

Agenda
Florida SouthWestern State College Financing Corporation
Special Meeting
Zoom – Telephonic Meeting
April 9, 2020
4:00 p.m.

I. Public Comment

II. Vote to Take Action On

1. Approval of an agreement between the Florida SouthWestern State College Financing Corporation and Florida SouthWestern State College to provide a tuition Installment plan guaranty for the 2020 Summer Semester. Presenter: Mark Lupe

Board Members' Comments

President's Comments

Adjournment

I. WHAT IS A TUITION INSTALLMENT PLAN?

Tuition installment plans provide an alternative for families and students who can afford to pay for a college education, but not in one big lump sum at the beginning of a semester. Tuition installment plans, also called tuition payment plans or deferred payment plans, split college costs into equal monthly payments. This makes budgeting for college costs more manageable. Tuition installment plans also assist students who are waiting for their financial aid until it is available.

Q. How Do Tuition Installment Plans Work?

A. Tuition installment plans are designed to help students manage college expenses without breaking the bank. Instead of paying a student's college bill for a semester or quarter all at once, they can be paid in installments (typically 3 or 4 installments). In a tuition installment plan the bill for all of the semesters fees and tuition must be paid in its entirety by the end of that academic period.

Q. What are the advantages of Tuition Installment Plan?

A. Tuition installment plans are less expensive than student loans. Tuition installment plans have a modest up-front enrollment fee of approximately \$35 - \$50 versus interest payments on the entire sum over time. Installments are spread over the semester. Tuition installment plans generally do not require a credit check.

II. WHY DOES THE COLLEGE CONTRACT WITH A VENDOR FOR THE TUITION INSTALLMENT PLAN?

Q. Who is the vendor?

A. Nelnet contracts with the College to provide a payment program used by institutions across the country. Nelnet has been in the tuition management business for 15 years. For more information about Nelnet, you may review their website at www.factsmgt.com.

Q. Why doesn't the College just let the students pay in installments?

A. It isn't permitted for the College to guarantee student payments. Under Florida law the College must collect tuition no later than the last day of the drop and add periods established by the boards (See, F.A.C. §6A-14.054). In addition, for purposes of calculation for funding through the Florida College Program Fund, only students who are subject to tuition, out-of-state fees upon payment, waiver, or deferment of the fees, pursuant to law and rule are counted. In other words, for funding purposes, to be counted a student tuition must be timely paid or deferred as permitted by law. (See, F.A.C. §6A-14.076).

Q. What are the permitted deferrals?

A. When the college has a written promise of payment from business, industry, government unit, nonprofit organization, or civic organization, fees may be deferred as determined by the board of trustees. (See, F.A.C. §6A-14.054). Under its contract with the College, Nelnet guaranteed payment on the student installment plans to the College effective at the end of the add drop period. This allowed the College to include these students in the student in the Full-Time Equivalent (FTE) count for purposes of the College Program Fund.

III. WHAT HAPPENED TO NELNET AND WHAT SHOULD THE COLLEGE DO?

Q. What happened to Nelnet?

A. On March 26, 2020, Nelnet announced that it would be unable to guaranty payment to the College on student installment accounts. This means that if the College takes no action, it will be unable to include all students participating in installment accounts in the College's FTE count for purposes of the College Program Fund.

Q. Why did Nelnet take this action?

A. Nelnet did not explain its reasoning and instead stated: "Due to the unprecedented and sudden challenges created by COVID-19, Nelnet Campus Commerce will be modifying your institution's Summer and Fall term 2020 payment plan options, effective immediately." We are certainly disappointed with this decision but our focus, at least in the near term, is on our students and taking the steps we can take to keep them in school so they can complete their educations. We feel a necessary part of the steps we should take is to maintain the Tuition Installment Program.

IV. WHAT are you asking the Florida SouthWestern State College Financing Corporation to do?

Q. What role can the Florida SouthWestern State College Financing Corporation play?

A. The College is asking the Financing Corporation to enter into a contract with the College to guaranty payment to the College under the Tuition Installment Program for the summer semester. Administration would then have time to seek other solutions for the fall and beyond.

Q. What is the financial risk to the Financing Corporation?

A. The financial risk to the Finance Corporation is dependent upon how many students utilize the program. In 2019, 835 students participated in the and in 2018, 908 students

participated. The program mitigates that risk by requiring the students to begin payments prior to the start of the semester. This was the proposed Summer Semester plan:

Last day to enroll	Required Down Payment	Number of payments	Months of payment (payment are due on the 20 th of the month)	Enrollment Fee
May 18	none	3	May - July	\$35
June 11	50%	2	June & July	\$35
June 19	50%	1	July only	\$35

The guaranty, if approved, would be effective June 26th. At that time the majority of students on the Tuition Installment Plan will have paid 75% of their tuition. Also, those who default prior to June 26th will be given an opportunity to pay their balances in full or they can choose to be dropped for non-payment and any tuition paid prior to the date of default will be refunded to the student.

We are able to share historical information in the box below. The total amount of all Tuition Installment Plan amounts at the start of the Summer Semester 2019 was \$658,000.00.

Summer Semester	Final Default Rate	Final Defaulted Amount
2019	0.41%	\$2,736.58
2018	0.74%	\$5160.06

In the present economic circumstances, we do expect the default rate to rise, but we are unable to quantify that impact.

We thank you for your consideration and time and look forward to providing you with additional information and our discussions of this issue.

TIP Timeline

