

2022 - 2023



PAYING FOR COLLEGE

A Guide to Financial Aid

How do I pay for college?

If you think you can't afford to go to college, think again! Financial aid has helped millions of students pay for their education beyond high school.

In fact, an estimated \$120 billion is provided each year in the form of grants, work-study, and loan funds to help more than 13 million students pursue college or career school.

This resource is designed to help you start thinking about how to pay for college and how to make financial aid work for you. It covers types of financial aid like grants and scholarships. And includes information on loans, earning college credit in high school, and other important information on how to keep the cost of college down. It even has some information for parents at the end as well. This resource is just a start, be sure to use this along with counselors both in your high school and at colleges you're interested in to help make financial aid work for you.


Continue reading to find out more about financial aid and the FAFSA.

What types of financial aid are available?

Financial aid comes in several forms:

- Need-based grants from federal and state governments that you do not have to repay;
- Work-study jobs, either on or off campus, that enable you to earn money to help pay the cost of attending college;
- Tuition reciprocity provides reduced tuition for Minnesota students attending public colleges and universities in North Dakota, South Dakota, Wisconsin, Manitoba and one college in Iowa;
- Scholarships and educational benefits for students with special circumstances and abilities. Examples include child care assistance; military benefits; merit aid for good grads and academic achievement; or scholarships based on race, ethnicity; special talents, of life circumstances;
- Loans from federal and state governments or private entities that must be repaid with interest.

Visit www.ohe.state/mn/us/paying for a more extensive list of options to pay for college and contact each college you are considering to find out about special assistance and scholarships.

 **Applying for financial aid does not cost anything. By applying, you do not commit yourself to attend any college.**

A closer look at the Free Application for Federal Student Aid (FAFSA)

WHAT IS FAFSA AND HOW TO APPLY FOR IT

To receive federal and state financial aid, you'll need to fill out and complete the Free Application for Federal Student Aid (FAFSA). This is used to determine your financial need, which is the difference between the total cost of attendance and what you and your family are able to contribute to your education.

To determine this, the form requires you to submit information about your family's income and assets, and your status as a resident. Your completed FAFSA will be made available to all the schools you designate.

Once your need is determined you will receive a "financial aid package" from the colleges you have applied to for you to review.

This package consists of any Federal Pell Grants, Minnesota State Grants and any other financial aid offered by colleges and universities you are eligible to receive. Your financial aid may also be supplemented with loan and work study funds.

APPLYING FOR AID

There are five basic steps to apply for financial aid:

- 1 Apply for admission to one or more colleges.
- 2 Apply for financial aid at www.fafsa.gov using the Free Application for Federal Student Aid (FAFSA) after October 1. Undocumented and DACAmented students should use the state financial aid application (MN Dream Act) available at www.ohe.mn.us/MNDreamAct instead of the FAFSA.
- 3 Apply for scholarships and grants offered by the state, colleges, and other sources. Ask for applications or find them online. Check out the free online scholarships sites such as www.fastweb.com to search for private scholarships.
- 4 Receive college admittance letters (timing varies).
- 5 Receive letters from colleges outlining your financial aid eligibility (usually March 1 or later, depending on when you submitted your FAFSA or MN Dream Act Application), and respond accordingly.

You'll want to have the following financial records on hand when you apply, to make sure your application process goes as quickly and smoothly as possible:

- Tax returns (if filed from the prior-prior year, 2019 tax returns for the 2021-2022 FAFSA);
- Your social security number
- W-2 Forms from the prior-prior year
- Current bank statements
- Records of untaxed income from the prior-prior year
- Current business and farm records
- If you are a dependent student, your parent's tax return, and all of the above
- If you are married (and your spouse filed a separate form), your spouse's return and all of the above.

For convenience, FAFSA on the Web allows families to import tax information from the IRS system using the Data Retrieval Tool.

Also, remember to save the records you use to prepare your FAFSA in case you need to verify the accuracy or if you have a technological glitch.

Your FAFSA will be reviewed and an electronic report will be sent to the colleges you mark on your FAFSA. This report will confirm the information you provided on the FAFSA and will contain your Expected Family Contribution (EFC).

FUNDING YOUR EDUCATION: THE GUIDE TO FEDERAL STUDENT AID

Published by the U.S. Department of Education. This publication provides information on federal grants, loans and work study. Está disponible in Español a <http://bit.ly/2xeAhul> o (800) 433-3243

When do I apply for financial aid?

