

2024 - 2025



PAYING FOR COLLEGE

A Guide to Financial Aid and Responsible Borrowing

m OFFICE OF
HIGHER EDUCATION

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 grades and academic achievement; or scholarships based on race, ethnicity; special talents, or 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. More information about student loans is available starting from page 17.



Understanding the costs of college

It's a common myth to think that college is too expensive. There is such a wide variety of college options – including short-term programs that can lead you to enter the workforce quickly or longer-term four-year universities that will allow you to earn a bachelor's degree.

As you create a plan and budget for college, keep these five main expenses in mind:

TUITION AND FEES

Tuition and fees are what students pay for classes and instruction provided by the college and automatic charges for services such as the health center, library or student activities.

HOUSING AND FOOD

Also referred to as Room and Board, this refers to the basic price of living at the school during the academic year. Housing can be at an on-campus dormitory or you can live off-campus. Food refers to the price of eating, whether it's in the college cafeteria or buying food and preparing meals yourself.

BOOKS AND SUPPLIES

Unlike in high school, students in college are expected to buy their own books. In addition, they're expected to purchase their own pencils, paper, art supplies, calculators and computer supplies. The items you must purchase depend on the classes you select and what is required to complete the class.

TRANSPORTATION

All students spend some money for travel, whether they live on campus or commute to school daily. Students who commute on a daily basis must carefully figure in the cost of fuel and parking or public transportation. Both can add up quickly.

PERSONAL EXPENSES

Regardless of the type of institution you choose, plan for some personal expenses such as laundry, clothing, recreation, medical care, insurance and so on. Students should plan to spend at least \$1,000 each academic year on these items.



MyHigherEd
MINNESOTA 

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. You can select up to 20 different schools to receive your information. Once your need is determined, you will receive a "financial aid offer" from the colleges you have applied to for you to review.

This "offer" or sometimes known as an "award letter" 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. See page 16 for more information on financial aid offers and how to understand your options.

APPLYING FOR AID

Here are the basic steps to apply for financial aid:

- 1 Apply for admission to one or more colleges.
- 2 Create an FSA ID. If you are a dependent student, both you and your parent must create an FSA ID. Create your FSA ID at: <https://studentaid.gov/fsa-id/create-account/launch>
- 3 Apply for financial aid at www.fafsa.gov using the Free Application for Federal Student Aid (FAFSA) starting in October 2024. 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.
- 4 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.
- 5 Receive college admittance letters (timing varies).
- 6 Receive financial aid offers from colleges. These offers outline your financial aid eligibility and what you will receive. Typically, you will receive your offers March 1 or later, depending on when you submitted your FAFSA or MN Dream Act application.
- 7 Review and compare your financial aid offers and make the decision that is right for you. As you make your decision, notify your college of which financial aid options you want to accept or decline, as you are not required to accept all the financial aid offered (such as loans).

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, 2023 tax returns for the 2025-2026 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.

FINANCIAL AID DIRECT DATA EXCHANGE

The Financial Aid Direct Data Exchange transfers contributors' federal tax information directly into the FAFSA form from the IRS. All contributors must provide consent to authorize this data exchange.

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. 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

FAFSA Changes Overview

For the first time in over 40 years, the Free Application for Federal Student Aid (FAFSA) received a major redesign to simplify and streamline the process of applying for financial aid. The U.S. Department of Education launched the newly redesigned form in December 2023.

Not only is the FAFSA shorter and easier for students and families to complete, the form provides expanded eligibility for federal student aid, reduces barriers for certain student populations and provides an overall better user experience.

Here is an overview of the new version of the FAFSA:

- **BOTH STUDENTS AND CONTRIBUTORS MUST COMPLETE FORM - NEW “ROLES-BASED” FAFSA**

The redesigned FAFSA is a roles-based form, meaning each person will only be able to see questions related to their role. To complete the form, a student must have a “contributor.” Contributors may be the student’s parents, the spouse of the student’s parent, or student’s spouse.

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.

- **FSA ID FOR EVERYONE**

Both the student (applicant) and their contributor (parent or spouse) 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.

