Reducing the Cycle Time of the Financial Aid Application and Approval Process at Universities

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Executive Summary
The process that a student must go through to apply for financial aid at a university is often difficult and time-consuming. Application processing delays are due in part to lengthy and complicated application forms. Applicants have difficulty filling them out correctly and may make errors or omissions. This may cause the form to be returned to the applicant to be corrected and re-submitted. Once the application is completed, it must be sent to an appropriate processing center where the information is keyed-in manually to a computer system so that eligibility status may be determined.

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After submitting applications, applicants are often notified that they must provide additional documents such as their parents’ tax returns, transcripts from previously-attended schools, or proof of citizenship. Some applicants have difficulty obtaining these documents resulting in additional delays. Consequently, many students do not receive notification of approval in time to satisfy tuition payment deadlines.

A study was conducted at a major state university to determine if the financial aid application and approval process could be completed in a more timely, efficient manner. The purpose of this study was to determine why these processes were taking so long and what techniques, if any, could be used to reduce process cycle times while controlling costs and increasing customer service. It was discovered that the financial aid application and approval process was one of several confusing, time-consuming, complicated, and laborious “front-end” processes that prospective students must suffer.

Before actually attending classes, a student must satisfy the requirements imposed by numerous departments within the university. The financial aid office is just one of these departments. Admissions, the Registrar, student housing, counseling, and advising may also impose requirements that are often complicated, uncoordinated, and redundant. As a result, the student may have several unpleasant encounters with a university during these initial but critical stages. By the time the student completes the entire admissions process, he or she is well aware of the
lack of coordination that exists between functional departments within the institution. The initial positive feeling that the student had about the school, perhaps engendered by the recruiter that lead him or her to apply in the first place, diminishes significantly even before he or she ever sets foot in a classroom.

The following techniques could be employed to effectively reduce cycle time of not only the financial aid application process but the entire admission process:

Use a case worker approach to provide an integrated, “front-end” service for all prospective students. Provide personal computers that students can use to apply for financial aid electronically. Allow students who have applied for financial aid to attend classes “on credit.” Provide a “contingency pool” of funds that can be drawn upon to pay tuition.

The purpose of the case worker approach is to seamlessly integrate the efforts of these various functional areas and present the university to the student as a unified, coordinated, and professional institution.

Introduction
Janet Price, a minority student with good ACT scores was being recruited by many universities. One university in particular was attempting to recruit Janet into their electrical engineering department after an admissions person met her on her high school’s “career day.” Janet was excited by the prospect of attending a large university in a major city. After completing numerous and complicated forms for admission, a student housing application, medical forms, and a financial aid application, Janet waited several weeks to receive her letter of acceptance. During this waiting period, she received applications from several other universities in her state. A week after receiving her acceptance letter, her financial aid application form was returned to her because she had failed to understand parts of the complicated instructions. Next, she got a letter from the Financial Aid Office requesting a copy of her parents’ federal income tax returns. Despite resistance from her parents, she finally obtained and submitted these documents and the waiting process continued. School was to start in two weeks and Janet still did not know whether she was going to receive the necessary financial assistance.

She called the Financial Aid Office and was told that no decision could be made regarding financial aid until the Student Aid Report was received from the Federal Processing Center in Iowa. One week before school was to start Janet applied for admission to a local community college. She received almost immediate acceptance because of her ACT scores. Tuition was substantially lower at the

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1 The Financial Aid Office at this university receives approximately 15,000 applications a year. About half of those students are eligible for financial aid.
community college than at the university so she did not require financial assistance to pay this school’s tuition. A few days after she had attended her first classes at the community college, she received a letter from the major university notifying her that she was approved to receive financial aid. It was too late.
The initial, positive feeling that Janet had for the school after talking with a recruiter, which led her to apply in the first place, had diminished to the point that she no longer cared to attend that school. The recruiter’s efforts had been wasted.

Background Information
It is apparent from Janet’s experience that the excessive processing/waiting time caused this school to lose a good “customer.” Unfortunately, Janet’s experience is not unusual. According to a random sample of 750 applicants, the time between financial aid application receipt and financial award issuance was as long as 238 days and had averaged 79 days.¹

The types of financial aid that could be obtained through the Financial Aid Office at the time of this study included:

**Loans**
Federal Perkins loans (The school is the lender).
Stafford loans (An approved bank or credit union is the lender, and the loan is guaranteed by a federal agency).

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Plus loans (This is the same as the Stafford loan except that the loan is made to the student’s parents).

**Grants**
Federal Pell grants (A federal agency provides up to $2,300 per year per student).
State Student Assistance Award (A state agency provides up to $900 per year per student).
Federal Supplemental Educational Opportunity Grant (FSEOG) (A federal agency provides additional moneys to those students with the greatest financial need).

