



## RESEARCH BRIEF

# Financial Aid Management Practices The Benefits of Outsourcing Verification

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## Overview

In an era of change fueled by increased competition, financial pressures, and the role of “student” becoming synonymous with “customer,” the pressure on staff in the financial aid office along with other departments within higher education institutions is building.

More than ever, it is critical for schools to find new innovative ways to gain a competitive advantage. As budgets tighten, many institutions need to reduce expenses. In addition, as higher education institutions move to be more customer centric, they must also relieve their staff of tedious administrative tasks so they can better focus on students and improving the customer service experience.

These needs have inspired a growing shift in perspective to the benefits of outsourcing. Forward-thinking industry voices acknowledge the merits of this fast-growing approach to more efficient financial aid administration.

Outsourcing offers schools a way to improve responsiveness to students, implement more intuitive technological tools and show students that they are adaptive to the expectations of Millennials. Providing modern, secure, and intuitive financial aid services to students is critical for schools to remain competitive and relevant and to act as stewards in order to expand the students’ overall postsecondary educational experience.

In particular, outsourcing the verification function can deliver several benefits. It expedites the entire verification process which results in more efficient financial aid award packaging, and ultimately leads to earlier awards. Essentially, outsourcing can increase the likelihood that students will enroll and be retained by improving the process to ensure finances are in place.

In this brief, we look at challenges institutions are facing on a daily basis and how third-party servicers can be a solution in assisting schools to provide more personalized service to students and their families while simultaneously reducing the need for time-intensive technical support and increasing regulatory compliance. This brief encourages schools to consider the ease with which a third-party servicer can provide

- Administrative relief that’s fully compliant with federal regulatory requirements
- Greater efficiency in processing administrative tasks like verification which translates to better services for students and families and, ultimately, leads to earlier or more timely awarding
- Reduced inter-departmental reliance for IT support and compliance updates
- A competitive advantage to improve the student’s experience through access to trending, user-friendly technology

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## Industry Pain

In March 2017, NASFAA released the results of its two-part benchmarking survey of institutional members that, in part, examined staffing concerns. It showed, “across the board financial aid professionals continue to face heavy workloads and their offices continue to be understaffed, often to the detriment of students.”<sup>1</sup>

Offices are also feeling a personnel crunch. The average school has 12 full-time employees in the financial aid office, but only 2.5 employees to serve every 1,000 financial aid applicants. According to NASFAA’s 2015 Administrative Burden Survey, two-thirds of schools indicated that constrained resources negatively affected student counseling and outreach.<sup>2</sup>

It is a trend that is growing in large part to increasing regulatory compliance requirements. In the 2015 survey only 63 percent of responders said they had time to do “more” or “significantly more” than what is required by U.S. Department of Education regulations — down from 83 percent just three years earlier.

Wages are also falling, the report says, with the median salary for both men and women down since 2012. Coupled with the increased workload, that factor may make careers in the financial aid office less appealing — and make it harder for schools to recruit and retain workers.

In the 2015 NASFAA Task Force Report on Benchmarking<sup>2</sup>, one of the more telling survey questions was: “Which of the following areas related to outsourcing, if benchmarked with similar institutions, would assist you in the operation of your office?” Here are the results:

Ranking (Least to Most)	1	2	3	4	5
<b>Financial Aid Processing and Awarding</b>	42 (16%)	25 (10%)	48 (19%)	63 (25%)	77 (30%)
<b>Call Centers</b>	60 (25%)	27 (11%)	50 (21%)	56 (23%)	50 (21%)
<b>Verification</b>	37 (14%)	17 (7%)	63 (24%)	71 (28%)	70 (27%)

“Results from [this] August 2015 NASFAA report drive home the issue: a demanding compliance workload, including increases in verifications and financial aid processing, is adding to an existing administrative burden and causing alarming shortages in key areas throughout the financial aid office. And the most problematic byproduct of the issue? Students ultimately suffer the most from these shortages, particularly in the decrease of face-to-face counseling, outreach efforts, time spent with target populations, and loan counseling.”<sup>2</sup>

It is clear that schools need help. Outsourcing is a viable option to relieve stress on the staff so they can focus where it matters most — on their students.

