

TO : Regional Directors
FFEL Program Section Staff
September 30, 1997

FROM : Acting Chief, FFEL Program Section
Division of Policy Development
Policy, Training, and Analysis Service

SUBJECT : Federal Family Education Loan Program Special Allowance Rates for the
Quarter Ending September 30, 1997.

The Treasury Department has informed me that the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending **September 30, 1997**, is **5.18** percent.

Attachment A contains the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter. **Attachments B & C** contain the quarterly special allowance rates computed pursuant to section 438 of the Higher Education Act of 1965, as amended (the Act).

[signed]
Patricia Newcombe

Attachments

Attachment A - 91-DAY TREASURY BILLS (QUARTER ENDING 9/30/97)

AUCTION DATE	BOND EQUIVALENT RATE
7/7/97	5.10%
7/14/97	5.19%
7/21/97	5.25%
7/28/97	5.26%
8/4/97	5.29%
8/11/97	5.31%
8/18/97	5.22%
8/25/97	5.26%
9/2/97	5.21%
9/8/97	5.14%
9/15/97	5.04%
9/22/97	5.03%
9/29/97	5.06%
AVERAGE = 5.18%	

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

- I.A. -- Stafford (subsidized and unsubsidized) loans made prior to 10/01/81.
 -- PLUS (fixed-rate; includes student-borrower component of the PLUS Program) loans made prior to 10/01/81.
 -- Consolidation loans made prior to 10/01/81.

Formula: (5.18%) plus (3.5%) less (applicable interest rate), rounded up to the nearest 1/8th of 1% = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7%	.0175	.004375
9%	.00	.0000

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

- II.A. -- Stafford (subsidized only) loans:
- made on/after 10/01/81, but prior to 10/17/86.
 - made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning prior to 11/16/86.
- PLUS (fixed-rate; includes student-borrower component of the PLUS Program) loans:
- made on/after 10/01/81, but prior to 10/17/86.
 - made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning prior to 11/16/86.
- Consolidation loans:
- made on/after 10/01/81, but prior to 11/16/86..
- Also, certain taxable obligations of South Carolina and Maine.

Formula: (5.18%) plus (3.5%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7%	.0168	.0042
8%	.0068	.0017
9%	.00	.0000
12%	.00	.0000
14%	.00	.0000

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

- III.A.. -- Stafford loans:
- (subsidized) made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning on/after 11/16/86.
 - (subsidized) made on/after 11/16/86, but prior to 10/01/92.
 - (unsubsidized, made pursuant to §428H of the Act) made prior to 10/01/92 for periods of enrollment beginning on/after 10/1/92.
- PLUS/SLS loans:
- (fixed-rate) made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning on/after 11/16/86.
 - (fixed-rate) made on/after 11/16/86, but prior to 7/01/87.
 - (variable-rate) made on/after 7/01/87, but prior to 10/01/92, *only* if the variable-rate for each July 1 - June 30 period reaches the statutory maximum of 12%.
- Consolidation loans:
- made on/after 11/16/86, but prior to 10/01/92..

Formula: (5.18%) plus (3.25%) less (applicable interest rate) = annual special allowance rate.

[continued...]

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

III.A. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7% ¹	.0143	.003575
8% ²	.0043	.001075
8.26% ³	.0017	.000425
8.41% ⁴	.0002	.00005
9%	.00	.0000
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

¹ **Also included for the period 7/1/97 - 6/30/98:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

² **Also included for the period 7/1/97 - 6/30/98:** (a) Fixed-rate 8% Stafford loans and (b) 8/10% Stafford loans (prior to the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

³ **For the period 7/1/97 - 6/30/98:** (a) Fixed-rate 9% Stafford loans and (b) 8/10% Stafford loans (on/after the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

⁴ **For the period 7/1/97 - 6/30/98:** Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(1) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

- IV. -- Stafford loans:
- (subsidized) made on/after 10/01/92, but prior to 7/01/95.
 - (unsubsidized, made pursuant to §428H of the Act) made on/after 10/01/92, but prior to 7/01/95, for periods of enrollment beginning on/after 10/1/92.
 - (subsidized and unsubsidized) made on/after 7/1/95, *except* during the in-school, grace, and deferment periods.
- PLUS/SLS loans:
- (variable-rate) made on/after 10/01/92 but prior to 7/1/94, *only* if the variable-rate for each July 1 - June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
- PLUS loans:
- (variable-rate) made on/after 7/1/94.
- Consolidation loans:
- made on/after 10/01/92.

Formula: (5.18%) plus (3.1%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6% ⁵	.0228	.0057
7% ⁶	.0128	.0032
8% ⁷	.0028	.0007

[continued...]

⁵ The 6% interest and special allowance rates *only* apply to Consolidation loans made on/after 7/1/94 with tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to Consolidation loans made with tax-exempt funds .

