

2023 - 2024



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. Spend some time reviewing this booklet to get familiar with the basics of financial aid and how it can help you cover the costs of your college tuition.

Continue reading to find out more about financial aid, the FAFSA, and MN Dream Act!

Types of Financial Aid

Understanding financial aid starts with understanding your options and what is available to you.

Financial aid comes in several forms:



GRANTS

Money awarded from federal and state governments based on need and eligibility. Grants are awards that you do not have to repay;



SCHOLARSHIPS

Money awarded based on financial need, academic merit, or other 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;



WORK STUDY

Money earned from an on- or off-campus job that enables you to help pay the cost of attending college;



LOANS

Money you borrow from federal or state governments or private entities that must be repaid with interest.



VISIT MYHIGHERED
for more resources on
paying for 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 studentaid.gov using the Free Application for Federal Student Aid (FAFSA) in December 2023. Undocumented and DACAmented students should use the state financial aid application (MN Dream Act) available at www.ohe.state.mn.us/MNDreamAct instead of the FAFSA.
Please note: Due to new changes implemented, the new version of the FAFSA will open in December, rather than the typical launch date on October 1. See page 5 for more details.
- 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.

What do I need to file?

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

- Tax returns (if filed from the prior-prior year, 2022 tax returns for the 2024-2025 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.

DATA RETRIEVAL TOOL TO BECOME FINANCIAL AID DIRECT DATA EXCHANGE

Updated from the Data Retrieval Tool, the Financial Aid Direct Data Exchange will transfer contributors' federal tax information directly into the FAFSA form from the IRS. All contributors must provide consent to authorize this data exchange. See the next page for more details.

SAVE YOUR RECORDS

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 REPORT WILL BE SENT TO YOUR COLLEGES

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 Student Aid Index (SAI).

When do I apply for financial aid?

Deadlines vary among financial aid programs.

Due to updates to the 2024-25 FAFSA, the earliest you can file will be December 2023.

In typical years, the earliest you can submit the FAFSA or MN Dream Act application to apply for state and federal need-based aid has been October 1 for the following academic year.

Remember, you must reapply for financial aid each year.

APPLICATION DEADLINES:

- **Minnesota State Grant:** The end of the academic year (June 30)
- **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

Changes to the 2024-25 FAFSA

For the first time in over 40 years, the Free Application for Federal Student Aid (FAFSA) is getting a major redesign to simplify and streamline the process of applying for financial aid. Not only is the FAFSA expected to be shorter and easier for students and families to complete, the form will provide expanded eligibility for federal student aid, reduce barriers for certain student populations and will provide an overall better user experience.

The new FAFSA will launch in December 2023, delayed from its typical October 1 start date. Here is what you can expect:

- **FSA ID FOR EVERYONE**

Both the student (applicant) and parent must create a Federal Student Aid account (FSA ID) with a username and password. Users without a social security number can create an FSA ID and access the FAFSA.

- **ROLES-BASED FAFSA**

The redesigned FAFSA will be a roles-based form, meaning each person will only be able to see questions related to their role. When a student logs in, they will complete questions that should be answered by the student. The parent or spouse will need to log in to see the questions related to their role. After each role has completed their questions, the FAFSA will be able to be submitted.

- **FEDERAL TAX INFORMATION DATA TRANSFER**

Users must authorize the IRS to provide tax and related information to be used on the FAFSA. **This step is mandatory, no longer voluntary.** Replacing the IRS Data Retrieval Tool, the IRS direct data exchange allows the users' federal tax information to be retrieved and transferred directly into the FAFSA form. If a person does not give consent to the transfer of tax-related information, they will not be able to access federal and state financial aid.

- **NEW STUDENT AID INDEX**

The Expected Family Contribution (EFC) will be replaced by the Student Aid Index (SAI) to calculate eligibility for needs-based funding. SAI can be as low as negative \$1,500. The formula uses less factors than the EFC, requiring fewer FAFSA questions.

- **MORE PELL GRANT ELIGIBILITY**

To determine eligibility for the Federal Pell Grant, the SAI, the family make-up, size, Adjusted Gross Income (AGI), and Federal Poverty Tables will be used. If the student meets the Poverty Table guidelines for the maximum or minimum Pell award and the SAI calculation, the student will be awarded the highest Pell Grant amount determined by the two separate formulas.

All in all, this is good news for students!

The new FAFSA will not only make eligibility for financial aid more predictable for students and families, it will result in:

- Larger average Pell Grant awards.
- An increased number of students eligible for Pell.
- Establishment of the minimum Pell award.