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## Outsourcing in Higher Education: A Brief History

Since the 1980s, campuses have been outsourcing non-core functions including campus bookstores, food service, marketing and printed materials, health services, IT services, staff recruitment, and custodial services.

To a lesser extent, campuses have begun to explore outsourcing opportunities for security, student housing, libraries, fundraising, admissions, and alumni relations.<sup>3</sup> In fact, by 2005, 91 percent of higher education institutions surveyed had already reported outsourcing some type of campus service.<sup>4</sup>

That was over a decade ago. In practice, however, the higher education industry in the U.S. still lags years behind traditional business entities when it comes to exploring and understanding the full value of outsourcing for critical, core functionalities.

Enrollment reporting is one area that registrar offices have outsourced for many years. Yet there are other core functions that some institutions are beginning to consider for outsourcing, including financial aid processing and awarding, and the federal verification process.

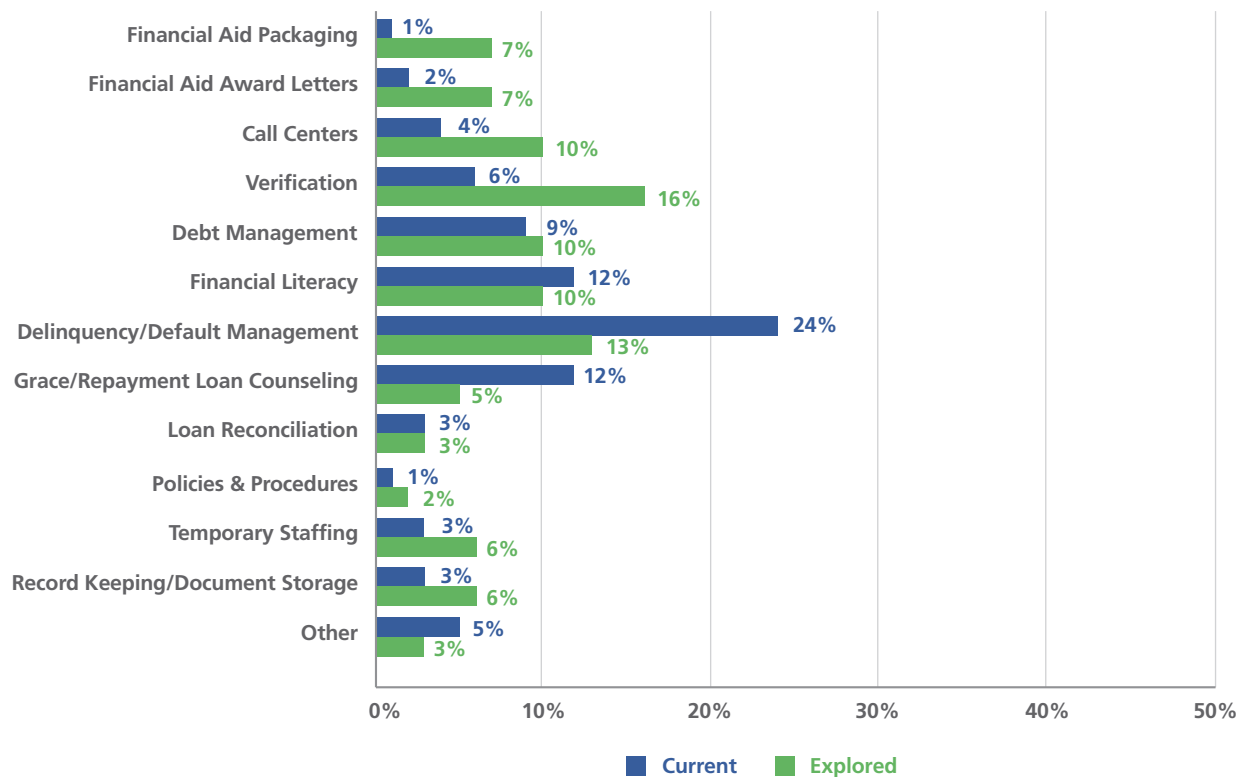
### Testimonial

With a staff of seven, the University of Texas at Tyler was challenged with finding the time to process over 10,000 students enrolling in the summer and fall months. Scott Lapinski, director of financial aid, noted, "I really appreciate the high quality of service provided to our students and parents, letting us know that partnering with Inceptia was the right decision."