- **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.

FAFSA updates mean 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.



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 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, have regained the ability to receive a Pell Grant.

For Counselors and Financial Aid Staff

The 2024-25 FAFSA rollout caused some delays and technical difficulties for students and their families, as well as college campus administrators and staff. Although these issues are now resolved for the 2025-26 school year, it is important to stay up-to-date.

Partner emails for college access professionals – Subscribe to receive email communications from Federal Student Aid by visiting: outreach.fsapartners.ed.gov

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 2025-26 school year if you are 24 or older as of December 31, 2024. 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.

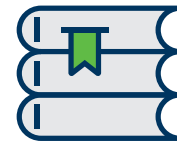
Citizenship Requirements

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. Read more about the Dream Act on page 10.



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

Financial Aid for Undocumented Students

All Minnesota students should have the opportunity to attend college and earn a degree, diploma or certificate, regardless of their documentation status. But, without financial aid, the price of college can be incredibly overwhelming.

In Minnesota, undocumented students who meet 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 year that the student is enrolled in college.



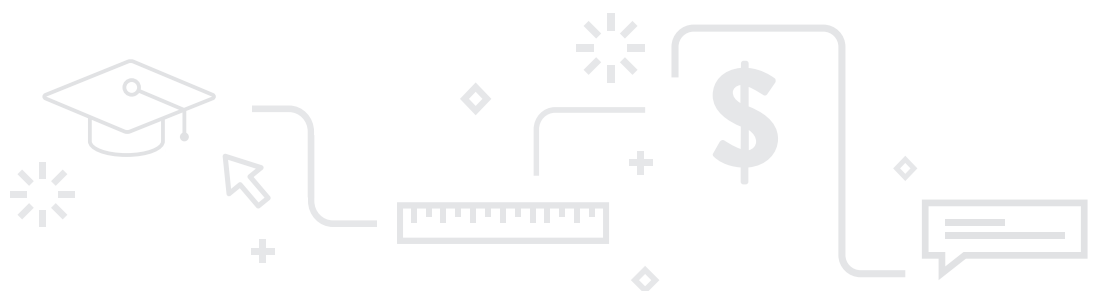
In general, to be eligible for the MN Dream Act, students must:

- Have attended a Minnesota high school for at least three years;
- Graduate from a Minnesota high school, or earn your GED in Minnesota;
- Complete Selective Service registration requirements



Even if you don't meet the criteria mentioned above, we encourage you to reach out to the financial aid division at the Office of Higher Education at 651-642-0567 (press 2).

Our staff can discuss your situation with you one-on-one and determine if you are able to meet another residency requirement.



MN Dream Act Applicants File Through MNAid

MN Dream Act applicants will apply for financial aid through MNAid, a secure platform managed by the Minnesota Office of Higher Education. 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 22-23 school year) should use their Applicant ID, provided by the Office of Higher Education. If you do not know your Applicant ID, please contact us at financialaid.ohe@state.mn.us or 651-398-6517.

NEW APPLICANTS: *Are you applying to the MN Dream Act for the first time?*

New, first-time applicants will automatically have an Applicant ID assigned when they apply.

The 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

Tuition Policies for MN Dream Act Applicants

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.

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 offer 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.



**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. The State Grant program is Minnesota's largest financial aid program. This program provides financial aid to students in conjunction with the Federal Pell Grant.

If you are a citizen or eligible non-citizen, you will apply for a State Grant by completing the FAFSA.

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 for undocumented students is accessible at: www.ohstate.mn.us/MNDreamAct.

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 2023, 54% 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.

DID YOU KNOW?

Eligible SELF Loan borrowers can access FREE Student Success Coaching to help them through their first year of college! See page 21 for more details.

North Star Promise Scholarship

Free college tuition makes education possible for more Minnesotans.
That's the **North Star Promise**.

The North Star Promise (NSP) Scholarship covers the **full cost of tuition and fees** for eligible Minnesota residents at public and tribal institutions in the state. This “last-dollar” scholarship program pays for the full balance of remaining tuition and fees after other scholarships, grants, stipends and tuition waivers have been applied.