Deadlines vary among financial aid programs. **The earliest you can submit the FAFSA or MN Dream Act application to apply for state and federal need-based aid is October 1 for the following academic year.** You must reapply for financial aid each year.

Application deadlines:

- **Minnesota State Grant:** No later than 30 days after the start of the term
- **Federal Pell Grant:** The end of the academic year (June 30)
- **Institutional Scholarships:** Deadlines vary, check with your school (many colleges have March 1 or April 1 deadlines).
- **Other Scholarships and Grants:** Deadlines vary, check with the scholarship



Eligibility for Student Aid

Various factors may affect your eligibility for financial aid.

DEPENDENT OR INDEPENDENT STATUS



All students are considered either dependent or independent when applying for financial aid. Dependent students must submit financial information about their parents on the FAFSA. This information is required even if the parents do not intend to help pay for the student's education.

You are automatically considered an Independent Student for the 2021-22 school year if you are 24 or older as of December 31, 2020. If you are under 24, you will be considered an independent student if you are any one of the following:

- A graduate or professional student
- Married
- A student with children or other dependents
- On active duty military service
- A veteran of the U.S. Armed Forces
- An orphan or ward of the court
- In foster care at any time, age 13 or older
- In legal guardianship or emancipated minor status as of the data of application (or 18th birthday if a Minnesota resident)
- Determined to be an unaccompanied homeless youth

Appeals: If you think you should be considered independent because of unusual circumstances, talk to the financial aid administrator at your college about a "dependency override". The aid administrator may use their professional judgment to change your status to independent based on your family situation.

CITIZENSHIP REQUIREMENTS

To complete the FAFSA, the student must be a citizen or eligible non-citizen. However, undocumented students in Minnesota may qualify for state financial aid under the Minnesota Prosperity Act commonly known as the Minnesota Dream Act.



CLASS LOAD

Increases and decreases in your number of credits per term and may affect how much financial aid you are eligible to receive. Check with your financial aid office for more details.



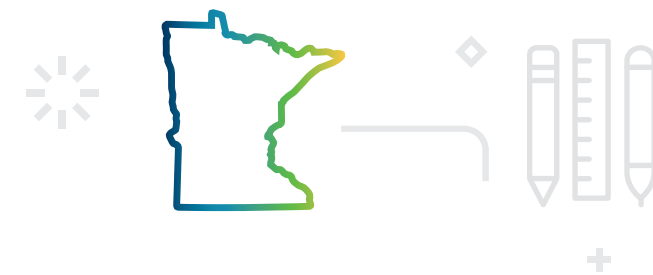
SCHOOL TRANSFER

Financial aid does not automatically transfer with students to a new college. Students must contact the financial aid office at the new college to determine what actions should be taken to receive aid. Students must be sure to have an electronic version of the FAFSA sent to the new institution. Log into www.fafsa.gov and add the school code of the new institution as a FAFSA correction.

Students with a Direct Loan, PLUS Loan or SELF Loan will need to reapply. Students participating in work study or the Minnesota Child Care Grant also need to reapply. If you transfer to a more expensive school, you may be eligible to receive more aid. Contact your financial aid office for details.



Minnesota Dream Act



RESOURCES FOR UNDOCUMENTED STUDENTS

In May 2013, the MN Dream Act (also known as the Prosperity Act) was signed into law. Undocumented students meeting the criteria in the MN Dream Act are eligible for in-state tuition rates, privately funded financial aid administered by Minnesota public colleges and universities, and can apply for state financial aid.

Minnesota students granted Deferred Action for Childhood Arrivals (DACA) may also be eligible for these benefits. You can learn more about the MN Dream Act and how to apply for these benefits at www.ohe.state.mn.us/MNDreamAct

The MN Dream Act application should be submitted once for each academic year the student is enrolled in college.

FEDERAL GRANTS

To apply and qualify for a federal grant, you must be a U.S citizen, U.S. national or an eligible non-citizen. In general, you are an eligible non-citizen if you:



- Are a U.S. permanent resident with an I-551C card;
- Are a conditional permanent resident with an I-551C card;
- Have an Arrival Departure Record (I-94) from the Department of Homeland Security with any of the following designations: refugee, asylum granted, a parolee, a Cuban-Haitian entrant, a victim of human trafficking, or a holder of T-Visa.

