



Student Financial Aid Options in Challenging Economic Times

In these challenging economic times, the Louisiana Office of Student Financial Assistance (LOSFA) wants students and parents to understand their student financial aid options. Many families have experienced the loss of assets reserved for their children's college education or have lost a primary income source. Whether you are a new high school graduate entering college for the first time or a displaced worker who wants to return to school for additional job training, there are student financial aid options available.

Both federal and Louisiana need-based aid as well as merit-based aid programs remain available for students. For a description of federal need-based aid programs including the Pell Grant, please visit <http://www.osfa.state.la.us/finaid101index.htm>. For information on Louisiana's merit-based TOPS Scholarship and Rockefeller State Wildlife Scholarship, and the need-based Go Grant and LEAP Grant, as well as Louisiana guaranteed student loans, please visit www.osfa.la.gov.

The First Step:

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.ed.gov. The FAFSA is the initial application used to determine your eligibility for both federal and state aid programs. Eligibility for need-based aid is based upon your family's assets and your income as reported on the previous year's tax form.

If your family's income will be less this year:

If your family has had a dramatic reduction in income from what was reported on your 2008 income taxes, the financial aid office at your school may be able to make a change to your financial aid eligibility.

To receive consideration for special circumstances, you must first submit the 2009-2010 FAFSA with your 2008 income tax information, and then make an appointment with a financial aid counselor at the institution you plan to attend to discuss your situation. Most institutions will have students and the

parents of dependent students fill out a special circumstances form and submit documentation including tax forms, and verification of the reduction of income such as a letter of layoff or records of unemployment benefits. Special consideration may also be made for other situations impacting a family's finances such as extraordinary medical expenses.

Each school has established their own criteria to define circumstances which may warrant special consideration and the documentation required to prove the necessity of that consideration. Any decision made by an institution regarding special circumstances is final.

If you have a student loan in repayment:

If you have experienced a reduction in income and you currently have a student loan in repayment or you are about to enter repayment, you can file for an Economic Hardship Deferment to delay the payments on the loan. The interest on an unsubsidized loan will continue to accrue while the loan is in deferment status, 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 when necessary.

To request an Economic Hardship Deferment, you must complete the Economic Hardship Deferment Form which you can download from www.osfa.la.gov/mainsitepdfs/def0008.PDF and submit the form to your lender. If you need assistance completing the deferment form, you may contact the LOSFA Default Prevention staff at (800) 256-3137 or visit the website at <http://www.osfa.state.la.us/DPBorrowerIndex.htm>.

It is important as a student loan borrower to know the distinction between a deferment and a forbearance.

With a deferment, both the principal and interest payments are deferred on a subsidized loan, whereas with a forbearance only the principal payments are deferred. You are still responsible for the interest payments, and capitalized interest continues to increase your principal balance: causing you to pay interest on interest.

Be advised that you should use a forbearance ONLY IF you do not qualify for a deferment. A forbearance may be the best solution if you are very delinquent nearing default, and are afraid that the lender may file a default claim before the deferment can be completed and/or approved.

If you have a student loan in repayment and you want to return to college:

If you have a student loan in repayment which is in good standing and you want to return to college as at least a half-time student, you can request an in-school deferment from your lender. The financial aid office at the school you are attending must receive certification of your in-school status. Contact the Registrar's Office at your school to obtain the necessary certification. You can download a copy of the deferment request form at <http://www.osfa.state.la.us/MainSitePDFs/def0002.pdf>.

If you have a defaulted student loan and want to return to college:

You will not be able to get additional financial aid until you rehabilitate your defaulted student loan. You should contact the company that currently owns your loan for instructions on how to rehabilitate the loan. If LOSFA currently holds your loan or if you don't know which company owns your loan, you may contact the LOSFA Default Recoveries Staff at (800) 256-6882 or visit the website at <http://www.osfa.state.la.us/dfltindx.htm>.

In general, to rehabilitate your defaulted loan, you will be asked to cure the loan default by making loan payments on time each month for six months or more. Once you have made the prescribed pattern of payments, you will be eligible to borrow additional educational loans. If you are unable to resolve issues with your lender or with LOSFA, you can contact the federal Loan Ombudsman at their Web site <http://www.ombudsman.ed.gov/>.

How can I reduce the cost of my college education?

Louisiana's START Saving program assists families with the financial burden of funding a college education. START provides an opportunity for all families, regardless of economic status, to have a professionally managed Education Savings Account. As an incentive to save, the state of Louisiana matches a portion of the Account Owner's annual START deposits. The START Program also provides tax incentives for START Account Owners. Account earnings which are used for Qualified Higher Education Expenses are exempt from state and federal taxes. Account owners may also deduct up to \$2,400 (\$4,800 for married couples filing jointly) in deposits per account per year from income reported on Louisiana tax returns. For information on the START Saving Program or to open a START account, please visit <http://www.startsaving.la.gov>.

The federal government offers two tax credits to help you offset the costs of higher education by reducing the amount of your income tax. They are the Hope Credit and the Lifetime Learning Credit. For information on these federal tax credits for education please visit <http://www.irs.gov/publications/p970/index.html>.

Here are some other costs saving suggestions:

Share costs with other students by having a roommate, and/or carpooling.

Choose to attend a school in your vicinity and live at home.

Choose to attend a community college before transferring to a more expensive four year university.

Use public or campus paid transportation.

Research textbook options at your school. Check for lower prices on the internet.

Work full-time at a college or university that pays employees' tuition at that school.

If you have questions:

Contact the LOSFA Public Information Staff by e-mailing custserv@osfa.la.gov, or by calling (800) 259-5626 Ext. 1012 or (225) 922-1012.