To be eligible, students must:

- Be a Minnesota resident
- Have a family Adjusted Gross Income* (AGI) as reported on the Free Application for Federal Student Aid (FAFSA) or Minnesota Dream Act Application below \$80,000.
- Attend a Minnesota public higher education institution or Tribal College
- Not be in default on a state or federal student loan
- Be enrolled taking at least one credit
- Meet Satisfactory Academic Progress (SAP) standards
- Have not already earned a baccalaureate degree (including those earned in a foreign country)
- Be enrolled in a program or course of study that applies to a degree, diploma, or certificate



The Adjusted Gross Income (AGI) comes from the Federal 1040 Income Tax Return. For the 2025-26 academic year, the FAFSA or Minnesota Dream Act application will ask about prior, prior year AGI. In other words, the AGI from 2023. This can be found on line 11 of the 1040.

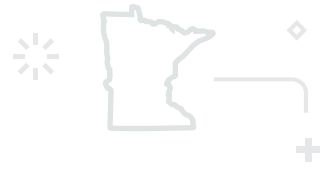
HOW TO APPLY FOR THE NORTH STAR PROMISE



Complete the Free Application for Federal Student Aid (FAFSA) **OR** the Minnesota Dream Act (for Minnesota students who are undocumented). The FAFSA or MN Dream Act application requires students to list the institutions that they are planning to attend.

If a student meets the eligibility requirements, the college or university will award the North Star Promise Scholarship as part of a student's financial aid offer.

North Star Promise Scholarship



Which colleges are eligible?

All Minnesota public higher education institutions and Tribal Colleges are eligible for free college tuition through North Star Promise.

- All Minnesota State Colleges and Universities
- All University of Minnesota campuses
- All Tribal Colleges
 - ▶ Fond du Lac Tribal and Community College
 - ▶ Leech Lake Tribal College
 - ▶ Red Lake Nation College
 - ▶ White Earth Tribal and Community College

North Star Promise Plus (NSP+) Award

The North Star Promise Plus (NSP+) is a supplemental financial aid award given to students who are North Star Promise (NSP) eligible and receive a Federal Pell Grant.

The NSP+ award is calculated as a percentage of the Federal Pell grant the student received or will receive during the term. The 24-25 NSP+ percentage Pell match is 15 percent. For example, a student who meets all NSP eligibility requirements, and has a Pell Grant of \$2,000, will receive an NSP+ award of \$300, in addition to any NSP base award.

NSP+ funds can be used for non-tuition and fees expenses such as books, required supplies, housing, food, etc.



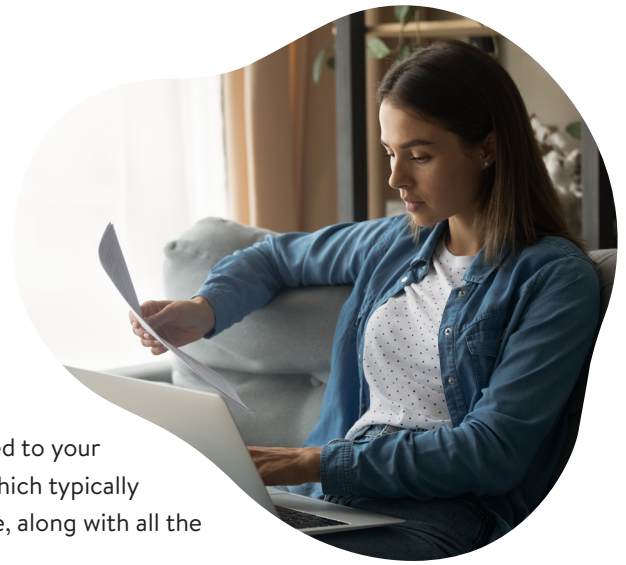
LEARN MORE AT

www.ohe.state.mn.us/northstarpromise

HAVE QUESTIONS?

