ACADEMIA’S UNSEEN DEBT CRISIS:

Recouping Millions in Unpaid Accounts at Universities

ECSI | HIGHER ED DIVE

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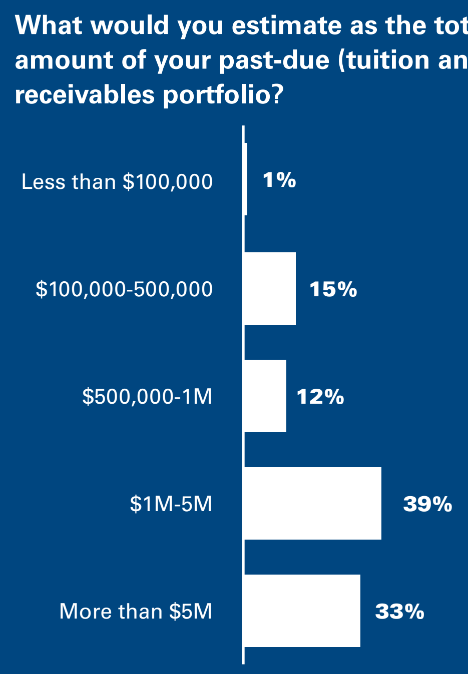
Across the U.S., higher education institutions are under pressure to drive higher enrollments or cut budgets to overcome financial challenges. Institutions unable to do one or the other — or either — face the same fate as the 14 non-profit four-year colleges that closed in 2023 alone, and the dozens more since 2016.

But what if there was a way to stabilize an institution's financial situation while also protecting its ability to attract enrollments with vibrant programs, desirable faculty and supportive financial guidance?

Accounts receivables in higher education represents just such an opportunity. According to a recent survey of more than 150 higher education leaders by ECSI and Higher Ed Dive, the majority of institutions are managing past-due accounts for tuition and fees in excess of $1 million. A significant percentage of survey respondents manage an amount that exceeds $5 million. Recouping these fees allows institutions to earn back valuable tuition money while also protecting budgets from enrollment-damaging cuts to programs and faculty salaries.



Higher education institutions have significant money and resources tied up in student delinquency. More than eight in 10 (82%) survey respondents indicated that their teams spend at least 10% of their time attempting to recover delinquent tuition and fees. Addressing delinquency faster and more efficiently could save money and improve the student experience.

Proactive, effective accounts receivables are especially critical because students who take care of their debt are more likely to re-enroll — institutions can foster a better student experience and help teach financial literacy in a way that doesn't send students to collections or let them fall through the cracks. At the same time, institutions recoup some of their lost revenue.

The consequences of holding on to millions of dollars in tuition debt has a rolling impact on institutions. It threatens their overall financial stability, as well as their ability to support academic programs, faculty and infrastructure — the very things that make an institution competitive in attracting new students.

"Accounts receivables have always been important for higher education institutions," says Lori Hartung, regional executive for ECSI and president of the Coalition of Higher Education Assistance Organizations. "In more recent years, however, account balances have become even more crucial as each dollar generated from tuition post-pandemic has a significant economic impact."

Unpaid tuition and fees is an urgent issue for higher education institutions. Fortunately, there are sensitive and supportive ways to educate students about finances and help them continue their education while also recouping tuition dollars from delinquency. **This report details five important ways every institution can address accounts receivables more effectively to support students while protecting the institution's financial health.**

1. Offer financial education as a student service

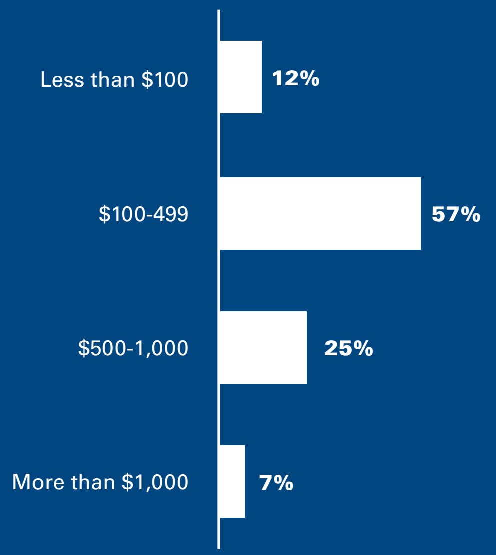
Past-due accounts can be a result of many different factors and experiences students go through, from financial hardships to unexpected life events to a lack of awareness of resources. The consequences, however, can be enormous. Six in 10 higher education institutions surveyed do not permit students with an outstanding balance to register for the next term. For most respondents, that policy goes into effect when students accrue balances of less than $500.