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The following summary from the 2017 NASFAA Benchmarking Report shows current areas of financial aid management that are being outsourced and those being explored. “The highest area of exploration was verification in both 2015 and 2016, which very few reported as currently outsourced (6 percent), and delinquency/default management (currently outsourced at 24 percent).”<sup>1</sup>

### Current and Potential Outsourcing Areas<sup>1</sup>





## Our Five Predictions for Higher Ed Outsourcing

Staff in higher education is being consistently pressured to do more, with less — less funding, fewer staff members, less time. Processes within the office become outdated and cumbersome as federal regulations evolve or become more demanding and complex. By keeping demanding processing functions in house, you're essentially telling your staff to keep treading water. The consequence is a negative experience (and diluted services) for both students and your staff. The table below shows where we see potential for outsourcing.

PREDICTION	OUTCOME
1. Demands on financial aid professionals will continue to grow.	Changing regulations and increased departmental workload will hinder administrative capability, thus lessening ROI.
2. Students and their parents want, even expect, cloud-based services.	A tech-driven higher education landscape starts before enrollment. Financial aid offices must adapt to a mobile-driven, online climate to stay relevant.
3. Students will remain perplexed by the financial aid application process.	In one survey, 30 percent of students wanted more info on the application process, deadlines, and other requirements. Students want guidance, and outsourcing frees up staff resources so they can dedicate time to each student.
4. Increased workload inhibits staff ability to stay competitive and compliant.	Institutions will look to outsourcing as a way to more effectively support student outcomes while keeping pace with regulatory changes.
5. Student retention will become a larger priority.	In coming years, financial aid offices will be more involved with student retention. Data and analytics will be a supporting part of this conversation. Outsourced services include results tracking which will strengthen the rationale behind enhanced student services.

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## Student Expectations

Today's students live in a mobile world, and they expect others to do the same. According to a series of reports on Millennials published by the Pew Research Center, Millennials—those born between 1989 and Generation X—feel that their generation has a distinct identity that can be characterized by their use of technology, and mobile technology is the preferred medium of choice.<sup>5</sup>

Students, and their families, expect modern, streamlined, user-friendly experiences when dealing with the college enrollment and financial aid processes. As many as 52 percent of college-bound high school students recently reported researching prospective colleges strictly from their mobile devices.<sup>6</sup> In an increasingly tech-driven world, the jump to paperless, online processing in general simply makes sense.

It follows that expectations for a better user experience in terms of services will add additional demands to an already full plate for financial aid professionals. In order to maintain a fast pace, adapt to technology, and defend the merits of higher education as an investment, institutions must harness outsourced services to meet the increasing expectations of students.

By offering fast, secure, and intuitive systems, you set your school apart from the competition, and students (and your school) will realize the benefits.

## Increased Administrative Burden

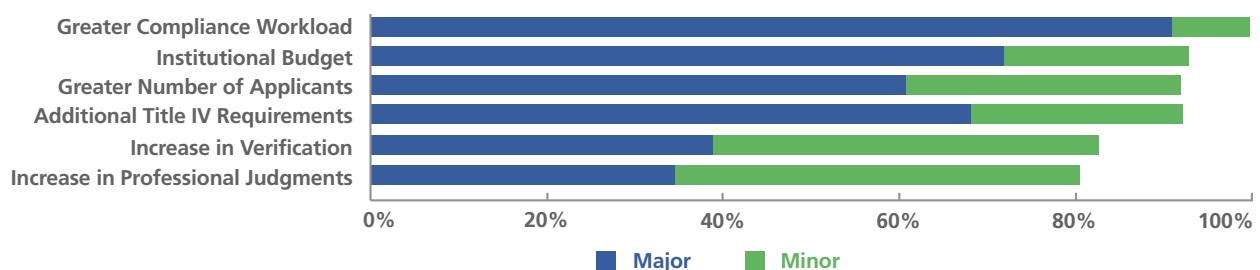
In January 2015, the National Association of Student Financial Aid Administrators (NASFAA) polled financial aid administrators on the environment in which they administer college student aid. The results indicate students attending institutions from all higher education sectors are likely experiencing reduced access to financial aid office services. This is largely due to a prolonged increase in administrative burden paired with limited operating resources such as staff and time.<sup>2</sup>

Schools surveyed report:

- Continually increasing demands for more time and effort to be dedicated to each student aid applicant
- Resource shortages, particularly as they relate to staff, as well as a greater need for technological upgrades

The most problematic byproduct of the issue? Students and their families are the ones who are suffering the most from these shortages, particularly in the decrease of face-to-face counseling, outreach efforts, time spent with target populations, and loan counseling.