⁶ **Also included for the period 7/1/97 - 6/30/98:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

⁷ **Also included for the period 7/1/97 - 6/30/98:** (a) Fixed-rate 8% Stafford loans and (b) 8/10% Stafford loans (prior to the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

IV. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
8.25% ⁸	.0003	.000075
8.26% ⁹	.0002	.00005
8.98% ¹⁰	.00	.0000
9%	.00	.0000
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

⁸ **For the period 7/1/97 - 6/30/98:** (a) All Stafford loans made for periods of enrollment that either begin on or after 7/1/94 or include that date for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95. (b) Stafford loans for which the first disbursement is made on/after 7/1/95, *except* during the in-school, grace & deferment periods.

⁹ **For the period 7/1/97 - 6/30/98:** (a) Stafford loans, made to new borrowers, for which the first disbursement is made on or after 10/1/92 but prior to 7/1/94, and (b) fixed-rate 9% Stafford loans and 8/10% Stafford loans (on/after the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

¹⁰ **For the period 7/1/97 - 6/30/98:** PLUS loans made on or after 7/1/94.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

ALSO INCLUDED: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **on/after 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

- V. -- Stafford loans:
- (subsidized and unsubsidized) made on/after 7/1/95, *only* during the in-school, grace, and deferment periods.

Formula: (5.18%) plus (2.5%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7.66% ¹¹	.0002	.00005

- VI. *NOTE:* Pursuant to §438(b)(2)(F) of the Act, Stafford (subsidized and unsubsidized) and PLUS loans made on or after 7/1/98 will be subject to a special allowance formula based on the bond equivalent rate of the security with a comparable maturity, as established by the Secretary.

¹¹ **For the period 7/1/97 - 6/30/98:** Stafford loans for which the first disbursement is made on/after 7/1/95, *only* during the in-school, grace & deferment periods.

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

TAX-EXEMPT LOANS: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **prior to 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

I.B. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/80, but prior to 10/01/81.

Formula: (5.18%) plus (3.5%) less (applicable interest rate), rounded up to the nearest 1/8th of 1%, divided by two = annual special allowance rate, *however* the annual special allowance rate is *not less than* 2.5% (for 7% loans) and 0.5% (for 9% loans)..

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7%	.025	.00625
9%	.005	.00125

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

TAX-EXEMPT LOANS: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **prior to 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

II.B. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/81.

Formula: (5.18%) plus (3.5%) less (applicable interest rate), divided by two = annual special allowance rate, *however* the annual special allowance rate is *not less than*:

- For loans made prior to 10/01/92, 2.5% (for 7% loans), 1.5% (for 8% loans), and 0.5% (for 9% loans).
- For loans made on/after 10/01/92, 9.5% less the applicable interest rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6% ¹²	.035	.00875
7% ¹³	.025	.00625
7.66 ¹⁴	.0184	.0046
8% ¹⁵	.015	.00375

[continued...]

¹² The 6% interest and special allowance rates *only* apply to Consolidation loans made on/after 7/1/94 with tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to Consolidation loans made with tax-exempt funds.

¹³ **Also included for the period 7/1/97 - 6/30/98:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of §427(I)(3) of the Act and that have been converted to a variable rate; see §427(I)(7)(D) of the Act.

¹⁴ **For the period 7/1/97 - 6/30/98:** Stafford loans for which the first disbursement is made on/after 7/1/95, *only* during the in-school, grace & deferment periods.

¹⁵ **Also included for the period 7/1/97 - 6/30/98:** (a) Fixed-rate 8% Stafford loans and (b) 8/10% Stafford loans (prior to the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(I)(3) of the Act and that have been converted to a variable rate; see §427(I)(7)(D) of the Act.

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/97)

TAX-EXEMPT LOANS: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations *originally* issued **prior to 10/1/93**, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

The "Special Allowance at Annual Rate" and "Special Allowance for 3-month Period" figures are shown as decimals, e.g., 0.5% (one-half of one percent) is shown as ".005", 1.5% (one and one-half percent) is shown as ".015", etc.

II.B. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
8.25% ¹⁶	.0125	.003125
8.26% ¹⁷	.0124	.0031
8.41% ¹⁸	.0109	.002725
8.98% ¹⁹	.0052	.0013
9%	.005	.00125
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

¹⁶ **For the period 7/1/97 - 6/30/98:** (a) All Stafford loans made for periods of enrollment that either begin on or after 7/1/94 or include that date for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95. (b) Stafford loans for which the first disbursement is made on/after 7/1/95, *except* during the in-school, grace & deferment periods.

¹⁷ **For the period 7/1/97 - 6/30/98:** (a) Stafford loans, made to new borrowers, for which the first disbursement is made on or after 10/1/92 but prior to 7/1/94, and (b) fixed-rate 9% Stafford loans and 8/10% Stafford loans (on/after the 49th month of repayment), that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

¹⁸ **For the period 7/1/97 - 6/30/98:** Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(1) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

¹⁹ **For the period 7/1/97 - 6/30/98:** PLUS loans made on or after 7/1/94.