If you have any questions about the North Star Promise Scholarship, please contact us at NorthStarPromise.OHE@state.mn.us





Understanding Your Financial Aid Offer Letter

After you've completed the FAFSA or MN Dream Act and have been admitted to your selected colleges and universities, you will receive your financial aid offers, which typically happens in the spring. Your offer will provide an estimated cost of attendance, along with all the financial aid that your college is offering you to attend their institution.

FAFSA

Your financial aid offer will include federal grants (like the Pell Grant), federal loans, and work-study, if you are eligible. If you are attending a college or university in Minnesota, it may include state financial aid programs, such as the Minnesota State Grant and North Star Promise Scholarship, if you are eligible. The offer may also include institutional aid from the college itself, like grants and scholarships.

MN DREAM ACT

For students who file the MN Dream Act application, your financial aid offer may include state financial aid programs, such as the Minnesota State Grant and North Star Promise Scholarship, if you are eligible. The offer may also include institutional aid from the college itself, like grants and scholarships. MN Dream Act filers are not eligible for federal aid.

COMPARING YOUR OPTIONS

When you are comparing your financial aid offers from different schools, there are a couple of questions you should keep in mind so you know what to expect in your overall costs of college attendance.

- 1 If you are offered any scholarships or merit aid, is it continued after the first year?** If it is renewable, is there a minimum GPA or other academic criteria you'll need to meet?
- 2 How much will you need to borrow, if any, at each school?** You can calculate this by taking the cost of each college and then subtracting grants, scholarships, and other resources like parental contributions or college savings. Remember to compare your final out-of-pocket costs, as an offer containing mainly loans will cost you more in the long run when compared to an offer with mainly grants.
- 3 If you do need to take out student loans, is the loan amount offered in your aid offer enough to meet your needs?** If not, you may need to consider programs like the Minnesota SELF loan program. Some families may also consider the Parent PLUS Loan or private student loans, but it's important to note that these loan programs usually have a higher interest rate and require a credit check.

A NOTE ON STUDENT LOANS:

Just because loans are listed in your offer, it does not mean you have to take them out. You have the option to decline those loans if you don't need or want them.



After you compare your offers and make a decision, be sure to notify your selected college, in writing, of which financial aid options you want to accept or decline. *Be sure to respond by your college's deadline!*

A closer look at Student Loans

A loan is money you borrow and must pay back with interest. While taking on any debt isn't ideal, student loans may be the one thing you need to cover the balance of your tuition and college expenses after grants, scholarships and savings have been applied. The choice to incur debt shouldn't be taken lightly, but for many students, it allows them to pursue their higher education goals.

These are important words to know as you are going through the process of applying for a loan!

CO-SIGNER

A creditworthy individual, usually a parent or spouse, who has agreed to share the responsibility for repayment with a student.

DEFAULT

Being delinquent in repaying a student loan more than a predetermined number of days or failure to comply with any of the other terms of the promissory note.

DEFERMENT

A postponement of the loan repayment. Conditions for deferment vary by loan program.

DELINQUENCY

Missing a scheduled payment on a student loan. If delinquency persists, default will occur.

DISBURSEMENT

Providing loan funds to the student or to the institution on the student's behalf. A student loan can be disbursed in multiple payments. Disbursements can be sent electronically to the student's school to credit their school account.

FORBEARANCE

An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified amount of time, or to extend the repayment period. The borrower is charged interest during the forbearance.

INTEREST

A fee charged to borrow money. Interest charges are in addition to the principal of the loan.

INTEREST SUBSIDY

The payment of interest on subsidized loans by the U.S. Department of Education for student borrowers while they are in school.

PRINCIPAL

The amount borrowed by the student before interest is charged.

PROMISSORY NOTE

The legal document signed by the borrower prior to receiving a student loan. Besides containing a promise to repay the loan, it lists the conditions of the loan and terms for repayment.

SERVICER

A loan servicer sends borrowers bills for payment, collects payment for the lender and maintains the borrower's loan accounts. Lenders, like the U.S. Department of Education, pay servicers to provide this function.



