

Convenience Fee Proposal

Executive Summary: In response to cabinet discussions on cost containment, the bursar's office was asked to investigate the feasibility of implementing a convenience fee on credit card payments made to student accounts.

A 2.65% convenience fee would be assessed on all credit card payments posted to the student account received by the business office or through the College's existing payment gateway, PCC-Pay. There would be no fee on payments made to other college operations, such as the bookstore, food services and parking. *No revenue will be generated as a result of this program.*

The student cost varies according to the actual amount paid. For example, the fee for a student who used a credit card to pay for 12 credits plus parking would be just under \$27 based on current tuition rates. If current payment amounts are any indication, however, most students will pay a lower fee as the average transaction is below \$300, which translates to a fee of \$8 or less. The fee will be clearly disclosed and students will have the choice to accept the fee or chose another payment option.

An important student service consideration, however, is that this type of convenience fee violates the terms of Visa's Operating Regulations and the College would no longer be able to accept Visa cards as a form of payment. It is understood there will be an element of student dissatisfaction. The College will continue to accept Mastercard and is actively investigating expansion of payment options to include American Express and Discover cards.

The plan is to implement the convenience fee effective Fall term 2010. Dee Wilson has been assigned as project lead and is forming three teams to handle the implementation and communication plans. A Business Process team will include representatives from accounting, registration and the business office. The Implementation team will include TSS and bursary staff and representatives from the product development team at NelNET. The Communications team will include managers and staff in enrollment services, the bursar's office and student services, including at least one student representative.

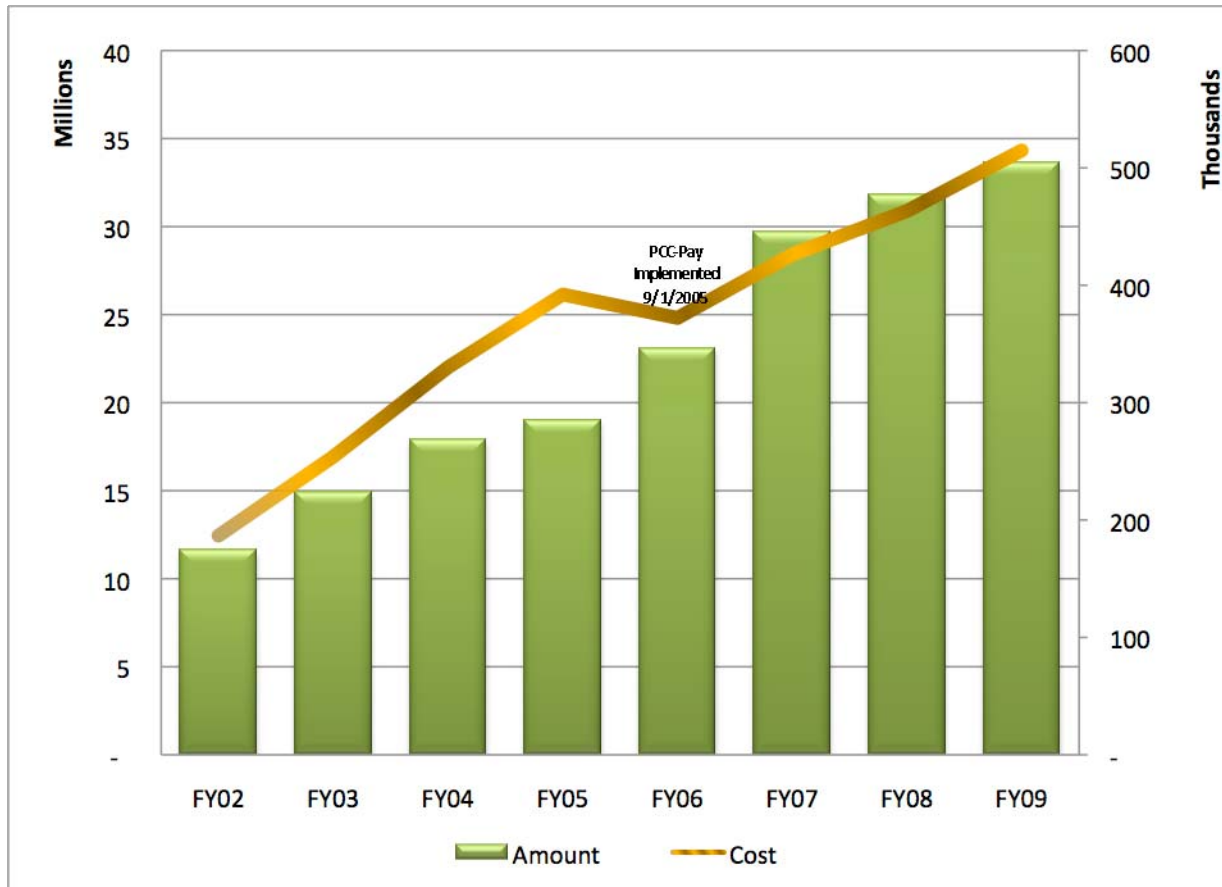
Background: In FY 09, the College received \$40 million in credit card payments at a processing cost of \$514K. Student payments represented approximately 82% of the total dollar amount of all credit card payments accepted, with auxiliary services accounting for most of the remaining balance. An average of 126K transactions were received via PCC-Pay over the last three years, 96% of which were by credit card. It is clear that without a pricing differential, PCC students will continue to select credit cards as their preferred method of payment.