IMPORTANT TO NOTE:

Remember, the final version of the new FAFSA has not yet been published. Results from open comment periods may influence updates to some of the proposed changes.

Visit our website for updates at www.ohe.state.mn.us/fafsachanges



Changes to the 2024-25 FAFSA

A Few Considerations To Keep an Eye On

- **DIVORCED OR SEPARATED PARENTS**

A student with divorced or separated parents will report information on “the parent who provides the greater portion of the student’s financial support.” This parent should be either the one the student lived with more during the past 12 months or, if the student lived with both equally, the one who provided the most financial support in the past 12 months. If the parent is remarried, the stepparent must also provide tax information, unless the married couple filed a joint tax return.

- **SIBLINGS IN COLLEGE**

Families who have multiple children in college will no longer be a factor when determining aid eligibility. However, the question will remain on the form and will be required to be answered. This information may be used by the colleges if they wish to take it into consideration when awarding institutional aid.

- **BUSINESSES AND FARMS ARE ASSETS**

Small businesses/family farms are required to be reported as assets (previously businesses/family farms with less than 100 employees were excluded). Families with farms and small businesses should be prepared to provide the estimated worth of these assets.

OTHER FAST FACTS

The new FAFSA, along with resources and translation services, will be available in the (11) most commonly spoken languages in the United States.



Students can select up to 20 colleges to share their FAFSA with, up from the previous 10 colleges limit.

Once a student begins the FAFSA, their parent will have 45 days to complete their portion.

Increasing Financial Aid Access

- Students who are homeless, orphans, former foster youth, or who have other unusual circumstances that prevent them from providing parental information will benefit from simplified questions that more efficiently determine their independent status.
- Financial aid eligibility restrictions and questions associated with certain drug convictions and failure to register for Selective Service have been removed.
- Students who are incarcerated in federal or state penal institutions, and other involuntary commitments, will regain the ability to receive a Pell Grant

Counselors and Financial Aid Staff

Be proactive and plan ahead!

If modifications to FAFSA filing deadlines are necessary to accommodate later than normal filing for the 2024-25 academic year, have a plan on communicating these updated deadlines as a high priority. Make sure to adjust FAFSA outreach activities to conform with any changes in filing deadlines.

Looking for training materials for education professionals? Visit <https://fsatraining.ed.gov>





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 2024-25 school year if you are 24 or older as of December 31, 2023. 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.

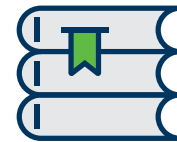
Citizenship Requirements

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

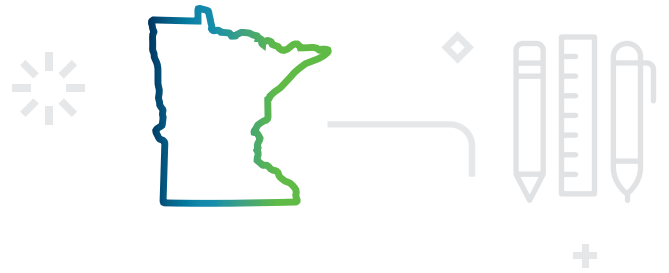
Financial aid does not automatically transfer with students to a new college. Students must contact the financial aid office at the new college to determine what actions should be taken to receive aid. Students must be sure to have an electronic version of the FAFSA sent to the new institution. Log into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

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.

File Through MNAid - A New Secure Platform

Recently launched and available for the 2023-24 academic year, undocumented students will now apply for the MN Dream Act through MNAid, a secure platform for students to complete their financial aid application. The MNAid platform allows users to log in through a Student Portal and create an account with a username and password.



RECEIVE A UNIQUE MINNESOTA DREAM ACT ID

Applicants who do not have a Social Security number will be assigned a unique MN Dream Act ID Number (also known as an Applicant ID) to access their accounts.

PAST APPLICANTS: *Have you filed the MN Dream Act in the past?*

Students who have previously completed the MN Dream Act application without using a Social Security number (prior to 22

The new MNAid Student Portal allows MN Dream Act applicants to:

- Save progress and return to the application, eliminating the need to complete in one sitting
- View real-time application status and receive notifications
- View required verification documents, securely upload materials and track verification progress
- Access past award history and access saved lifetime documents
- View eligibility for the Minnesota State Grant at every credit level
- Access federal needs analysis results, which can be used to apply for need-based third-party scholarships

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



Scholarships are one of two forms of financial aid that do not need to be repaid. They are awarded based on a student's academic or athletic achievement, demographic, cultural or religious background, or special skills and talents.