Student Loans are available from the federal government and state of Minnesota



How to Evaluate a Loan

Each loan has its own characteristics and features. Here are some great questions to help you compare your options:

- What is the total cost to repay the loan (including the fees, principal and interest)?
- How long it will take to repay the loan?
- How much are the monthly payments?
- What are the late payment penalties?
- Can it be consolidated with other loans?
- Can payments be deferred if you re-enter college?
- Can payments be deferred if you experience financial difficulties?

Types of Loan Options

FEDERAL DIRECT SUBSIDIZED AND UNSUBSIDIZED LOANS

The federal government makes Direct and PLUS loans available directly to students through schools across the country. No banks or guarantee agencies are involved. The U.S. Department of Education is the lender.

FEDERAL DIRECT PLUS LOANS

Federal PLUS Loans are loans to parents of dependent undergraduate students and students in graduate and professional programs.

STATE LOAN PROGRAM: SELF LOAN

The SELF Loan is a long-term, low-interest loan program administered by the Minnesota Office of Higher Education. Because it is administered by the state, interest rates tend to be lower than private loans and some federal loans. Rates are the same for everyone and are not based on credit scores like most private loans.

STUDENT LOANS FROM PRIVATE LENDERS

Private or alternative loans are available from private lenders, such as banks, savings and loan associations or credit unions. Depending on the credit strength of the borrower/co-signer, these loans may cost more than federal loans, or the SELF Loan.

Federal Student Loans

If you need a loan to help cover the cost of a college or career school, consider federal student loans first.

Be sure to look into any federal loans that you may be eligible for. Understand the benefits of federal loans, such as:

- No interest payments required during school for subsidized federal loans
- Low fixed interest rates
- Deferments
- Forbearances
- Loan forgiveness
- Various repayment plans (including income based)



The federal government makes Direct and PLUS loans available directly to students through schools across the country. No banks or guarantee agencies are involved. The U.S. Department of Education is the lender.

FEDERAL SUBSIDIZED AND UNSUBSIDIZED DIRECT LOANS

- **Direct Subsidized Loans** are disbursed on a need-based assessment. The federal government pays interest while the student is in school.
- **Direct Unsubsidized Loans** are not need based. Interest accrues while the student is in school.

ELIGIBILITY REQUIREMENTS

You must attend school at least half time, and your school must determine your financial need.

HOW TO APPLY

To apply, complete the FAFSA (Free Application for Federal Student Aid) at www.studentaid.gov. You will then need to sign a promissory note, agreeing to repay your loan. The loan disbursements will be sent to your school. Most loans are disbursed in two or more payments.

FEDERAL PLUS LOANS

Federal PLUS Loans are loans to parents of dependent undergraduate students and students in graduate and professional programs. The U.S. Department of Education is the lender.

ELIGIBILITY REQUIREMENTS

Federal PLUS Loan borrowers must have their credit checked. Borrowers must be U.S. citizens or eligible non-citizens.

Borrowers may borrow up to the annual cost of attendance, minus any financial aid received for students enrolled at least half time. There is no cap on annual or lifetime borrowing amounts.

HOW TO APPLY

To apply, students in graduate or professional programs, or parents of the undergraduate student, must complete a PLUS Loan application. Applications are available online at www.studentaid.gov/plus-app.

State Loan Option: SELF Loan

The state of Minnesota offers a trusted, low-interest loan program to students attending an eligible Minnesota institution and resident students who are enrolled in an eligible school in another state.



STATE LOAN PROGRAM: SELF LOAN

The SELF Loan is a great option for students to bridge their remaining tuition gaps when paying for college or career school education. Approximately 400 institutions in Minnesota and out-of-state participate in the program. To find out if an institution participates, visit www.selfloan.state.mn.us.

To be eligible, a student must:

- Be enrolled in an eligible school in Minnesota or be a Minnesota Resident Student enrolled in an eligible school in another state
- Be enrolled at least half time in a certificate, associate, baccalaureate or graduate degree program
- Have a creditworthy co-signer who is a U.S. citizen or permanent resident
- Not be delinquent or in default on a SELF or other outstanding student loan

HOW TO APPLY

Students can apply for a SELF Loan at www.selfloan.state.mn.us. Students will need to complete a counseling course to understand the obligations of the loan. Following the course, students can start their application.