While payment plans can help — and 100% of schools surveyed offer tuition payment plans to help students pay their delinquent tuition and fees — sometimes these payment plans are either not enough or are not flexible enough.

Higher education institutions can keep students from falling into delinquency by offering student-specific financial education as a student service. For example, Indiana University recently piloted a financial literacy program that led to a 23% decrease in borrowing debt across all campuses.

"There's a good reason behind every delinquent student account," says Hartung. "Institutions need to balance their financial stability with a student-centric mindset that is empathetic and flexible. What resources can you provide before a student is in need, and what resources during and after? That's what will keep students enrolled longer."

At what outstanding balance amount does your registration hold apply?



How does the percentage of your past-due receivables this year compare to that of last year?

- **53%** More delinquent accounts than last year
- **17%** About the same number of delinquent accounts as last year
- **30%** Fewer delinquent accounts this year than last year

2. Have a strategy to get students on the fringes the support they need

Focusing on preventative measures to address delinquency before it becomes an obstacle to enrollment is a powerful way to support students while improving institutional finances. According to survey respondents, an average of 10.2 students are prevented from re-enrolling each term due to delinquent accounts. But that number could be growing — half of higher education officers surveyed (53%) say they are experiencing more delinquent accounts this year than last year.

By being strategic with accounts receivables and staying in communication with students to notify them of past-due issues as early as possible, institutions won't lose the opportunity to have those students re-enroll. On the other hand, waiting until registration to raise the red flag will make it less likely a student can address the issue before the term begins.

"Institutions face understandable obstacles to outreach, including outdated communication technology and insufficient staff to stay on top of delinquency," says Hartung. "So many schools would like to do a better job with proactive outreach, but they simply can't because of staffing and structure reasons. These institutions can benefit from a partner who can help them be more proactive and identify and support students with help before they need it."

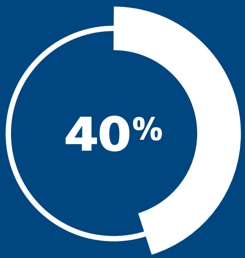
Many institutions are trying to maintain or expand student outreach with a smaller staff and fewer resources. Roosevelt University achieved a 35.3% resolution rate and collected almost $500,000 in re-enrolled student tuition from 33 students who signed up for classes while working on paying down their balances with ECSI's RecoverySelect.

3. Get familiar with the rules and regulations around debt collection

The rules and regulations related to debt collection for universities vary by state and evolve over time. Monitoring those changes and staying in compliance can be overwhelming for institutions and confusing for students if they don't receive consistent communication about policies. For example, the U.S. Department of Education is strengthening oversight of whether an institution can withhold a student's transcript for overdue tuition and fees.

Every institution needs to understand how these policies affect their past-due account processes and be in close communication with legal counsel to ensure they are in compliance. Currently, only 40% of higher ed officials surveyed say general counsels have reviewed their institution's delinquent account outreach process.

"When it comes to compliance and legislation, you need experts involved," says Hartung. "You're potentially putting your institution at risk if you aren't taking into account certain compliance aspects that go along with reaching out to student consumers and having conversations around debt and payment plans."