**Student Employment**
Work Study (The school is reimbursed by a federal agency for wages paid to a student working for the school).

Information sources for this cycle time analysis included: interviews of key personnel in the university’s Financial Aid Office, all informational and instructional literature provided to aid applicants, the application form, notifications and form letters, and observations of financial aid office employees performing their day-to-day activities. The application and approval process was analyzed to determine if there were steps that could be performed more efficiently, more effectively, concurrently, or eliminated entirely. This was accomplished by identifying and determining the causes of “bottlenecks”. Once areas for improvement were
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## Table 1: Description and Estimated Completion Times of Financial Aid Application and Approval Process

<table>
<thead>
<tr>
<th>Process Name</th>
<th>Description</th>
<th>Completion Time (In Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 APPLICATION DISTRIBUTION PROCESS</strong></td>
<td>The university’s Financial Aid Office (FAO) distributes the Free Application Form for Federal Student Aid (FAFSA) to prospective students seeking financial aid. Applicants complete the application form and mail it directly to the Federal Processing Center (FPC) in Iowa.</td>
<td>1+</td>
</tr>
<tr>
<td><strong>2 FEDERAL DATA ENTRY PROCESS</strong></td>
<td>The FAO receives a tape from the FPC (the Pell tape). The tape contents are stored on the VAX. The tape contains the calculated Expected Family Contribution(^2) (EFC) and the verification status(^3) of each aid applicant who has indicated this university as their school of choice.</td>
<td>28</td>
</tr>
<tr>
<td><strong>3 STATE DATA ENTRY PROCESS</strong></td>
<td>The FAO receives from the State Assistance Award Agency (SSAA), the eligibility status of each applicant who requested aid from the state agency and who also indicated this university as their school of choice. The FAO now has eligibility status for each student from both the state and federal agencies.</td>
<td>7</td>
</tr>
<tr>
<td><strong>4 ADMISSION UPDATE PROCESS</strong></td>
<td>The FAO obtains the admission status of each applicant from the Admissions and Records system via overnight batch update.</td>
<td>1</td>
</tr>
<tr>
<td><strong>5 DOCUMENT TRACKING PROCESS</strong></td>
<td>If the student has been admitted, the FAO determines what additional documents are required from the applicant and sends a “request for documentation” letter. (Examples of requested documents include: tax returns, proof of citizenship, transcripts from previously-attended schools and The Student Aid Report.)</td>
<td>1+</td>
</tr>
<tr>
<td><strong>6 AWARD GRANTING PROCESS</strong></td>
<td>When the required documents are received, the FAO determines the amount of aid to be awarded to the applicant using the Packaging and Awards System Program (PARS). The PARS program determines how much to award each student based upon (1) availability of funds and (2) federal eligibility requirements and allocation criteria. Before notifying the applicant of their award, the FAO must obtain the enrollment status and GPA of each awarded applicant and compare these items with minimum requirements to ensure that each recipient is making satisfactory academic progress.</td>
<td>1+</td>
</tr>
<tr>
<td><strong>7 AWARD DISTRIBUTION PROCESS</strong></td>
<td>The FAO mails award acceptance letters to the applicants for their signature. When the signed award letter is returned, promissory notes are dispersed. All award information is passed to the Bursar, the Loan Management and Billing System, and the Personnel Office, if appropriate. Funds are dispersed.</td>
<td>1+</td>
</tr>
<tr>
<td><strong>8 STUDENT TRACKING PROCESS</strong></td>
<td>On a periodic basis, the FAO must re-check each loan recipient’s enrollment status and GPA to verify that the student is making satisfactory academic progress. If not, the FAO must inform the lender.</td>
<td>on-going</td>
</tr>
</tbody>
</table>

\(^2\) The EFC is the amount that the student and/or the student’s family is expected to pay toward that student’s

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identified, researchers determined which cycle-time reduction techniques should be applied.

Overview of the Application and Award Process

Exhibits 1 and 2 included in the Appendix of this report display a context diagram and a data flow diagram. The context diagram graphically displays all external agents with which the financial aid system must communicate. The data flow diagram graphically depicts processes, data flows, data stores and external agents that pertain to the application and award processes. Table 1 provides a description of each process depicted in Exhibit 2. The processes are presented in the order in which they are performed for an application.

Identification of Bottlenecks

It was discovered that the causes of processing delays could be classified into one of two categories:

External factors such as federal processing procedures and guidelines. External factors causing processing delays cannot be
controlled by the university and therefore, were considered to be outside the scope of this study.