Where to start? One way is to check with the financial aid office of each college you may attend. While an institution might offer you a scholarship as part of the financial aid package without additional paperwork, you may also need to search and apply for specific scholarships. Additionally, some colleges require students to complete the CSS Profile, (an in-depth assessment of financial need) for scholarship consideration. As a rule of thumb, expect colleges to request you fill out the FAFSA to determine your financial need.

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



**LEARN MORE ABOUT
SCHOLARSHIPS ON MYHIGHERED**

www.myhighered.mn.gov/paying-college/scholarships



State Grants



State Grants help students from low- and moderate-income families pay for educational expenses at eligible Minnesota colleges or universities.

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:

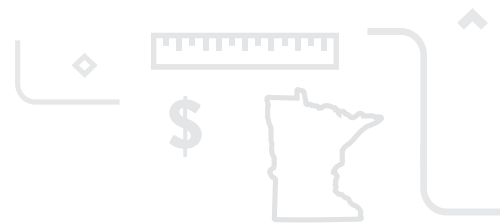
- Attended a Minnesota high school for at least 3 years;
- Graduated from a Minnesota high school or earned your GED in Minnesota;
- Registered for the Selective Service (if male age 18-25);
- Applied for legal immigration status once a federal process for doing so becomes available (not required since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

The application for state financial aid is accessible at: www.ohes.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 before the end of the academic year (June 30th). The results of the application can also be used to qualify for in-state tuition rates and state financial aid.

DID YOU KNOW?

In fiscal year 2022, 55% of State Grant recipients had a family adjusted gross income of less than \$40,000.



SELF Loan

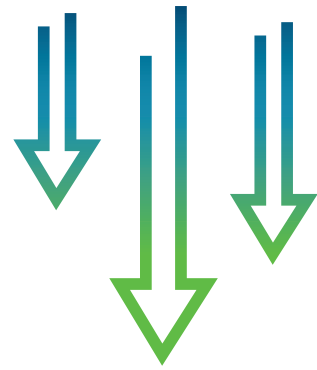


Minnesota offers a loan program called the SELF Loan, which is available to students regardless of immigration status. A separate application is used to apply for the SELF Loan, available through the college's financial aid office. Co-signers for the SELF Loan must be a permanent resident or U.S. citizen.

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.

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.

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.

Students should talk to their high school counselor about their interest in PSEO courses and which requirements are still needed for graduation. PSEO law requires students to notify their district or charter school of their intent to enroll in PSEO courses by May 30 for the following school year.

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. They can be taught by qualified high school teachers, faculty, or team-taught by both.