### Frequency of Perceived Causes Associated with Current Resource Constraints



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## Stress Levels in the Financial Aid Office

In 2014, Inceptia published a research brief entitled *Stressed Out in the Financial Aid Office*.<sup>7</sup> Inspired by a 25-year-old California study about stress in the financial aid office, Inceptia set out to expand on the findings and take the study<sup>16</sup> to a larger, nationwide group of participants. The goal: to determine if comparable sources of stress continue to affect financial aid office leadership and staff.

Inceptia compared the results from its survey against the results published in a 2013 study by The Parthenon Group, a management consulting firm. The Parthenon survey polled 757 students and 152 administrators. Inceptia's national survey polled 513 financial aid directors and staff at institutions of higher education. A total of 40 items were asked on the survey.

The results have a direct correlation with the pain points in the Parthenon Survey and found several areas where outsourcing can have a positive effect on financial aid staff, the institution, and, in turn, the students they serve. Here's a summary of those points, listed in priority order:

1. Service isn't meeting expectations.
2. While financial aid service drives overall school performance metrics, it's not yet meeting standards.
3. Students want more face time, while staff doesn't have the bandwidth.
4. The evolving political landscape has made the role of the financial aid office even more important to the institution.

While the sentiments expressed by those surveyed may be alarming, they are not insurmountable. Outsourcing can give financial aid staff relief, while helping institutions adapt and stay abreast of the latest regulatory and technological advances.

### Testimonial

Pratt Community College had three main concerns: The financial aid office was dealing with a lot of turnover about four years ago and had recently hired a new financial aid director, and no staff had any training in verification. They knew they needed to be able to focus on customer service and have time to get back on their feet.

Since choosing to outsource their verification, the school has reclaimed time to focus on students and provide them a better financial aid experience. While the original plan was to outsource verification for two years, the plan has been "a success and saved our office so much time that my supervisor decided to continue," says Haley Lindsey, director of financial aid. "It was such a necessary move for our office that our administration found room in the budget for us. Verification Gateway will provide even more value to the school in allowing students to upload documents and communicate in an intuitive way."



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## What Outsourcing Means for Schools

NASFAA has reported that the average number of elements to be verified per student is three. Schools generally spend 7.2 minutes per case to complete each item. So for an institution with 10,000 Title IV applicants, assuming one-third get verified, processing the remaining 3,333 cases would take approximately 400 hours to complete. If we raise the average time per file to a more realistic 10 minutes for the same number of cases, that means it will take a single employee 550 hours, or nearly one additional month of full-time work to complete the added workload.<sup>2</sup>

However, the benefits of outsourcing go far beyond the obvious increase in efficiency.

- **Refocusing Resources** – Attempting to meet the service delivery expectations of students and parents while simultaneously staying on top of regulatory changes to maintain compliance is a tall order. For financial aid offices that are already trying to navigate the difficult logistics of coordinating interdepartmental IT support, managing staffing shortfalls, and keeping current with complex regulations, the idea of processing verifications efficiently may seem overwhelming. Outsourcing a function that can be easily and securely administered off-site is an ideal way to reduce the strain on technical and administrative support while alleviating regulatory burdens, allowing staff the resources to focus on serving students.
- **Return on Investment (ROI)** – More timely financial aid packaging increases the odds of more students attending your school. These well-supported students are likely to stay more involved as alumni if they're provided the tools to successfully navigate and manage their finances during and after their college years.
- **Reputation Builder** – Utilizing a proven outsourced solution that makes it easy for students to secure their education by streamlining the financial aid process as much as possible demonstrates a commitment to serving students with the most current, secure user experience the industry has to offer. In addition, staff relief means FAOs will work more effectively and efficiently — rather than treading water. That's a win for recruiting new staff as well.
- **Reinforced Trust** – By outsourcing functions like verification,

### 550 HOURS

The minimum estimated time to complete verifications for an institution with 10,000 Title IV applicants - nearly one additional month of full-time work.

