Transaction Plan: Consolidating Payment Systems for Improved Efficiency, Security and Usability

May 2014

CAMPUS TECHNOLOGY

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Introduction

Over the past 10 years, payment processing has grown ever more complex. The popularity of electronic payment has grown significantly, as have the number of payment points on campus. Over time, colleges and universities have added new payment systems to support electronic transactions for tuition and student fees, housing, parking, bookstore and other campus services. The result has been a patchwork of disconnected systems accompanied by redundancies, inefficiencies, unnecessary costs and security headaches.

Colleges and universities can solve many of these problems by stepping back and looking at the big picture of campus transactions. By consolidating multiple payment siloes into a single, unified system for the entire campus that is integrated with the enterprise resource planning (ERP) system, they can save time and money while improving security and user experiences for both students and administrative staff.

In this special report, sponsored by higher education software and service provider, Ellucian, Campus Technology outlines the challenges colleges and universities face with payment systems and introduces Ellucian Payment Center by TouchNet, a new payment system designed specifically for higher education institutions that integrates Ellucian's suite of enterprise resource planning products with a payment system from TouchNet Information Systems.

Challenge 1:
Transactions don't update to host systems in real time

Because the ERP is the campus' system of record, it's crucial to keep that system accurate and up to date. Yet many colleges and universities use payment systems that operate in isolation from the ERP or with limited integration, creating extra work for staff and more potential for errors.

If the payment system isn't integrated with the ERP, administrative staff must manually update transactions from the various payment systems to the ERP at the end of each day. Until that process takes place, the two systems are out of sync. If any payments have been made on the student's account – towards tuition, meal plans or other services – those payments won't be reflected on the student's account until the end of the day and could result in services being withheld.

Another problem occurs when a payment doesn't go through successfully, as with bounced checks or invalid credit cards. If those transactions have already been entered into the ERP, staff have to go into the system again and manually reverse them. With a deeply integrated system, it would automatically remove that money from accounts receivable without the need for manual reversals.

Lack of integration between the systems can create other problems as well. While an integrated system enables a student to move seamlessly between their student account

5 keys to choosing an electronic payment system

1. Integration with other campus systems to simplify business processes as well as IT maintenance and monitoring and to provide single sign-on capabilities for users.

2. A unified solution that provides visibility and control over transactions campus-wide.

3. Compliance with Payment Card Industry Data Security Standards (PCI DSS) and Payment Application Data Security Standards (PA-DSS).

4. Cost-efficient payment processing, especially for credit cards. Look for a solution that passes credit card transaction fees to the user and provides an ACH option.

5. Ease of use for students with features such as payment scheduling, parent-pay and support for mobile devices.

and the payment system, a lack of integration prevents that unified user experience for the student and prevents simultaneous information updates between the payment system and ERP. If the university needs to send money to the student, as part of a financial aid disbursement or a refund, the college or university may have to issue a check, whereas with an integrated system the student could provide his checking account information and the school could send those funds directly from the ERP to the student's checking account.

With any system that is tracking data, it's better to store the data in a single system in this case the ERP, to eliminate redundancies and potential errors.

Challenge 2:
Payment siloes created by multiple payment systems

Owing to the rapid growth in electronic payments, many colleges and universities have gradually developed a patchwork of payment providers and systems to serve the wide variety of services on campus, such as admissions, ticketing, campus housing, bookstore, continuing education, student fees and alumni relations. These separate payment "siloes" can make transaction management difficult. For example, if the school receives a $100,000 check from a donor, the administrative staff has to reconcile that money across the various payment systems – a time-consuming and potentially error-prone process.

Managing disparate payment systems also creates extra work for IT staff because each piece of software has to be supported and maintained separately. Software updates have to be applied in a timely manner; user accounts have to be added or removed with staff changes; staff has to be trained on different systems; and each system has to be secured to protect users' personal financial information.

A single-unified payment system simplifies the reconciliation process for administrative staff and simplifies IT management.

Challenge 3: PCI DSS compliance

When large retail chains are hacked and the credit card information of millions of customers is stolen, the company's reputation is dragged through the media mud, and any college or university that accepts credit or debit cards as payment is potentially at risk of a similar security breach and the resulting reputation damage. Educational institutions that accept these types of payment must be vigilant in protecting themselves and their customers from such threats.

