

July 1, 1998

TO : Regional Directors
FFEL Program Section Staff

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 June 30, 1998; Maximum Interest Rate for the Portion of a Consolidation
Loan Which Repaid a HEAL Loan

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 **June 30, 1998**, is **5.13** 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). **Attachment D** contains the annual maximum interest rate for the portion of a consolidation loan which repaid a Health Education Assistance Loan (HEAL) program loan computed pursuant to section 428C(d)(2) of the Act.

[signed]
Patricia Newcombe

Attachments

Attachment A - 91-DAY TREASURY BILLS (QUARTER ENDING 06/30/98)

AUCTION DATE	BOND EQUIVALENT RATE
04/6/98	5.094%
04/13/98	5.172%
04/20/98	5.118%
04/27/98	5.073%
05/4/98	5.122%
05/11/98	5.143%
05/18/98	5.217%
05/26/98	5.155%
06/1/98	5.077%
06/8/98	5.131%
06/15/98	5.143%
06/22/98	5.122%
06/29/98	5.131%
AVERAGE = 5.13%	

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 06/30/98)

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: (5.13 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%	.017500	.004375
9%	.00	.00

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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: (5.13%) 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%	.016300	.004075
9%	.00	.00
12%	.00	.00
14%	.00	.00

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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: (5.13%) plus (3.25%) less (applicable interest rate) = annual special allowance rate.

[continued...]

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 06/30/98)

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	.013800	.003450
8% ²	.003800	.000950
8.26% ³	.001200	.000300
8.41% ⁴	.00	.00
9%	.00	.00
10%	.00	.00
11%	.00	.00
12%	.00	.00
13%	.00	.00
14%	.00	.00

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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(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(I)(1) of the Act and that have been converted to a variable rate; **see** §427(I)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 06/30/98)

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 and before 7/1/98.
- Consolidation loans:
- made on/after 10/01/92.

Formula: (5.13%) 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	.022300	.005575
7% ⁶	.012300	.003075
8% ⁷	.002300	.000575

[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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 06/30/98)

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	.00	.00
8.26% ⁹	.00	.00
8.98% ¹⁰	.00	.00
9%	.00	.00
10%	.00	.00
11%	.00	.00
12%	.00	.00
13%	.00	.00
14%	.00	.00

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(I)(3) of the Act and that have been converted to a variable rate; **see** §427(I)(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 06/30/98)

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: (5.13%) 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	.00	.00

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 06/30/98)

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: (5.13%) 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%	.025000	.006250
9%	.005000	.001250

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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: (5.13%) 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	.035000	.008750
7% ¹³	.025000	.006250
7.66 ¹⁴	.018400	.004600
8% ¹⁵	.015000	.003750

[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 06/30/98)

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	.012500	.003125
8.26% ¹⁷	.012400	.003100
8.41% ¹⁸	.010900	.002725
8.98% ¹⁹	.005200	.001300
9%	.005000	.001250
10%	.00	.00
11%	.00	.00
12%	.00	.00
13%	.00	.00
14%	.00	.00

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(I)(3) of the Act and that have been converted to a variable rate; *see* §427(I)(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(I)(1) of the Act and that have been converted to a variable rate; *see* §427(I)(7)(D) of the Act.

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

Attachment D -Maximum Interest Rate for Portion of Consolidation Loan Which Repaid a HEAL Loan (7/1/98 - 6/30/99)

For the period beginning on July 1, 1998, and ending on June 30, 1999, the portion of each consolidation loan that is attributable to a loan made under the HEAL program shall bear a maximum annual interest rate equal to the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter before July 1, 1998, plus 3 percent.

Pursuant to section 428C(d)(2) of the Act, 5.13 percent plus 3.0 percent equals **8.13** percent for the period July 1, 1998 - June 30, 1999.