Before applying for a SELF Loan, students are required to seek other sources of federal, state, institutional, and private aid that they may be eligible for.

SELF is funded by revenue bonds, rather than through the state or federal government. Because of that, borrowers must have a creditworthy co-signer on their loan. They must make minimum payments on the loan while in school.

Minimum Monthly Payments Keep Interest Low

SELF Loan borrowers must make minimum payments on the loan while in school. This allows the SELF Loan to offer low interest rates, as well as no application, processing or guarantee fees.

A loan is not free money - Borrow responsibly!

Don't borrow more than you need. Remember, this isn't free money – you need to pay interest while you are in school and then repay what you borrowed.

SELF LOAN LIMITS

The loan limit for students enrolled in bachelor's degree, post-baccalaureate or graduate programs at participating schools is \$40,000 per year. Students enrolled in 1-3 year programs are eligible for up to \$20,000 per year, while programs shorter than 1 year are eligible for \$3,500.

SELF Loan Limits		
Program Type	Annual Limit	Cumulative Limit
4-year programs	\$40,000	\$140,000
Graduate programs	\$40,000	\$140,000 (includes undergraduate)
1-3 year programs	\$20,000	\$60,000
Programs shorter than 1 year	\$3,500	\$7,500

SELF LOAN BENEFITS: STUDENT SUCCESS COACHES

An added benefit of the SELF Loan program is access to Student Success Coaches for eligible loan borrowers. Coaches work with students one-on-one to gain the essential skills needed to navigate their postsecondary pathway toward degree attainment and improve their long-term career and financial outcomes.

How does it work?

Delivered through no cost virtual sessions offered via phone, video, email and text, coaches help students understand who they are as a unique individual, see their potential for success and strategize how to best approach their goals. Coaches provide ongoing support and accountability as well as education and awareness of available on-campus and off-campus resources to ensure that students have the support they need to get the most out of their college experience.

During these virtual meetings, students work with their Success Coach to set goals that matter most to them, create action plans to move them forward and navigate any obstacles they may encounter as they work toward achieving their goals and earning their college degree.

Learn more about this benefit at www.selfloan.state.mn.us.

Watch our Student Success Coaches video!

Your coach is only a phone or video call, email or text message away! Learn more about how our program works:



Defaulting On Your Loan

If you fail to repay your loan, you will be in default. Your lender, state and federal governments can take action to recover the money:

- Your tax refunds may be withheld
- Part of your salary may be withheld if you work for the federal government
- You may be sued and taken to court
- Credit bureaus will be informed and your future credit rating may be affected, which may make it difficult to borrow money for a car or a house
- You will not be able to obtain additional state or federal student aid until you make satisfactory arrangements to repay

Beware of Financial Aid Search Companies

Some financial aid search companies offer to match students with financial aid for a fee. Be cautious in using these services. There are no guarantees the company will find any sources of financial aid that you cannot find yourself.

The following are some questions to consider if you use a search company or financial aid consultant:

- Does the company maintain its own scholarship database?
- Do the sources include federal and state programs for which the student will be considered through the regular financial aid application process?
- Do the sources include institutional scholarships about which the student would be notified once accepted to the college?
- How often does the company update its list of aid sources?
- Are there application fees for the sources provided?

Proceed with caution if you notice any of these red flags:

- Requests your personal information, such as: bank accounts, credit cards or social security number
- Uses excessive hype and claims high success rates
- Requires up-front money for application fees
- Has typing and spelling errors on application materials
- Lists no telephone number for the business
- Suggests influence with scholarship sponsors
- Pressures you to respond quickly

If you have been the victim of a scholarship scam, file a complaint and report the fraud.

Income Based Loan Repayment

If your federal student loan payments are high compared to your income, you may want to repay your loans under an income-driven repayment plan. Income based repayment is a federal program, in which the amount a borrower pays on federal loans each month is based on their income and family size. Because this program has the borrower making smaller payments in the first years of repayment, borrowers will pay more interest on the loan over time.

