

# A BETTER APPROACH TO STUDENT REFUNDS

Implementing a refunds disbursement model that is beneficial for both students and the institution.



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Students today want more options when it comes to their refunds, and institutions are looking for disbursement methods that limit students' exposure to fees. In addition, the increased scrutiny and mounting regulatory pressure regarding student refunds disbursement is creating an even greater need for higher ed leaders to reexamine the refund processes at their institution. In this web seminar, an administrator from Cornell University discussed how the institution once used a disbursement model that relied heavily on the issuance of debit cards to students, a method which has recently fallen under increased regulatory scrutiny. As a result, in January 2014 Cornell chose to take a new approach to student refunds, one that provides more effective options for students, improves student and family services, reduces administrative workload, and creates a more progressive process that ensures compliance and reduces risk for the university.



**Paul Aries**

Regional Vice President  
Nelnet Business Solutions

**Paul Aries:** Nelnet serves over 750 colleges and universities nationwide. We are a stable and well-established publicly-traded company with the ability to bring effective and innovative campus commerce products to the marketplace.

We have more than 25 years of higher education experience, we are PCI DSS Level 1 validated, and we have strong partnerships and integration capabilities with all major ERPs.

The conversations we have with higher ed institutions, and their biggest concerns, basically break down into four areas. The first is that there's been a lot of controversy lately around issuing refunds to a debit card that is tied to a traditional (DDA) account. Recently the CFPB and the Department of Education have been reviewing the regulations surrounding the refund industry and are always working on new requirements.

Another area of concern for schools relative to refunds disbursement is the expense of paper checks. The cost

of printing, mailing and overall administration of the paper check process can be a real challenge for some institutions. One of the things we hear the most is, "We want to get out of the check-writing business." We allow institutions to do that.

Lack of options can also be a problem. Several vendors don't offer a choice to students. Instead, their business model has been to automatically sign the student up for a debit card—in essence, forcing a banking relationship, and giving students the impression that the only way to access their refund is via that card/account.

Finally, there are constantly evolving regulations. Nelnet is proactively meeting the new requirements. Our program was reviewed by regulatory bodies to ensure we would be offering something that is compliant.

Our Student Choice Refunds programs are specifically developed with an eye toward compliance and taking into account the changes that have occurred in the marketplace. We have options for:

- **ACH deposit to an existing bank account, which is the quickest and most efficient way to disburse a refund.** A notification is sent to the student the day we receive the request from the school so they know the refund is coming. There are no fees to the student for this.

View, comment, share this story online at <http://UBmag.me/refunds>.

## “The big difference with Nelnet is the freedom of choice.”

- Cindy Morehouse, Associate Bursar, Cornell University

- **Reloadable debit cards or prepaid cards.** NBS allows a student to choose a card they already have, or they can seek out a new card on the open financial services market.
- **Paper checks.** Nelnet will process the funds and issue the check within a couple of business days. This check can be issued to the address provided by the school or the student can provide a mailing address. There are also no student fees for choosing this option.



**Cindy Morehouse**  
Associate Bursar  
Cornell University

**Cindy Morehouse:** Prior to Nelnet, we used a different third-party vendor for refunds. That vendor had relied heavily on the issuance of debit cards to students. There came a point when we were no longer comfortable with that process due to the recent heavy scrutiny by regulatory agencies around this approach. We knew we needed to change. We decided to partner with a new vendor and simply offer students the option to receive their refund via check or ACH.

We chose Nelnet because they had what we were looking for. Plus, the processing time is much quicker—two business days and the students have their direct deposits in their account. Checks take a little bit longer, maybe 3 to 4 days.

The convenience and support are great, too. We went with the single sign-on option from Nelnet, which has made a world of difference. We don't have to reset usernames and passwords when students lose them. Nelnet has a wonderful team of associates and a call center that is willing to help our families with any questions, problems or issues—and really, there haven't been any.

The big difference with Nelnet is the freedom of choice. They offer many options. We talked to our parents and students about debit cards and they actually didn't have any interest in using them. So even though Nelnet offers refunds to existing prepaid cards (if the student elects the method), Cornell offers only ACH deposits and paper checks.

This solution does a great job of allowing students to keep track of their refunds. They can go into the Nelnet system any time to find out the status of their refund. It has cut down on the number of times we're asked: "When will I get my refund? Where's my refund?"

Nelnet sends correspondence to the students, which has cut the workload for the bursar's office. The student gets an email confirming their election of direct deposit or paper check. They get a reminder that they can change their refund method if they so desire. They also get a notification that their check has been issued. They get reminders if their check has not been cashed, informing them of the expiration date. These are the kinds of emails Cornell used to send out, and now we don't have to.

One of my other favorite things about Nelnet's refund product is the reporting. We use reporting to benchmark students on direct deposit as well as for marketing issues, reconciliations and daily functions (such as stop payments, and refund research). We have an audit requirement that we have to review any refund over \$2,500. So we pull reports in the morning and look at who has a refund over \$2,500 and they get reviewed.

We have the checks mailed to our office from Nelnet daily. We choose not to mail the checks to the students, but to ask students to come to the office to pick them up. This allows us to discuss the convenience and benefits of direct deposit, because eventually they're going to get tired of coming in. Also, we have found this decreases stop-payments due to lost checks.

So far we've had positive results. Seventy-five percent of our students who receive refunds are on direct deposit, and that's going up every day.

We've had no complaints from students, no complaints from staff. The students like it because they are able to easily navigate the system—the user interface is great, and the signup process is easy. To sum things up, our accounting office is thrilled because reconciliation is much easier, our expenses have decreased, and we can now work on other projects because we're spending less time answering questions.

To watch this web seminar in its entirety, please go to [www.universitybusiness.com/ws102215](http://www.universitybusiness.com/ws102215).