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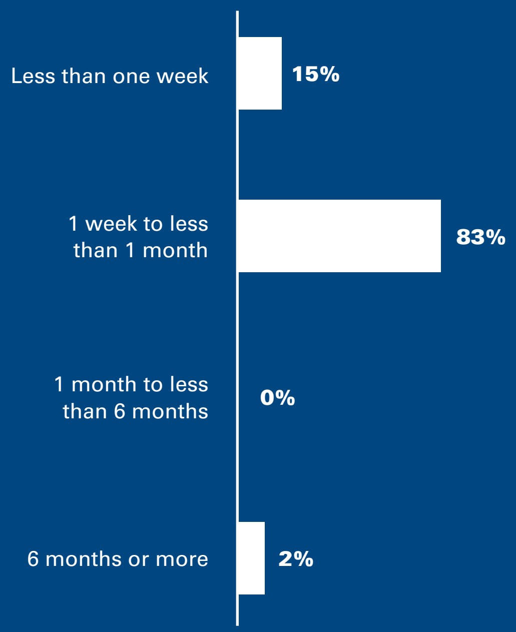
4. Standardize past-due receivable processes and outreach

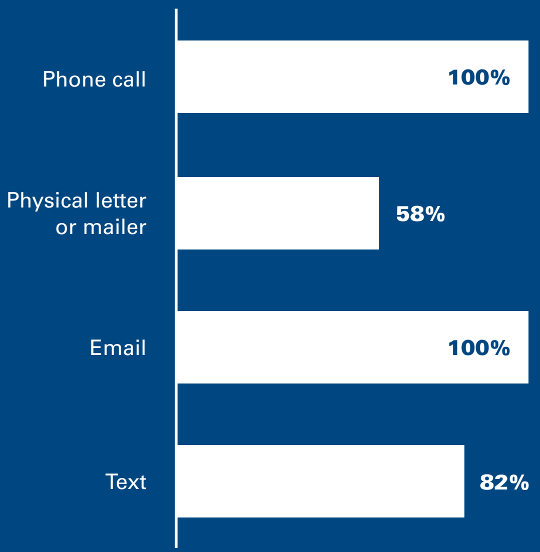
Standardized recovery processes and outreach are a must for institutions that want to reduce the time and resources required for accounts receivables while providing a more consistent and professional experience for students. Effective outreach establishes a clear cadence, compliant modes of contact and consistent templates such as letterheads that impart authority and legitimacy to the messages.

While most institutions surveyed had some outreach process — almost all (98%) reach out to students within a month once their tuition and fees accounts become delinquent, and staff of all respondent institutions rely on phone calls and email (both 100%) to contact students who have past-due tuition and fees — there's room for improvement.

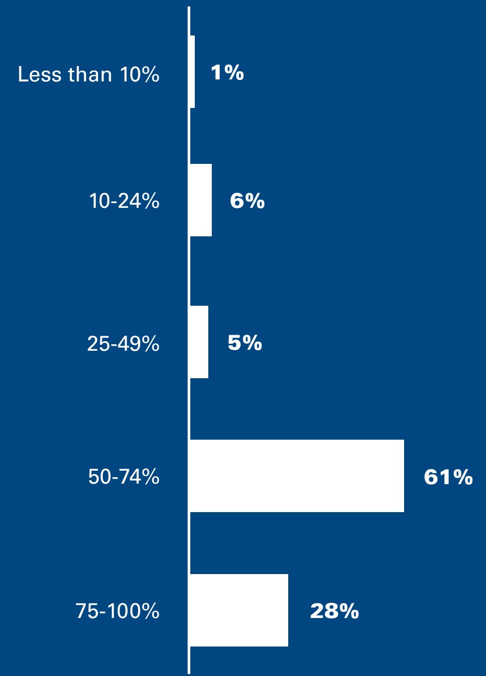
How quickly do you reach out to students once their tuition and fees accounts become delinquent?



What outreach methods do your internal staff use to contact students who have past-due tuition and fees?
Note: Respondents could select more than one answer



What percentage of students re-enroll at your institution after their debt is resolved?
Note: Only respondents who use third-party debt-collection agencies to aid in recovery of outstanding tuition and fees answered this question.



"A manual collection process requires a lot of time and talent," says Hartung. "Many schools simply don't have the staff to stay on top of it, and, even if they do, there's no clear process to follow. This leaves students with a negative experience and potentially dire consequences if their delinquency affects their consumer credit for years to come."