In 2004, with the rise of e-commerce and the associated security risks, the financial industry created a set of rules and regulations called the Payment Card Industry Data Security Standard (PCI DSS), a name as intimidating as the burden it places on schools. PCI DSS requires merchants, including colleges and universities, to adhere to stringent rules governing the storage and transmittal of data related to any "type or

swipe" transactions. Campus IT administrators have to file paperwork certifying their regulatory compliance. When a campus has multiple payment systems in place, they have to go through this process for each separate system.

As if the process of becoming PCI compliant weren't daunting enough for schools, the industry frequently revises the rules for PCI DSS. When they were originally introduced, PCI DSS regulations were very much focused on the data center. However, in the numerous subsequent revisions, the scope of the regulations has expanded to apply to any application or device that touches payment card data, and the Payment Application Data Security Standard (PA-DSS) became mandatory in July 2010. For colleges and universities that host their own payment systems, they have to keep abreast of these changes and update their security practices accordingly. The rules can be difficult to understand, much less follow.

Challenge 4: High credit card processing fees

The complications associated with accepting credit and debit cards don't end with security and regulatory compliance. Any merchant that accepts these forms of payment has to pay processing fees to the banks and credit card companies issuing those cards. The fees combine an interchange rate with a merchant services fee. The interchange rate is imposed by the card brand as a percentage of the transaction amount and can range from 0.5 to 3.0 percent or higher. The issuing bank charges a merchant services fee on top of the interchange rate. These payment card processing fees can add up to hundreds of thousands of dollars in costs to the college or university every year. Some schools solve this problem by refusing to accept credit cards as a form of payment, a risky choice that can reduce enrollment numbers because some students have no other way to pay.

The Durbin Amendment, which went into effect in late 2011, capped the fees banks can charge to process debit card transactions at a flat rate of 21 cents plus 5 basis points (0.05 percent). Proponents of the amendment argued that fees for debit cards don't need to be as high as those for credit cards because unlike credit cards, debit cards don't have to cover unpaid debt risk. On large transactions such as tuition payments, the Durbin Amendment has saved colleges and universities a significant amount of money, but credit card processing fees remain high. The Durbin Amendment has also caused an increase in processing fees for small debit card transactions, although future revisions of the amendment may solve that problem.

Challenge 5: Usability problems for students

The first four challenges primarily affect the college or university itself, but what about the people making the payments? Many legacy payment systems pose numerous challenges for the students on the other side of the transaction equation.

Parents are often the ones making tuition payments on behalf of their children, but

parents don't have a student ID or account in the ERP, so extra effort is required to ensure that the payment is applied to the student's account. In some cases, students may give their username and password to their parents, who can then log on and pay on their behalf. But sharing usernames and passwords is typically against IT policies due to FERPA regulations. Alternatively, parents can mail in a check, phone in and pay by credit card or walk in to pay in person, but then administrative staff has to track down the appropriate student account to which to apply the payment, introducing a potential for errors. And when the payment system is not integrated with the ERP, students need separate user accounts on each system and information isn't automatically shared between the accounts, making it difficult for them to see an accurate view of their bill.

Students and parents also want the ability to schedule payments to take place on a specified future date and receive an email confirmation of the transaction, but many payment systems don't allow scheduled payments. Another feature that people increasingly expect is the ability to make payments directly from their smartphone or to check the status of their account from their mobile device, but many campus payment systems still don't support mobile functionality.

What can colleges and universities do to tackle these challenges?

Ellucian Payment Center by TouchNet

Two higher education solution providers, Ellucian and TouchNet, have formed a strategic partnership to integrate Ellucian's ERP suite with TouchNet's payment system. The result of this partnership is Ellucian Payment Center by TouchNet, which is based on TouchNet's U.Commerce financial technology platform for higher education. The new solution aims to help colleges and universities overcome the challenges outlined in this white paper.

Ellucian Payment Center by TouchNet integrates with Banner® by Ellucian, Colleague® by Ellucian, PowerCampus™ by Ellucian, Ellucian Recruiter™ and Ellucian Elevate. The solution is designed to streamline business processes by providing a unified payment system for transactions across the entire campus and update those transactions in the ERP in real time.

