



Special Allowance Payment (SAP) Codes Memo

On March 15, 2022, the President signed the Adjustable Interest Rate (LIBOR) Act into law. Among other things, the law amended section 438(b)(2)(I) of the Higher Education Act of 1965, as amended. This Act replaces London Interbank Offered Rate (LIBOR) in the calculation of special allowance payments (SAP) with the Secured Overnight Financing Rate (SOFR). The daily rate will be determined by adding the Tenor Spread Adjustment of 0.11448 to the 30-day average SOFR quoted rate. This letter addresses the reporting changes to the quarterly Lender’s Interest and Special Allowance Request and Report (LaRS).

Eligibility

Lenders who currently bill using LIBOR are required to request special allowance calculated using SOFR. Election requirements are detailed in the corresponding Dear Colleague Letter of this attachment. The effective date will be the first day of the calendar quarter following the acceptance of the election documents submitted by the lender or beneficial holder.

LaRS Part III – Special Allowance Payments (SAP)

To calculate SAP using SOFR the U.S. Department of Education has created new special allowance category codes. For each LIBOR category code, there is a new corresponding code that will use SOFR to calculate special allowance.

SPECIAL ALLOWANCE CODES		
Disbursement Date	SOFR	LIBOR
Stafford loans made on/after 1/1/2000 but prior to 4/1/06, only during the in-school, grace and deferment periods.	FA	LA
Stafford loans made on/after 1/1/2000 but prior to 4/1/06, only during the repayment and forbearance periods.	FB	LB
Consolidation loans made on/after 1/1/2000 but prior to 4/1/06.	FC	LC
PLUS loans made on/after 1/1/2000 but prior to 4/1/06.	FD	LD
Stafford loans made on/after 4/1/2006 but prior to 10/1/2007, only during the in-school, grace and deferment periods.	FE	LE
Stafford loans made on/after 4/1/2006 but prior to 10/1/2007, only during the repayment and forbearance periods.	FF	LF
Consolidation loans made on/after 4/1/2006 but prior to 10/1/2007.	FG	LG
PLUS loans made on/after 4/1/2006 but prior to 10/1/2007.	FH	LH
Stafford loans made on/after 10/1/2007 but prior to 7/1/2010, only during the in-school, grace and deferment periods.	FI	LI
Stafford loans made on/after 10/1/2007 but prior to 7/1/2010, only during the repayment and forbearance periods.	FJ	LJ
Consolidation loans made on/after 10/1/2007 but prior to 7/1/2010.	FK	LK
PLUS loans made on/after 10/1/2007 but prior to 7/1/2010.	FM	LM

Questions: Email questions to fsa_lr@ed.gov.