

Ten Things You Need to Know About Financial Aid

An FA Survival Checklist for College Presidents

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Having managed financial aid for over twenty-five years on behalf of not-for-profit institutions and publicly traded corporations with multiple campuses, I have worked with many excellent college presidents. As skilled as they were, most had very full plates and not surprisingly, had very little time to focus on all that is involved in administering federal financial aid. With all the competing issues a college president deals with, the financial aid office cannot always command the attention that this delicate operation deserves. Hiring a competent financial aid leader goes without saying, yet what are the critical functions that every president should monitor? The following fundamental financial aid checklist provides information that every college president should know. After all, the success of the president—and the institution—may very well depend on it.

1. Administrative Capability –

The learning curve to successfully administer financial aid is a steep one. There is just no substitute for qualified Title IV experience. If you've got talent in the financial aid office, retain it. If not, then a change is necessary. No institution can afford a liability in this department.

2. Customer Service – Attractive programs, qualified faculty and excellent placement rates won't sustain an institution if the financial aid office is dysfunctional. Talent, sensitivity and excellent customer service are essential skills in financial aid. Shop your financial aid office.

If they are not warm, friendly, caring individuals who enjoy working with students, you have the wrong team! Financial aid professionals can capture the enrollment or lose it. A customer-focused financial aid team can be your competitive advantage.

3. Packaging Rates – You probably wouldn't purchase a car if you didn't know you qualified for financing or the amount of your monthly payments. The same holds true for students who are purchasing an education. Students, particularly those influenced by parents, are less likely to actually start school if they haven't received a financial aid estimate. Monitor the percentage of students enrolling in your next class who are packaged. You will find there is a direct correlation to their start rate.

4. Past Due Aid – Past Due Aid is defined as funds that should have been received by the institution and disbursed to students' accounts, but were not. The funds might not have

been received due to institutional errors or student omissions. Researching and resolving Past Due Aid reduces receivables and proactively addresses the frequently asked student question, “Where’s my money?”

5. Title IV Credit Balances – Students who receive more funds than charges may have a credit balance on their account. If the credit balance is from Title IV funds, the balance must be promptly returned to the student or to the parent in the case of PLUS loans. There are exceptions to this regulation, but overall, credit balances must be immediately returned to the student. Effectively managing credit balances prevents audit findings.

6. Return of Title IV Funds – Because of its complexity, this generates more audit findings than any other regulation. There can be a significant difference between the last date of a student’s attendance and the “date of determination”—the date when the institution discovers the student is no longer in attendance. After the Return Calculation is completed, the institution is liable for returning unearned funds within 45 days of the date of determination or for assessing whether the student is entitled to a post-withdrawal disbursement.

So how do you manage this process effectively? Establish a process that routinely identifies students who are no longer in attendance and perform Return Calculations every week, well before the deadline. Perform a quality assurance review on the calculations completed. You will likely find that keeping students enrolled is not only better for the institution, but is easier than performing Return Calculations!

7. Reconciliation – This is an essential function to successfully administer financial aid, yet one that is often overlooked. Reconciling funds ensures the student was paid the exact amount of aid the institution received—no more and no less. It is surprising how many institutions do not have a routine reconciliation process in place and post different amounts of funds to student ledgers than were actually received.

Reconciling the federal Pell account is not only a federal requirement but is necessary to ensure the institution’s authorization level has been sufficiently replenished before the institution requests additional funds. Reconciliation helps identify students who may have been paid a Pell Grant by the institution, but the institution was never reimbursed for the funds by the federal government. In my experience, it is common for institutions to be reimbursed for less Pell Grant funds than those to which they are actually entitled.

8. Default Rates – Default rates are a very public measurement, and institutions are often judged by their rates. Students most often default because they don’t know how to avoid default. Effective default management begins when a student first enrolls. Strong retention programs translate to lower default rates. Routinely collect updated information from students such as current email addresses, cell phone numbers, and names and numbers of family members. Monitor grades and attendance. Lower GPAs and poor attendance are early predictors of future defaulters.

Students who withdraw often leave with a balance on their account. When the financial aid office attempts to contact students to counsel them and prevent a future default, students ignore the contact thinking the institution wants money. Consider sending default prevention information to withdrawn students in personally addressed greeting card envelopes instead of school stationery. Students are more likely to open the greeting cards and respond once they realize the institution is sincere about helping them avoid default.

9. 90/10 Ratio (for proprietary institutions) – The 90/10 ratio is based on the percentage of revenues derived from FSA programs. With increased federal loan limits and year round Pell Grants, institutions may find their 90/10 ratio on the rise. Calculating this ratio every month should be standard practice. An institution’s packaging philosophy needs to complement its 90/10 strategy. For example, an institution with a relatively high ratio might incorporate student

payment plans in every financial aid package. Counseling students on the benefits of making small, monthly payments toward educational expenses will help keep federal loan debt to a minimum and prepare them for making timely loan payments in the future.

10. Preparing for Audits and Program Reviews –

All too often institutions go into overdrive just prior to an audit or quickly approaching program review, with all hands on deck reviewing every student file on a daily basis until the auditors arrive. There is no doubt that preparing for an audit or program review requires a great deal of work, but if an incomplete file is discovered, it's almost impossible to locate withdrawn students and resolve potential findings in a short period of time.

So when is the best time to prepare for an audit or program review? Every single day!

Establish a quality control process for every file worked. It can be as simple as a creating checklists, developing a peer review process, or if resources allow, hiring a compliance or quality assurance person. The goal is to maintain files so clean you would welcome an unannounced review!

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Financial aid is a highly regulated, very complex, yet essential student service. It is also one of the functional areas that make an institution most vulnerable. Staying on top of the critical areas outlined above and ensuring that you have a well-trained, customer-oriented financial aid staff will reduce risk, increase student satisfaction and optimize cash flow. When the financial aid office is functioning effectively, the institution can remain focused on educating students.