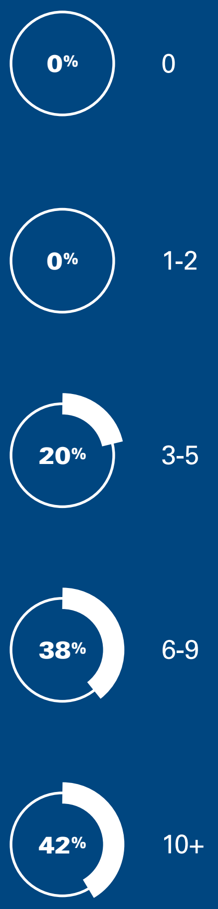
Hartung recommends an accounts receivables partner like ECSI's RecoverySelect, which can fully integrate into an institution's student information system and introduce automation and tracking into an established outreach process. Institutions gain incredible insight into their outreach process and students receive consistent, professional messaging that helps them get their accounts settled — win-win.

"Time after time, our experience shows us that outreach done early and consistently through multichannel communications yields better results," remarks Hartung. That's borne out in the survey data — nine in 10 (88%) surveyed officials who use third-party debt-collection agencies say that at least half of their students re-enroll after their debt is resolved.

5. Understand how technology can free up time and resources

One of the most notable findings from the survey is that the time and resources institutions invest in accounts receivables processes aren't working efficiently for them. More than eight in 10 higher ed officers (82%) indicate their teams spend at least 10% of their time attempting to recover delinquent tuition and fees. The vast majority (74%) place the figure between 10% and 49%. There are also dedicated staff spending time on accounts receivables; four in 10 higher ed institutions (42%) surveyed dedicate 10 or more staff members to the recovery of delinquent tuition and fees.

How many full-time staff do you have dedicated to the recovery of delinquent tuition and fees?



When asked what they believe is the greatest obstacle to their staff completing accounts receivable outreach before a student leaves school, survey respondents offer a wide range of answers that tend to fall into 10 broad categories:

- Outmoded, inefficient methods of communicating with students
- Lack of a consistent strategy, policy or structure for handling past-due account outreach
- Inconsistent, overly complex or poorly executed policies
- Insufficient staff/resources, or issues with staff
- Problems with communicating/coordination across departments or campuses
- Inability of staff to access financial data
- Poor/inaccurate financial data and/or software
- Students not understanding their responsibilities
- Problems reaching specific types of students (e.g., international students, part-time enrollees)
- Problems finding students with lapsed accounts

The accounts receivables technology available today can help institutions manage all of these activities more effectively and efficiently, leading to better outcomes for both students and institutions — in less time and with fewer resources. ECSI's RecoverySelect, for instance, connects institutions with mobile-ready communication tools that make it easy to track delinquent students, send messages and schedule reminders for follow-up.

Built-in student account management makes it easier to track overall accounts receivables status and maintain accurate reporting. St. Edward's University achieved a 47.3% resolution rate and resolved $520,000 in past-due balances with ECSI's RecoverySelect.

Support student and institutional health by resolving delinquency

Ongoing delinquency for tuition and fees is problematic for institutional revenue. But it's also a threat to the overall student experience an institution can offer year after year. By initiating a more intentional, effective and supportive approach to accounts receivables, institutions can recoup tuition dollars, lower delinquency, support higher enrollments and deliver a better student experience — without adding demands on existing staff.

Learn more about ECSI's RecoverySelect, a past-due account solution focused on student retention and reduced workload.

About the Research
To better understand the state of accounts receivables in higher education, ECSI partnered with Higher Ed Dive to survey 151 representatives in the higher education space in December 2023. The majority of respondents represent private four-year institutions (40%) and public two-year institutions (35%), with some representing public four-year institutions (21%) and private two-year institutions (8%). Institutions ranged in size from more than 10,000 students (43%) to 1,000-2,999 students (29%) to 5,000-9,999 students (15%). There are also participants with schools with 3,000-4,999 students, as well as fewer than 1,000 students (5%).

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ECSI is a Global Payments Inc. company (NYSE: GPN), and a leading provider of technology-based services for institutions of higher education. With more than 50 years in the higher education industry, ECSI offers solutions that combine service + software to provide schools with the necessary tools to engage and retain students, increase revenue, and reduce administrative workload. For more information about ECSI and its solutions, including RecoverySelect, please visit home.ecsi.net.

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