Length and complexity of the application form. Many applicants were making errors or omissions on the application form, which meant that it had to be returned, corrected, and re-submitted. In addition, applicants were often notified that they had to provide additional documents such as their parent’s tax returns, transcripts from previously-attended schools, or proof of citizenship. Many applicants caused further processing delays because they put off this unpleasant task.

The major causes of processing delays or “bottlenecks” are described in Table 2. In the “Classification” column of Table 2, each bottleneck has been classified into one or both of the categories described above. Further analysis focused on finding ways to assist students with the application process so as to reduce the probability of errors and omissions and to assist students with obtaining required documents in a more timely manner. Therefore, while bottlenecks were identified from sources both internal and external to the financial aid process, we focused our cycle time reduction efforts on those bottleneck categories that we could directly affect: category two.

Researchers from the FedEx Center for Cycle Time Research (the Center) identified specific techniques that have proved successful in reducing the cycle time of organizational processes. Some of these techniques include making innovative use of information technology, empowerment, out-sourcing, cross-functioning, and using case workers. Research at the Center has indicated that by making use of these techniques, business processes can be

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Figure 3: Changes in Degree of Positive Message Received by Students From Recruitment Through Financial Aid.
reengineered to eliminate waste and cost-effectively reduce cycle time. For a complete discussion of cycle time reduction techniques, see Wetherbe (1995). After identifying areas of opportunity for improvement, researchers considered each of the techniques and determined which would be best in each situation. The techniques selected and the method of employment are described in the summary that follows.

Recommendations for Cycle Time Reduction

After reviewing the findings from research conducted at the Center, the researchers recommended the following techniques for reducing the cycle time of not only the financial aid application and approval process, but the entire admissions process:

Use a case worker approach to provide an integrated, “front-end” service for all prospective students. A case worker would be assigned to each student and act as that student’s personal liaison, assisting that student in any way necessary with all the preliminary processes that must be completed before actually attending classes. The purpose of the case worker approach is to seamlessly integrate the efforts of these various functional areas and present the university to the student as a unified, coordinated, and professional institution.

By using a case worker, the degree of positive message that the student receives would actually increase as the case worker assists the student to make their initial exposure to the university positive, re-enforcing the message communicated by the recruiter.

Figure 3 conceptually depicts the degree of positive message that the student receives from the university over time. From the exhibit, it can be seen that the student’s first impression of the school, often obtained when he or she talks to a recruiter, is very positive. The objective of using a case worker is to maintain this high degree of positive message over time. Without the assistance of a case worker to help the student through the initial process, the degree of positive message may decline due to the time requirements and confusion often associated with meeting the paperwork needs of the various departments. For example, students often get frustrated with admissions forms. When the student contacts the admissions department with questions they often talk to a different person each time. The student must then spend time bringing the admissions contact up to speed on their personal situation. Using a case worker will help to overcome this frustration.

Students often experience high levels of anxiety over whether or not they will receive financial aid. This problem is compounded by the amount of information needed to apply for financial aid. The case worker approach also provides numerous benefits specific to the financial aid application process. First, students applying for financial aid would receive personal assistance with completing the application form. This
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Appendix

Exhibit 1:
Context Diagram

Financial Aid Management System

expedite the application process because it would make it easier for students to complete the application form and obtain required documents in a timely manner. Furthermore, it would reduce the probability of application errors and omissions. Provide personal computers that students can use to apply for financial aid. This would expedite the application process by: eliminating the time it takes to mail the application to the Federal Processing Center, reducing errors and omissions, and eliminating the need for data entry clerks to key-in application data.

Allow students who have applied for financial aid to attend classes “on credit.” This opportunity would be extended to students who applied for aid at the last minute and...
are likely to be approved, but not in time for tuition payment deadlines. If the student does not pay for the class by mid-semester, they would be dropped from the class roster. This should reduce the number of student complaints about the length of the application process.

Provide a “contingency pool” of funds that can be drawn upon to pay tuition “just in time” for students who have applied for aid and are likely to be approved but not in time for tuition payment deadlines.

Conclusions

Reducing the cycle time of the loan application process may seem hopeless because so many of the bottlenecks are caused by factors which are outside the control of the university’s Financial Aid Office. The length of the application form, the federally-mandated processing procedures, and the
Numerous revisions in federal aid qualification criteria are examples of factors which delay the approval process yet cannot be controlled by the university’s Financial Aid Office. However, this analysis revealed that cycle time reduction techniques can still be employed at the “front-end” of the process to reduce overall processing time and also promote goodwill. Using a case worker to assist students with completing the application and obtaining the required documentation is one such technique. Allowing students to attend classes “on credit” and submitting applications via electronic transfer to the Federal Processing Center are other techniques which could be employed to achieve these objectives.

References

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