If you are a citizen or eligible non-citizen, you can qualify for federal grants even if your parents are undocumented. When you complete the FAFSA, you can enter all zeros for your parents' social security numbers. If you do not qualify for the MN Dream Act, most public colleges and universities in Minnesota offer in-state tuition to all of their students, regardless of immigration status or state of residence.

SCHOLARSHIPS

Some colleges and universities may have scholarships available to students regardless of immigration status. Many financial aid counselors are aware of and sensitive to your situation and will try to assist you as best they can.



Several private organizations maintain online lists of scholarships. You can find out more about these scholarships at www.ohe.state.mn.us/MNDreamAct





STATE GRANTS



If you are not a citizen or eligible non-citizen, you are eligible to apply for a MN State Grant and other state financial aid programs if you meet all the requirements for the MN Dream Act:

- Attended a Minnesota high school for at least 3 years;
- Graduated from a Minnesota high school or earned your GED in Minnesota;
- Registered for the Selective Service (if male age 18-25);
- Applied for legal immigration status once a federal process for doing so becomes available (not required since federal process does not currently exist).

The application for state financial aid is accessible at: www.ohe.state.mn.us/MNDreamAct. Otherwise, students must be U.S. citizens or eligible non-citizens to apply for a MN State Grant using the Free Application for Federal Student Aid (FAFSA).

To be eligible for the MN State Grant, the application must be submitted no later than the 30th day of the term. The results of the application can also be used to qualify for in-state tuition rates and state financial aid.

TUITION POLICIES



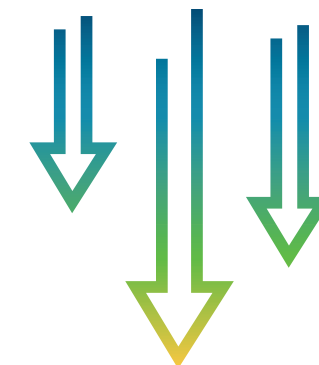
Students meeting MN Dream Act criteria are eligible for in-state tuition rates at Minnesota public colleges and universities. Your college or university may ask you to submit documentation showing you meet these requirements.

SELF LOAN



Minnesota offers a loan program called the SELF Loan, which is available to students regardless of immigration status. A separate application is used to apply for the SELF Loan, available through the college's financial aid office. Co-signers for the SELF Loan must be a permanent resident or U.S. citizen.

Be Proactive to Lower Higher Education Expenses



One of the most effective ways to lower the cost of receiving a higher education credential or degree is to earn college credits while you're still in high school. Most of these programs are free, but not all programs are available in all schools. Participation may also require a certain academic standing. Check with your school counselor.

Advanced Placement (AP) is offered at many schools. These are college-level courses in English, history, humanities, languages, math, psychology, and science and more. Classes are taught at your high school. You can earn college credit if you score high enough on a fee-based exam. It is free for low-income students in Minnesota.

Concurrent Enrollment (CE) is often referred to as "College in the Schools (CIS)". CE offers college-level courses at your high school through partnerships between high schools and local colleges and universities. These courses are free to the student. Students earn both high school and college credit by successfully completing the course. Taught by qualified high school teachers, faculty, or team-taught by both.

International Baccalaureate (IB) is a two-year pre-college diploma program offered at some high schools. You must pass a fee-based exam in each of six subject areas (your primary language, a second language, mathematics, experimental sciences, the arts and humanities) in order to potentially earn college credit.

Postsecondary Enrollment Options (PSEO) allows students in grades 10 through 12 to take college courses at a Minnesota college, university, or online. Students attend class and complete the same assignments required of regular college students. State funds cover the cost of tuition, books and lab fees. Students earn both high school and college credit for successfully completing courses.

Transportation funds are available to help students from low-income families get to a campus for PSEO courses. The law says schools must allow students to use their computers and Wi-Fi to take courses and participation in PSEO does not prohibit a high school student from participating in school sponsored activities. Early/Middle College part of PSEO allows many who don't meet typical admission requirements to participate. Learn more at www.ohe.state.mn.us/sPages/collegeCreditHS.cfm

Summer Programming is offered by some colleges and allows eligible high school students to earn college credit through summer camp instruction.

Project Lead the Way (PLTW) is a provider of hand-on science, technology, engineering, and math (STEM) programs using an interdisciplinary framework. This experience requires students to take a fee-based exam. Not all colleges accept credit from PLTW.