*“Financial aid offices often use outsourcing to help with uneven workload during peak periods of the year. Senior management may also be more receptive to bringing in outside expertise as needed than to hiring additional permanent staff.”*

–Mark Kantrowitz,  
nationally-recognized  
expert on student financial  
aid, scholarships, and  
student loans

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students receive an enhanced customer service experience instead of stressful interactions full of confusing jargon and steps. Automated solutions offer simple flows in language that is easy to understand, easing student frustrations, and laying the foundation for a positive student relationship with the financial aid office.

## Testimonial

At Monroe Community College, customer service ratings were dropping along with enrollment numbers. “My supervisor asked what we could possibly outsource in order to free up staff resources so we had more time to dedicate to improving customer service,” explains Jerome St. Croix, director of financial aid. Verification was the perfect administrative task to outsource. The peak processing times for verification and many other administrative required tasks and higher student financial aid advising responsibilities all hit at the same times of the year, putting the process in direct conflict with many other important priorities.

Outsourcing verification will help the school deliver exceptional, efficient service to students and parents. At the same time, it will free up staff to be able to spend more time counseling — the function which this financial aid director says is “the heart of the financial aid profession.”

## Choosing an Outsourcing Partner: A Critical Decision

When considering the move to outsourced services, researching options for a third-party servicer should be your top priority. It’s smart to take a holistic approach to finding the best partner who fully supports your institution’s goals and objectives.

The first step is determining what deliverables you want from a partner. Are you looking for a software solution or are you seeking a full-service approach that will support your institution and your students with customer service and quality control? Once decided, the following checklist can be used to further guide your search.

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## OUTSOURCING CHECKLIST

- ☐ Does the partner have highly trained people, streamlined processes, and use advanced technology?
- ☐ Does the partner understand and follow the third-party institutional requirements and responsibilities as outlined in Dear Colleague Letter ID: GEN-15-01?
- ☐ Does the partner's representatives work from a secure location?
- ☐ Is your partner FISMA (Federal Information Security Management Act) ready, so your students' data is secure at the highest level?
- ☐ Does the partner integrate industry leading data security with right-party verification before any information is exchanged to protect your student's privacy?
- ☐ Does the partner offer solutions that require little or no set-up or support from your IT department?
- ☐ Does the partner offer simple, budget-friendly pricing that is based strictly on performance?
- ☐ Does the partner offer real-time reporting options?
- ☐ Does the partner specify their service level agreement upfront and adhere to it even during peak processing periods?
- ☐ Does the partner have a well-defined quality control process?
- ☐ Does the partner maintain policies and procedures to ensure you maintain regulatory compliance?
- ☐ Does the partner provide email and phone support for students and families?

When evaluating potential partners and their services, uncovering the true facts to make an informed decision can be daunting. Are you comparing apples to apples? Are you even asking the right questions? Be sure to beef up the interview process, by doing research and asking questions that provoke discussion rather than a quick response. One easy tip to collect more in-depth information from third-party servicers is to include specific phrases in your queries, like "please explain," "how so," and "provide details and examples."

It is imperative to find a partner with a proven record of success. A partner with a strong solution set. A partner with whom you can instill your professional trust. Because let's be honest; from the perspective of students and their families, this partnership is an extension of your institution. The services they provide will have an impact on the reputation of your school. Not to mention, your institution will be held liable for all actions of their third-party's service. It's critical that you make certain your partner is fiscally sound.

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## What Verification Gateway Offers Students, Families, and Schools

Inceptia offers schools an innovative answer to the demands of managing federal verifications. Verification Gateway is a revolutionary solution that pairs the time saving benefits of a fully automated process with the flexibility and support of personal interaction.