Public Service Loan Forgiveness

Public service loan forgiveness is a federal provision available to people working in public sector and nonprofit jobs, once they have made 10 years of payments on their federal loans. Payments made on or after October 1, 2007 qualify. Public school teachers and state employees qualify. The eligibility criteria and list of occupations are available from the U.S. Department of Education.

Student Loan Protection for Minnesotans

As a student loan borrower in Minnesota, you have rights under the Student Loan Borrower Bill of Rights.

In October 2023, student loan borrowers were required to resume repayments on their student loans, following three years of student loan repayments being suspended.

While the federal government is the lender for most student loans, the loan repayments are managed by loan servicers, which are for-profit businesses. Dealing with student loan servicers can be challenging, and the Minnesota Department of Commerce can help.

Student Loan Borrower Bill of Rights

The Student Loan Borrower Bill of Rights gives Minnesotan borrowers consumer protections under the law, with “do’s and don’ts” that loan service providers must follow. You can learn more about the Bill of Rights on the Minnesota Department of Commerce website:

<https://mn.gov/commerce/money/consumer/student-loans/bill-of-rights.jsp>



Need Assistance? Contact the Student Loan Advocate!

The Student Loan Advocate program offers education, advocacy, and information for borrowers having challenges with loan servicers in how to manage loan repayments.

More information is available at: <https://mn.gov/commerce/money/consumer/student-loans>

Contact the student loan advocate by emailing Student.Loan.Advocate.COMM@state.mn.us

Student Advocacy and Consumer Protection

Colleges licensed and registered by the Minnesota Office of Higher Education are held accountable by our agency. If you have a bad experience or believe the institution has not met its promises, you can file a complaint through our Institutional Licensing and Registration Department. The Minnesota Office of Higher Education will investigate complaints regarding colleges who are out of compliance with state standards.

WHERE TO FILE COMPLAINTS

Registration and Licensing at the
Minnesota Office of Higher Education
1450 Energy Park Drive, Suite 350
Saint Paul, MN 55108
651-259-3975 or 1-800-657-3866
info.ohe@state.mn.us



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.