Prior to implementing PCC-Pay, the college processed just over \$19 million in tuition payments by credit card. By the end of FY09, the amount nearly doubled to more than \$34 million. During this same period payments by check, which previously accounted for about 60% of direct student payments, continued to decline. Today credit cards account for approximately 67% of all direct student payments received.

As Table 1 (below) illustrates, the College has had some success in slowing the pace of fee increases. However, unless the College takes measures to curtail the use of credit cards, processing costs will

continue to escalate as tuition rates rise and student continue to favor credit cards over lower cost payment options.

Graph 1: Credit card processing costs associated with student account payments



CONVENIENCE FEE OPTIONS

Each credit card company set the terms and conditions for credit card acceptance. While all allow government and higher education clients to charge a convenience fee, the method is tightly regulated by the card company agreement, with Visa being the most restrictive.

The College will be contracting with our existing e-commerce vendor to process its credit cards at a pre-determined rate which is passed through to the student as a convenience fee. The transaction is handled by the vendor’s merchant processor. Upon accessing the payment site, a message is displayed advising the student that the college no longer accepts credit cards for tuition payments, but as a convenience, it has contracted with secure payment processor to offer the service for a fee. A fee disclosure screen displays and if accepted, the student is directed to a credit card payment page. No fee is posted to the student account. The student’s credit card statement reflects two transactions – the tuition payment made to the College, and a transaction fee payable to the vendor, thus providing a clear distinction between the two.