The Ellucian Payment Center by TouchNet has two interfaces: one for administrative users and one for students or other self-service users.

The administrative user interface includes a dashboard where campus staff can view real-time stats of commerce activity across campus, manage transactions and receive system alerts and notifications. A customer service function allows administrators to view and answer questions submitted by users. It also includes a report generator that can match transactions to the school's business cycle and filter transactions by date

and time, payment method, campus merchant or other criteria. Administrators can access all the tools in this interface through a central login.

The self-service user interface enables students via single sign-on to Ellucian Payment Center by TouchNet to view their current account balances and payment history in real time and make payments to their account through the online interface using credit card, debit card, electronic check, funds transfer or international wire. They can store their payment methods online to simplify subsequent payments, and they can schedule payments for a future date. Payment Center also offers "authorized user" functionality, so students can designate parents or other benefactors as authorized users who can make payments on their behalf, and those payments will be automatically associated with the student's account.

The bulk of Ellucian Payment Center by TouchNet's functionality and ERP integration is built into the baseline module, but TouchNet has developed an array of add-on modules to extend the functionality of its U.Commerce platform, and those same add-on modules also work with Ellucian Payment Center by TouchNet. Some of the add-on modules include TouchNet Bill+Payment, TouchNet SponsorPoint, TouchNet Marketplace, TouchNet Cashiering and TouchNet Mobile U.Commerce. While the Ellucian Payment Center by TouchNet baseline module doesn't include mobile payments, that functionality can be licensed with an add-on module.

Payment Card Industry (PCI) Compliance

Ellucian Payment Center by TouchNet is a PA-DSS validated payment application that is hosted in TouchNet's PCI compliant data center, meaning it virtually eliminates the burden of PCI compliance from the college or university, and all of the IT, business practice and paperwork headaches it entails.

As a merchant, schools are still required to fill out paperwork asserting that they are in compliance with PCI rules and regulations, but instead of having to provide details about their network configuration, password policies and other network security minutia, they just have to document that they're using TouchNet's PCI-certified software in the company's PCI-certified data center. TouchNet is listed on the PCI Council's registry of certified solution providers, so an auditor can just check the Web site to verify that the college or university is in compliance.

Reduced Credit Card Transaction Fees

Ellucian Payment Center by TouchNet includes a component called Transaction Services that provides a number of services to help colleges and universities save money on merchant processing fees. According to Ellucian, Transaction Services can save schools as much as $20 per student per year on interchange fees.

Potential savings can be found in the merchant processing pricing structure. Many banks offer merchants a bundled rate on credit and debit card fees, where the merchant pays a flat rate on all transactions regardless of the type of card. While this model appeals to many campuses because of its simplicity, it can result in significant costs. As an example, credit card fees are much higher than debit card fees. With a bundled rate schools end up paying significantly more if the majority of the school's transactions use debit cards rather than credit cards. TouchNet's Transaction Services offers an alternative to a bundled rate called cost-plus pricing. Under a cost-plus pricing program, schools pay the interchange for the specific transaction type plus basis points that are a fixed rate to TouchNet, allowing schools to enjoy substantial savings for lower-cost transactions like debit.

Transaction Services also offers PayPath. PayPath is a convenience fee service that passes the cost of the transaction processing fee along to the person making the transaction and prompts that person so that he or she is aware of the convenience fee and can choose an alternate method of payment. This enables schools to eliminate processing costs for these transactions resulting in a substantial annual savings.

Schools using this model report that they've seen a shift in how payments are made, according to Ellucian. Before implementing PayPath, 85 percent of payments were made with a credit card and 15 percent were made via ACH. Now, thanks to PayPath, 85 percent of payments are made using ACH and only 15 percent use credit cards.

About Ellucian

Ellucian helps education institutions thrive in an open and dynamic world. We deliver a broad portfolio of technology solutions, developed in collaboration with a global education community, and provide strategic guidance to help education institutions of all kinds navigate change, achieve greater transparency, and drive efficiencies. More than 2,400 institutions in 40 countries around the world look to Ellucian for the ideas and insights that will move education forward, helping people everywhere discover their futures through learning.

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