

# What to Do if Your Income Has Been Reduced

In these challenging economic times, the Minnesota Office of Higher Education wants every college student and their family to understand their financial aid options. Despite dramatic economic challenges, both federal and Minnesota state governments have kept need-based grants for students intact.

Every college student, regardless of income, is encouraged to complete the *Free Application for Federal Student Aid* each year. You can complete and submit the FAFSA online at [www.fafsa.gov](http://www.fafsa.gov). The FAFSA is the application used to determine your eligibility for federal grants and loans, state grants and some institutional scholarships. The information submitted on the FAFSA includes your family's income from the previous calendar year.

**If your family's income is less this year** than it was last year, you can ask the financial aid office staff to review your family's current year income to determine if modifications can be made. You must first submit the original FAFSA income information from the previous tax year, and then follow up with the college to see whether they can exercise their professional judgment to use estimated current tax year income instead of the prior year's income. Most institutions have students and parents fill out a form or write a letter describing their special circumstances and attach tax forms, W2s and documentation of the reduction of income (for example, letter of layoff or documentation of unemployment benefits).

Colleges are authorized to consider making adjustments to your FAFSA based on dramatic changes in income or increased expenses associated with being laid off, such as moving expenses or health care premiums paid out of pocket. Financial aid staff may also use their professional judgment to change the income or assets used in the financial aid calculation if the family has experienced unusual medical expenses or if an income earner has died or been disabled. College financial aid staff may exercise their professional judgment on a case-by-case basis. Their decisions are final.

**If you have a student loan** and are making or are about to make payments, you can file for a Financial Hardship Deferment, if necessary, to delay the payments on the loans. The interest will continue to accrue so the amount you will owe on the loan will be larger as time passes. The sooner you repay the loan, the less money you will pay overall, so only file for a deferment if you must.

**If you have already defaulted on an educational loan and want to return to college**, you will not be eligible for additional financial aid until you rehabilitate the loan. You should contact the company that currently owns your loan for instructions on how address the loan default. If you don't know which company owns your loan, start by contacting the company that bills you for loan payments. In general, you will be asked to remedy the loan default by making loan payments on time each month for six months or more.

Once you have made the required pattern of payments, you will be eligible to borrow from federal student loan programs again. If you are unable to resolve issues with the federal education loan lender, you can contact the federal Loan Ombudsman at their website [www.ombudsman.ed.gov](http://www.ombudsman.ed.gov).

For more information about federal and state financial aid, including tax credits, college savings, loans, tuition reciprocity and more, visit [www.getreadyforcollege.org/paying](http://www.getreadyforcollege.org/paying).