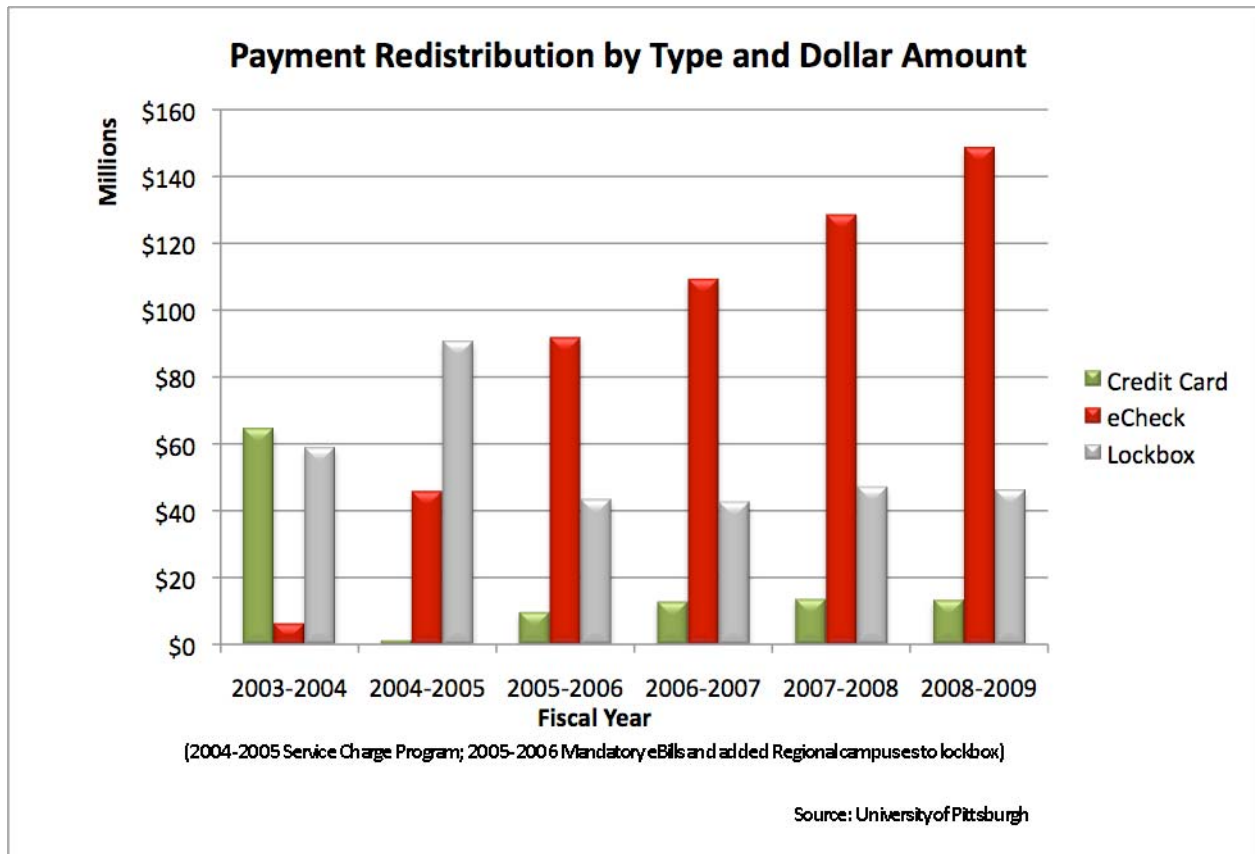
CONVENIENCE FEE TRENDS

Due to cost sensitivity, community colleges have been reluctant to directly transfer the cost of credit card processing to students via convenience fees. However, it becoming more common practice on the community college level to charge convenience fees for payment plans when contracting with an outside plan provider. There are certain pockets where fees are more likely to be charged, such as community colleges affiliated with university systems and various states.

The national trend colleges who accept credit cards, and many of them do not, is to charge a percentage based convenience fee as described above in Option 1. Most colleges and universities in the Northwest also charge a percentage based fee, including U of O, OIT, WSU, WOU, Reed, and Lewis & Clark. OSU was the only one located that charges a flat fee of \$35. Rates vary, but the most common percentage charged is 2.75%. PCC negotiated a rate with its vendor of 2.65%.

Beth Stack, Director of Student Financial Services, at the University of Pittsburgh shared the following graph which shows the redistribution of payments following the implementation of a convenience fees. This data supports information received from a variety of sources including e-commerce vendors, banks and colleagues.

Graph 2: University of Pittsburgh experience with change of payment patterns upon implementation of a convenience fee



RECOMMENDATION – To implement a 2.65% convenience fee and to add American Express and/or Discover as additional payment options.

Some of the key benefits that make this option as described above the best choice for PCC include:

- **Students have the choice to pay or avoid the fee.** Clear disclosures will display on the payment screen advising students of the fee. The bursar's office will work with the College's marketing team to ensure students receive ample notification of the change.
- **Reduces student dependence on credit.** As illustrated in Graph 2 there is a clear shift in payment patterns away from credit card usage upon implementation of a convenience fee. There is clear evidence that when confronted with a large convenience fee students will chose free e-check payments over credit cards.
- **Appropriate fee distribution.** Credit card processing costs reduce the tuition dollars available for programs and services for all students, regardless of whether or not they use a credit card for tuition payments. Therefore, it is appropriate that those who continue to use credit cards should bear the cost of usage.

Appendix A – Card Company Regulations on Convenience Fees