

Are You Refund Cash Management Compliant? Past, Present, Future

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Agenda

- Introductions
- What happened, what is happening
- Trends in Student Banking and Disbursement Management
- Working within new regulations
- What does the future hold

What's the current trend(s)

- Direct Student Loans, Direct PLUS, Private Loans and Private PLUS
- Millennials are likely to perceive technology as a “better institution”
- Non-Traditional students are also looking at new ways to manage the college experience
- For-profit fallout – what does that mean for your campuses
- Staff burdens – do more with less

Trends in Millennial Student Banking

- Numerous studies have been conducted on how institutions perceive student refunds and how they process them (NACUBO, etc.)
- Little research into how those perceptions match student expectations
- Institutions *think* they know what students expect and how they perceive value
- Millennial Disruption Index Survey helped quantify that data
 - 3 years
 - 200+ interviews
 - 10,000 millennial respondents
 - 73 companies spanning 15 industries

Trends in Millennial Student Banking

- Millennials want an experience – think relatable functionality versus just functionality
- Millennials don't prioritize or spend like US (Gen X/Y)
- Millennials use apps so they need something to create a bridge for electronic purchase – just like most don't use Facebook anymore; they don't have paper checks
- Millennials don't accept “business as usual” – they expect banks to change their business models because they are the growing consumer population
- Millennials will not have relationships with banks like past generations
 - Car share service and public transportation
 - Rent not own
 - Rewards programs via apps not cards

Trends in Student Banking

www.millennialdisruptionindex.com, 2014

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68%

say that in 5 years, the way we access our money will be totally different.



70%

say that in 5 years, the way we pay for things will be totally different.



33%

believe they won't need a bank at all.

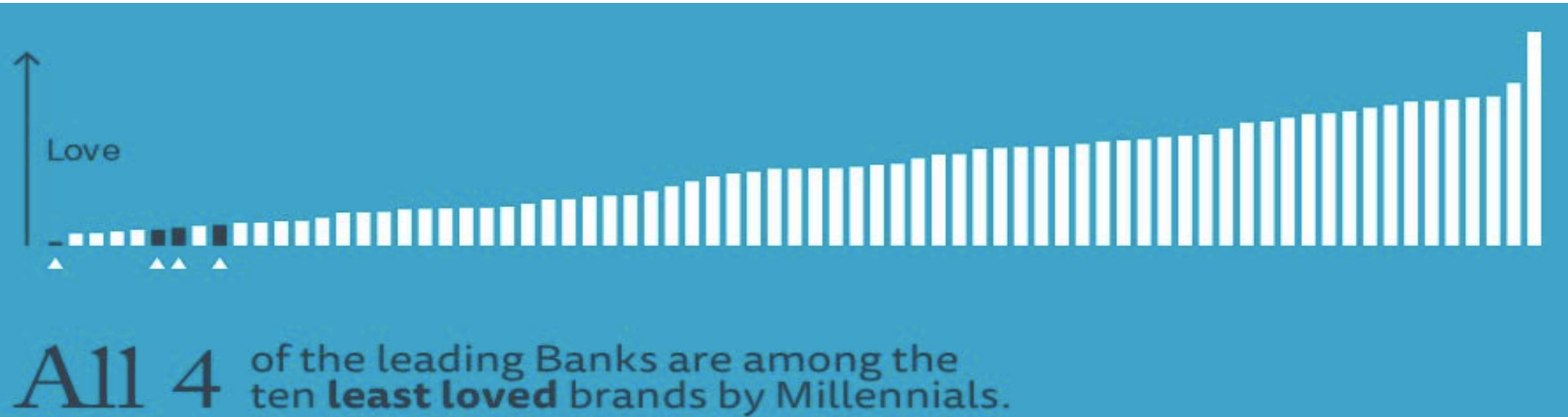


The change will be **seismic**.

Trends in Student Banking

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Nearly Half

are counting on tech start-ups to overhaul the way banks work.

Millennials believe innovation will come from **outside the industry**.



73%

would be more excited about a new offering in financial services from GOOGLE, AMAZON, APPLE, PAYPAL or SQUARE than from their own nationwide bank.

The Results:

- A need for enhanced student options and choices
 - Paper checks are cumbersome for all parties involved – not the experience that students want
 - Not all students are eligible for or take the necessary steps to obtain a traditional bank account; Children of Wall Street and Great Recession
- Financial products that meet the expectations of students
 - Choice – Students prefer to have options with varying functionality that can be tailored to their needs
 - FAST access to funds – Students want everything NOW!
 - Tech – Students do not rely on “brick and mortar” bank transactions
 - More than ever, students are cognizant of fees and how they add up
- Financial products that ease the burden on your institution
 - Lower cost options than paper checks
 - Enhanced reporting, tracking, and auditing trails
 - Compliance with regulatory requirements
 - Inclusive and a real set of options

Benefits of Transitioning Away from Paper

- Paper is costly and inefficient, the average cost of a check payment is estimated at \$7.78 (Aberdeen Group)
- Paper checks remain the highest cost option for institutions – whether internal or outsourced; and most burdensome
- According to the Association for Financial Professionals, paper checks are a magnet for fraud and theft
- The Department of Treasury reports over half a million Social Security checks are reported lost or stolen each year; which is why they have transitioned to a prepaid account
- Paper checks equate to longer wait times, more administrative steps, and increased overhead costs
- The Department of Education acknowledges that paper checks are not always ideal and thus, did not include them as a required, enrollment option for students in the recently released guidelines

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Dept. of Education Final Rules

Key Concentration Areas (Not Limited To):

- Designation of T1 vs. T2 arrangements with different requirements of each
 - Defined by the provider's role in processing disbursement/refund dollars (i.e., 3rd party servicer?)
 - How the provider markets its service and provides account access
- Elimination of POS (PIN) and overdraft fees
 - This is why banks fled the scene
 - Companies with a stand-alone product are having to get creative with their revenue – marketing other products etc.
- Inability to issue debit cards or accounts without student consent
 - No issuing of cards to all students on campus
 - Terms, conditions, and student fee schedules must be made available to students during the enrollment process so that they can make an informed decision
 - However, still many distractions on this

What does the future look like?

- New President-elect
- Newly nominated Sec. of ED
- Philosophies on education
- State governance
- Fewer students attending college
- First generation of immigrants



YOUR QUESTIONS – COMMENTS

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THANK YOU