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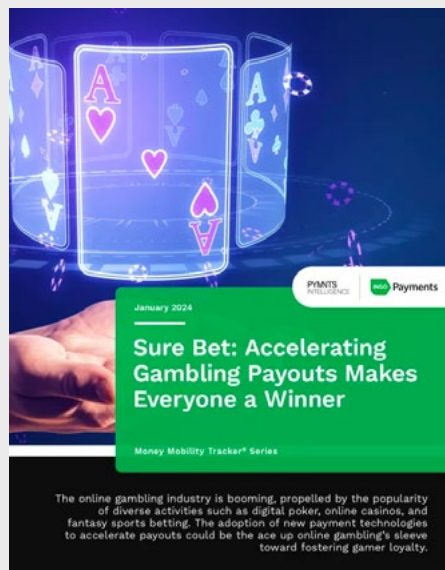
INGO Payments

February 2024

Making the Grade: Promoting Faster Payments in Education

Money Mobility Tracker® Series

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JANUARY 2024

Money Mobility
Tracker® Series

Soaring tuition costs prompt many students to rely on financial aid such as loans, grants and scholarships to pursue their academic aspirations. Swift disbursements of these funds are imperative to prevent payment delays that could disrupt or derail students' educational journeys and create financial strain for schools.

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Introduction

Pursuing an education is a fundamental step toward skill development, intellectual advancement and personal growth, laying the groundwork for future success. However, soaring tuition costs have made attending schools of all kinds prohibitively expensive, prompting many students and parents to defray these costs by obtaining loans, grants and other forms of financial assistance. Unfortunately, slow payment processes often thwart their efforts, jeopardizing enrollment when crucial tuition deadlines are missed.

Accelerating these academic disbursements could be critical to helping millions realize their educational aspirations. At a time when online learning and remote participation have made schooling more technologically complex than ever, there is no excuse for tuition payments to be stuck in the past.



Tuition Tribulations

Needs Improvement: Complications in Education Disbursements

Scholarships and grants seem straightforward on their face: Financial award or aid providers send funds to schools so that their recipient students can gain an education. However, payment complications can mean the money arrives late, if at all.



Share of student loan borrowers who were forced to hang up on customer service calls before reaching a human representative

Tuition Tribulations

Private schools are struggling with late scholarship payments.

One example comes from the Elijah School in Florida, where all 49 of its students receive scholarships from Step Up for Schools, a nonprofit [scholarship funding](#) organization. Facing delayed payments from the nonprofit, the elementary school resorted to borrowing money from its parent church to cover teacher salaries — a safety net that many other schools lack. Indeed, scholarship dollars provide a vital source of funding, particularly for smaller schools. Any disruption or delay in their disbursement could potentially lead to missed paychecks or insufficient supplies.

Federal student loan payments have been plagued by inefficiencies.

The federal government resumed [student loan repayments](#) for borrowers last October after suspending them amid the pandemic, but the return to regular payments has been complicated for many. For instance, millions of borrowers had their loans transferred to different loan servicers, forcing them to learn an unfamiliar system's quirks and challenges. Confusion and widespread errors led to borrowers flooding their loan servicers' call centers, but a considerable number of servicers remained significantly understaffed, having trimmed jobs during the payment suspension period. As a result, wait times surged dramatically, from 12 minutes in August to more than 70 minutes in October, leading half of borrowers to terminate their calls before speaking to a representative — up from just 17% in August before payments resumed.

Disbursement Deficiencies

Less Than Satisfactory: Students Stuck with Subpar Banking Products

Complicating tuition and scholarship payments is the dearth of banking options available to students. Many financial services providers view these borrowers as a captive audience and, therefore, see little incentive to provide better products and services.



Only **26%**

of students have access to
tuition payments via an app.

Disbursement Deficiencies

Student banking products are prone to unusually high fees.

