

TO : FFEL Program Section Staff  
Regional Office Staff

May 31, 1997

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

SUBJECT: Federal Stafford, Federal PLUS and Federal SLS Variable Interest Rate  
Calculations for the Period July 1, 1997 - June 30, 1998

Attached are the variable interest rates applicable to the Federal Stafford,  
Federal SLS, and Federal PLUS programs for the period **July 1, 1997 -  
June 30, 1998**.

***[signed]***  
Patricia Newcombe

Attachment

**I. Federal Stafford Variable Interest Rates**

The final auction of 91-day Treasury Bills held prior to June 1 occurred on May 27, 1997. The bond equivalent rate was **5.16** percent.

**A. "Converted" Variable-rate Federal Stafford loans.**

**1.** *8/10% loans that were subject to the "windfall profits" provisions of §427A(I)(1) of the Act and that have been converted to a variable interest rate (the variable interest rate for these loans is capped at 10%):*

Pursuant to §§427A(I)(7)(A) of the Higher Education Act of 1965, as amended (the Act), 5.16 percent *plus* 3.25 percent *equals* **8.41** percent for the period July 1, 1997 - June 30, 1998.

**2.** *7%, 8%, 9% and 8/10% loans that were subject to the "windfall profits" provisions of §427A(I)(3) of the Act and that have been converted to a variable interest rate:*

Pursuant to §§427A(I)(7)(A) of the Higher Education Act of 1965, as amended (the Act), 5.16 percent *plus* 3.1 percent *equals* 8.26 percent. Because the variable interest rate for these loans is capped at the original fixed interest rate of 7%, 8%, 9%, or 10% (converted 8/10% loans which have reached the 49<sup>th</sup> month of the repayment period), the following rates apply for the period July 1, 1997 - June 30, 1998 -

<u>Original Interest Rate</u>	<u>Variable Interest Rate</u>
7 percent	<b>7</b> percent
8 percent	<b>8</b> percent
9 percent	<b>8.26</b> percent
10 percent	<b>8.26</b> percent

I. **Federal Stafford Variable Interest Rates** *(continued)*

B. *Regular Variable-rate Federal Stafford loans:*

1. *Federal Stafford loans made to “new” borrowers for which the first disbursement is made (a) on/after 10/1/92 but prior to 7/1/94 or (b) on/after 7/1/94 for a period of enrollment ending prior to 7/1/94 (i.e., a late disbursement) [the variable interest rate for these loans is capped at 9%]:*

Pursuant to §427A(e)(1) of the Act, 5.16 percent *plus* 3.1 percent *equals* **8.26** percent for the period July 1, 1997 - June 30, 1998.

2. *Federal Stafford loans made to all borrowers, regardless of prior borrowing, for periods of enrollment that include or begin on/after 7/1/94 for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95:*

Pursuant to §427A(e)(1) of the Act, 5.16 percent *plus* 3.1 percent *equals* 8.26 percent. Because the variable interest rate for these loans is capped at 8.25%, the variable interest rate is **8.25** percent for the period July 1, 1997 - June 30, 1998.

3. *Federal Stafford loans made to all borrowers, regardless of prior borrowing, on/after 7/1/95 but prior to 7/1/98 (the variable interest for these loans is capped at 8.25%) -*

*(a) during the in-school, grace, and deferment periods:*

Pursuant to §427A(g)(2) of the Act, 5.16 percent *plus* 2.5 percent *equals* **7.66** percent for the period July 1, 1997 - June 30, 1998.

*(b) during the repayment period (except deferment periods):*

Pursuant to §427A(f)(1) of the Act, 5.16 percent *plus* 3.1 percent *equals* 8.26 percent. Because the variable interest rate for these loans is capped at 8.25%, the variable interest rate is **8.25** percent for the period July 1, 1997 - June 30, 1998.

**II. Federal PLUS and Federal SLS Variable Interest Rates**

The final auction of 52-week Treasury Bills held prior to June 1 occurred on May 22, 1997. The bond equivalent rate was **5.88** percent.

**A. Variable-rate Federal PLUS and Federal SLS loans made prior to October 1, 1992 (the variable interest rate for these loans is capped at 12%):**

Pursuant to §427A(c)(4)(B) of the Act, 5.88 percent *plus* 3.25 percent equals **9.13** percent, for the period July 1, 1997- June 30, 1998.

**Note:** Because this variable interest rate formula (§427A(c)(4)(B) of the Act) produces a figure that is less than 12 percent, variable rate PLUS/SLS loans will *not* be subject to special allowance payments during the four quarters ending 9/30/97, 12/31/97, 3/31/98 and 6/30/98. See §438(b)(2)(C)(i) of the Act.

**B. (i) Federal PLUS loans made on/after October 1, 1992 but prior to July 1, 1994 (the variable interest rate for these loans is capped at 10%); (ii) Federal PLUS loans made on/after 7/1/94 but prior to 7/1/98 (the variable interest rate for these loans is capped at 9%); and (iii) Federal SLS loans made on/after October 1, 1992 for a period of enrollment beginning prior to July 1, 1994 (the variable interest rate for these loans is capped at 11%):**

Pursuant to §§427A(c)(4)(D) and (E) of the Act, 5.88 percent *plus* 3.1 percent equals **8.98** percent, for the period July 1, 1997 - June 30, 1998.

**Note:** Because the variable interest rate formula (§427A(c)(4)(D) of the Act) produces a figure that is less than 10 percent (Federal PLUS) and 11 percent (Federal SLS), variable-rate PLUS loans made on/after 10/1/92 but prior to 7/1/94 and all SLS loans made on/after 10/1/92 will *not* be subject to special allowance payments during the four quarters ending 9/30/97, 12/31/97, 3/31/98 and 6/30/98. See §438(b)(2)(C)(ii) of the Act.