Using a centralized, secure, mobile accessible portal, students are guided through verification from start to finish. Within 48 hours of receipt of the last required form of documentation, verifications are reviewed and verified by Inceptia and then uploaded to the school. Quality control and customer service are provided throughout by Inceptia's highly trained team of Verification Specialists. The goal is a simplified and enhanced student experience while reducing stress and freeing up resources for the financial aid office.

Verification Gateway is an intuitive, efficient, full-service third party solution designed to meet the needs of students and financial aid offices. The system is tailored to the needs and expectations of today's student, utilizing an automated electronic communication plan that sends requests and reminders via email and text, verification interview questions customized to the student's situation, individual action lists to guide students through the steps needed to complete their verification requirements, and the ability to upload verification documents using multiple formats, including a smart phone camera.

Live customer support from our highly trained Verification Specialists via a toll-free number is included in the Verification Gateway model to assist during the process to reduce the burden of verification questions going to the financial aid office.

Implementation of Verification Gateway is turnkey with no additional IT support required from the institution. Financial aid staff can easily track the progress of their students at any stage of the process via real-time reporting that is accessible through an intuitive client dashboard. All verifications are performed in a centralized, FISMA secure environment. Inceptia meets or exceeds federal requirements for data encryption and is a TECH LOCK® Certified: Service Provider.

Inceptia's Verification Specialists undergo intensive on-going training and assessment to ensure that financial aid offices never have to worry about compliance with current requirements or changes to future regulations. Extensive manual and automated quality control is built into our verification processing so schools can rest easy that final verifications are not just done quickly, they're done correctly.

Verification Gateway offers a unique combination of automation and the human touch; a new methodology to manage verification that results in:

- Strategic utilization of financial aid staff
- Streamlined, supportive experience for students and parents
- Better, faster, easier processing of student financial aid packages

This is smart outsourcing. This is what verification *should* be.

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## Conclusion

More than ever, outsourcing is becoming the right choice for schools that want to overcome the challenge of staffing resource issues and the daily responsibilities of maintaining federal compliance while providing exceptional service to students and their families, especially in the area of finances. Instead of simply accepting the extra burden as the status quo, institutions can make a practical choice to outsource key functions like verification to gain a competitive edge, offer administrative relief, increase productivity, and most importantly strengthen their focus on face-to-face interactions with students.

At Inceptia, it's our mission as a nonprofit, to support student success by partnering with schools to provide secure, innovative, effective, uncomplicated solutions. We offer flexible solutions to streamline and strengthen many aspects of the student lifecycle including financial education, verification, award letters, forms, SAP and PJ appeals, grace counseling and default prevention outreach to help students make better financial decisions, reduce stress and realign staff priorities.

### Talk To Us

To learn more about the full capabilities of our Financial Aid Management solutions, contact your strategic business director at 888.529.2028 or visit [Inceptia.org](https://www.inceptia.org).

## VERIFICATION GATEWAY

is a revolutionary solution that pairs the time saving benefits of a fully automated process with the flexibility and support of personal interaction.

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## About the Author

Cindy Kohlman serves as Vice President, Financial Aid Operations at Inceptia. Prior to joining Inceptia, she served as the Associate Vice President at FA Experts, Inc., a management consulting firm that assists universities and colleges nationwide in the administration of financial aid and related issues.

Cindy has more than 25 years of higher education experience including serving as Assistant Vice Provost and Director of Financial Aid at the University at Buffalo, and positions at St. John Fisher College, State University of New York at Brockport, and Rochester Institute of Technology (RIT). She has held several leadership positions in state professional organizations including the New York State Financial Aid Administrator's Association, Inc. (NYSFAAA) and State University of New York Financial Aid Professionals, Inc. (SUNYFAP).

Cindy holds a Masters of Arts from State University of New York at Brockport, a Bachelor of Science from Rochester Institute of Technology, and an Associate of Applied Science from Alfred State College.





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## About Inceptia

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in financial aid management, default prevention, and financial education. Our mission is to support schools as they launch brilliant futures for students, armed with the knowledge to become financially responsible citizens. Since 1986, we have helped more than two million students at 5,500 schools reach their higher education dreams. Each year, we help more than 278,000 students learn how to pay for college, borrow wisely, resolve their delinquency issues, and repay their student loan obligations. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time focusing on students. Learn more at [Inceptia.org](https://inceptia.org).

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