Many Americans open their first bank and credit card accounts as college students to help pay for their education, but these introductory programs are notoriously expensive. A recent report from the [Consumer Financial Protection Bureau](#) (CFPB) revealed that many college-sponsored credit cards and deposit accounts carry higher fees and worse terms and conditions than comparable products, thus preying on students, who are typically less affluent than other consumer groups. Because these programs are sponsored by or co-branded with schools, they do not face the same competitive pressures as they would in the public market. Consequently, students are more likely to follow their school's recommendation of a bank account or credit card when they arrive on campus. "These arrangements can be lucrative for schools," the CFPB noted, "as financial institutions pay tens of millions of dollars every year to colleges and universities, including flat-fee marketing deals and per-signup kickbacks."

Students want the ability to manage payments from their school's app.

According to a recent report, campus apps have considerable room for improvement in addressing student needs, such as payment management. Although more than two-thirds of college students expect to be able to use their school's app to manage their [payments](#), fewer than one-third of them currently do so. In fact, while 68% expressed a desire to consolidate every school function — from managing class schedules to paying tuition — into a single app, 73% of students reported needing more than one app to interact with their schools.

Changing the Student Payment Curriculum

Best in Class: Upgrading Education Disbursements

The frustrating status quo surrounding education disbursements has schools, students and payment providers scrambling for improvements. Modernizing the process could eliminate major payment headaches for all parties involved.



Legacy payments

such as paper checks are a primary cause of tardy disbursements.



Changing the Student Payment Curriculum

Ingo Payments recently partnered with Hank Payments to accelerate tuition refunds.

Ingo Payments and Hank Payments have joined forces to modernize the disbursement process at colleges and universities. The product of their collaboration, [Fast Funds](#), is an innovative solution that facilitates instant disbursements of tuition refunds directly to students' debit cards. By law, all excess tuition funds must be refunded to students within 14 days of receipt by schools, but a reliance on legacy methods such as paper checks often causes schools to miss their deadlines. According to an Ingo Payments press release, Fast Funds has delivered a 90% reduction in paper payments to the schools that have deployed it.

NexPay and Flagright have also teamed up for faster student payment processing.

The Australia-based NexPay, which enables study-abroad students to pay in local currencies, has leveraged Flagright's real-time transaction monitoring to accelerate and secure [student payment processing](#). Flagright, an anti-money laundering (AML) and fraud prevention platform, also helps NexPay fulfill its sanctions obligations. According to a press release, NexPay's payments systems previously "relied on batch-based processes, causing delays and customer dissatisfaction." Through collaboration with Flagright, as stated in the release, "NexPay now offers a transparent and secure platform for international student payments, bolstering trust and simplifying financial transactions for students globally."

Call to Action

The Case for Higher-Level Payments in Education

Students and schools alike often grapple with friction and challenges associated with tuition and scholarship payouts. These issues stem primarily from outdated payment methods, such as paper checks and manual processing, which contribute to delays, inefficiencies and increased administrative burdens. Paper checks, for instance, necessitate mailing and manual handling, leading to delays that can be detrimental for students relying on timely payments to meet their academic expenses. Moreover, the cumbersome paperwork involved in the verification and processing of scholarships adds to the bureaucratic hurdles.

Fast and seamless disbursement and payment methods present a transformative solution to these challenges. Electronic disbursements, such as direct bank transfers or digital wallets, offer unparalleled speed and efficiency. By leveraging these technologies, schools and payment providers can streamline the payment process, significantly reducing the time it takes funds to reach recipients. This not only alleviates the stress on students, allowing them to focus on their education, but also lessens the administrative burden on schools, resulting in a more efficient and responsive financial ecosystem for the entire academic community.

About

PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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[Ingo Payments](#) is the money mobility company. Our mission is to give people and businesses instant, digital and secure access to their money. We provide embedded API and iframe-supported payment solutions and deliver fully digital, cloud-based platforms that bridge the gap between legacy payments infrastructure and new payments technologies to deliver modern, bespoke payment experiences. Whether it's instant account funding, payments or payouts, businesses can count on Ingo to tailor our platform and services to meet their needs. Headquartered in Alpharetta, Georgia, Ingo employs more than 240 professionals and serves some of the largest brands in North America.

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