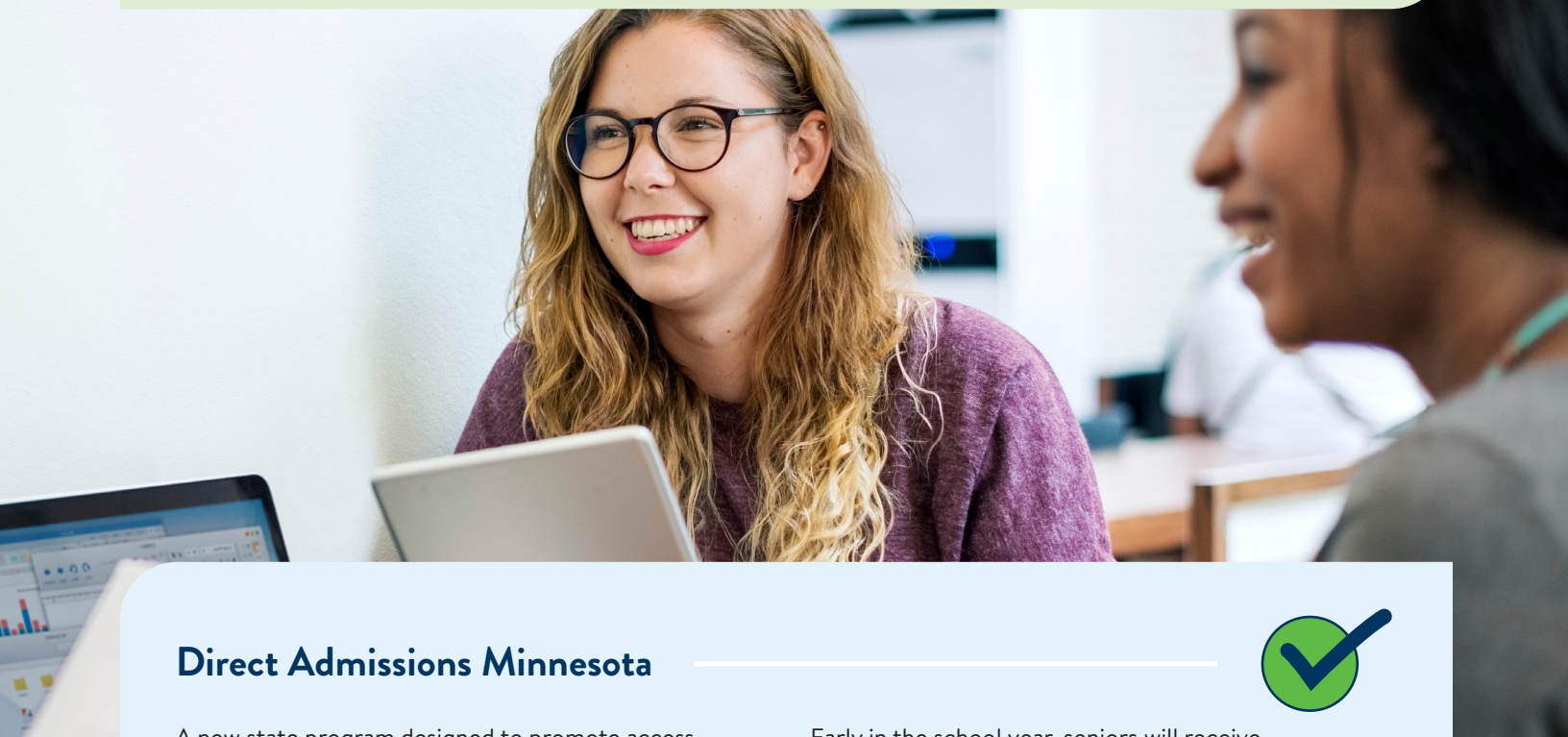
International Baccalaureate (IB) is a two-year pre-college diploma program offered at some high schools. There are six subject areas (your primary language, second language, mathematics, experimental sciences, the arts and humanities) that students can take to potentially earn college credit. You must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



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.

Minnesota Bilingual Seals Program allows students to earn free college credit by demonstrating mastery in a world language, including American Sign Language (ASL) and Indigenous American Indian languages. Minnesota State Colleges and Universities award college credit to students who take this test in grades 10, 11, or 12. It is NOT recommended to take the assessment in 9th grade if the goal is to obtain college credit.



Direct Admissions Minnesota



A new state program designed to promote access to higher education, Direct Admissions Minnesota is available at participating Minnesota high schools for the 2023-24 school year.

The core belief behind Direct Admissions is that all students are “college material.” Graduating seniors are proactively notified of the multiple partner colleges and universities that are eager to admit them based on their academic records and projected graduation date.

Early in the school year, seniors will receive personalized communication that lists all participating Minnesota colleges and universities they are proactively admitted to. Students must then complete a free admissions application for each of the colleges and universities they are interested in attending. All participating colleges and universities waive their application fees as part of Direct Admissions.

Learn more about this initiative and view its currently participating Minnesota high schools and institutions at www.ohe.state.mn.us/directadmissions.

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 2022, 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 2022, 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-Provided Educational Assistance:** Some employers offer educational assistance benefits including making payments on qualified education loans. 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). Visit www.mnsaves.org for more.

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 may be able to 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.

Tax Benefits for Education: Publication 970

Developed by the Internal Revenue Service (IRS), Publication 970 explains income limits, eligibility requirements, qualified expenditures and how to claim benefits. You may qualify for tax benefits from one or more programs, but not all. Many of the programs have income limits.

What's new in preparing 2022 tax returns?

Student loan interest deduction. For 2022, the amount of your student loan interest deduction is gradually reduced (phased out) if your Modified Adjusted Gross Income (MAGI) is between \$70,000 and \$85,000 (\$145,000 and \$175,000 if you file a joint return).

Education savings bond program. For 2022, the amount of your education savings bond interest exclusion is gradually reduced (phased out) if your MAGI is between \$85,800 and \$100,800 (\$128,650 and \$158,650 if you file a joint return).

Business deduction for work-related education. Generally, if you claim a business deduction for work-related education and you drive your car to and from school, the amount you can deduct for miles driven from January 1, 2022, through June 30, 2022, is 58.5 cents a mile. The amount you can deduct for miles driven from July 1, 2022, through December 31, 2022, is 62.5 cents a mile.

More information about withdrawals from IRAs, education tax advantages and savings options can be found in IRS Publication 970 at www.irs.gov/Pub970





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