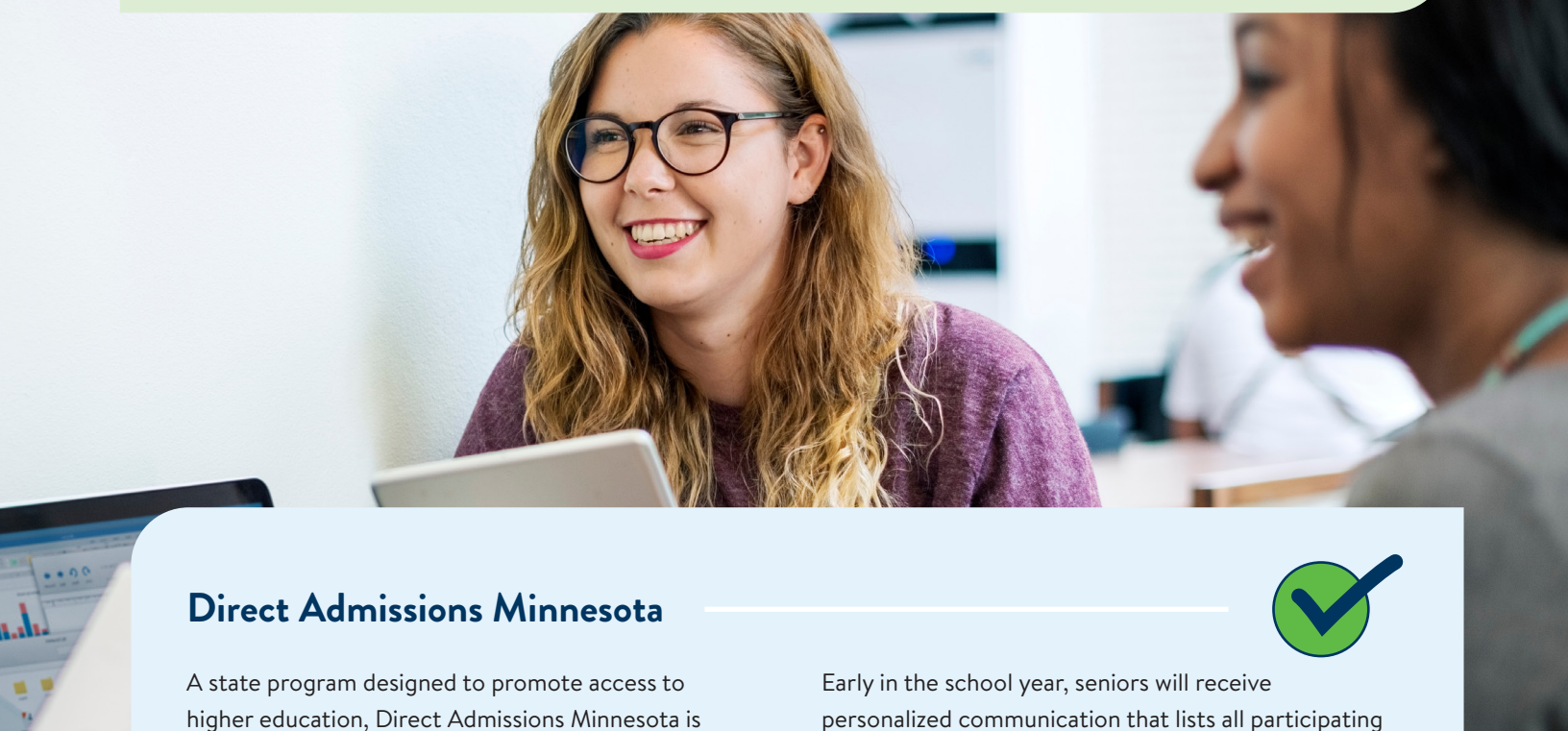
International Baccalaureate (IB) is a two-year pre-college diploma program offered at some high schools. There are six subject areas (your primary language, second language, mathematics, experimental sciences, the arts and humanities) that students can take to potentially earn college credit. You must 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 state program designed to promote access to higher education, Direct Admissions Minnesota is available at over 185 participating Minnesota high schools for the 2024-25 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 2023, 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 2023, 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

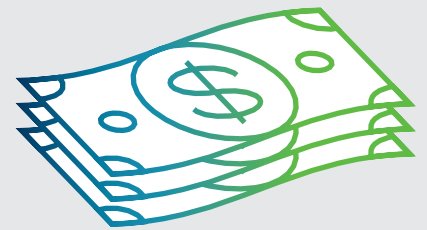
Contributions are not tax deductible, but you may be able to exclude all or part of the interest earned on series EE bonds from income when you redeem the bonds to pay postsecondary education tuition and fees for undergraduate or graduate study.

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 2023 tax returns?

Student loan interest deduction. For 2023, the amount of your student loan interest deduction is gradually reduced (phased out) if your Modified Adjusted Gross Income (MAGI) is between \$75,000 and \$90,000 (\$155,000 and \$185,000 if you file a joint return).

Education savings bond program. For 2023, the amount of your education savings bond interest exclusion is gradually reduced (phased out) if your MAGI is between \$91,850 and \$106,850 (\$137,800 and \$167,800 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. For miles driven between January 1, 2023 and December 31, 2023, the rate is 65.5 cents.

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



PAYING FOR COLLEGE

*A Guide to Financial Aid
and Responsible Borrowing*



www.ohe.state.mn.us

www.myhighered.mn.gov

mn OFFICE OF
HIGHER EDUCATION

1450 Energy Park Drive, Suite 350
Saint Paul, MN 55108-5227

Phone: (651) 642-0567

Toll Free: (800) 627-3529

Fax: (651) 642-0675

Email: info.ohe@state.mn.us

© 2024 Minnesota Office of Higher Education