College-Level Examination Program (CLEP) offers students a chance to earn college credits based on what they already know. CLEP exam-takers include adults just entering or returning to school, military service members, current high school students, and traditional college students. CLEP exams are fee-based in various subject.

FOR PARENTS



Are there Education Tax Benefits?

Yes! Several tax-preferred saving and investment options are available to help you save and pay for postsecondary education. These are particularly valuable if the family begins to use them when children are young.

The following information is not and should not be considered tax or investment advice. Links to further information and/or phone contact information follows each of the options presented. Some of the benefits of the options listed impact the available benefits of other options. Therefore, Office of Higher Education (OHE) strongly encourages you to direct specific questions about your own financial situation to a tax or investment professional.

BENEFITS

- **American Opportunity Tax Credit:** For tax year 2020, you may be able to claim a tax credit on your federal tax return of up to \$2,500 for each eligible student.
- **Lifetime Learning Tax Credit:** For tax year 2020, you may be able to claim a tax credit of up to \$2,000 for qualified tuition and related expenses per tax return.
- **Student Loan Interest Deduction:** You may be able to deduct interest on student loans for yourself, your spouse or other dependents. The maximum education cannot exceed \$2,500 per year on your federal tax return.
- **Employer-paid Tuition Assistance:** Some employers offer tuition and fee reimbursement. As a student, you may receive up to \$5,250 of education benefits tax free from your employer each year. Generally, you must pay tax on any amount of education benefit received from your employer that exceeds \$5,250 for the year.

Minnesota College Savings Plan

The Minnesota College Savings Plan is Minnesota's 529 qualified tuition program. Most states offer at least one of these plans created under the Internal Revenue Code's Section 529.

The Minnesota Plan offers a variety of investment options which vary in risk from conservative to aggressive and also an option which automatically adjusts the risk level based on when the beneficiary is anticipated to enroll in postsecondary work.

Earnings on funds invested in a 529 plan accumulate tax-free. If an account owner uses funds from their 529 plan to pay for the qualified higher education expenses of the account beneficiary, the earnings portion of the funds generally remain tax-free (with the following Minnesota state tax exceptions).

Note: The federal Tax Cuts and Jobs Act of 2017 expanded the federal definition of "qualified higher education expenses" to include up to \$10,000 per year for K-12 tuition expenses. However, the State of Minnesota requires payment of state income taxes on the earnings portion of 529 plan funds used to pay for K-12 tuition expenses.

The federal Further Consolidated Appropriations Act, 2020 signed into law in December 2019 amended section 529 of the Internal Revenue Code to add two new uses of 529 plan funds. Account owners may now use 529 plan funds to pay for certain registered apprenticeship expenses as well as for repayment of the beneficiary's qualified student loans (and in some cases, the qualified student loans of the beneficiary's siblings). Please consult your 529 plan and/or your tax advisor for more information.

Education Savings Bonds

Contributions are not tax deductible, but you may be able to exclude all or part of the interest earned on series EE bonds from income when you redeem the bonds to pay postsecondary education tuition and fees for undergraduate or graduate study.

A qualified U.S. Savings bond is a series EE bond issued on or after January 1, 1990 or a series I bond. There are income limits and tax filing status limitations, which impact the benefits. Qualified expenses do not include room and meals.

Withdrawals from IRAs

Taxpayers can withdraw funds from traditional or Roth Individual Retirement Accounts (IRA) to pay qualified higher education expenses without paying the ten percent early withdrawal tax that applies to withdrawals before the account owner reaches age 59 1/2.

Qualified educational expenses include not only tuition and fees, but if the student is enrolled at least half-time, may also include room and meals.



Asset Assessment

The U.S. Department of Education assesses your family income and net worth to determine your Expected Family Contribution, or EFC. Your EFC is transmitted by the Department of Education to the colleges identified on the application.

In determining your EFC, the federal government does not consider all your parental assets as available to help pay for college. For example, their retirement plan funds, home equity or small business equity are excluded from consideration. Other assets they own including college savings are partially protected by Education Savings and Asset Protection Allowance. The allowance increases as the age of the parent increases.

The assessment rate for dependent student assets is 20 percent, with no asset protection allowance. This is why there may be important benefits for parents to own college savings accounts instead of their children.

More information about withdrawals from IRAs and education tax advantages and savings options may be found in Internal Revenue Service (IRS) Publication 970, which can be found at www.irs.gov





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