating more than $100 million in annual revenue. Our analysis focused on identifying the most common frictions in payments operations and determining how organizations are planning to mitigate these pain points to achieve their strategic goals.

METHODOLOGY

ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Flywire (Nasdaq: FLYW) is a global payments enablement and software company. Flywire combines its proprietary global payments network, next-gen payments platform and vertical-specific software to deliver the most important and complex payments for clients and their customers.

Flywire leverages its vertical-specific software and payments technology to deeply embed within the existing AR workflows for its clients across the education, healthcare and travel vertical markets, as well as in key B2B industries. Flywire also integrates with leading ERP systems, so organizations can optimize the payment experience for their customers while eliminating operational challenges.

Flywire supports 2,280+ clients with diverse payment methods in more than 130 currencies across 240 countries and territories around the world. The company is headquartered in Boston, MA, USA with global offices.

For more information, visit www.flywire.com and follow Flywire on Twitter, LinkedIn and Facebook.

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