



January 16, 2009

SUBJECT: Federal Family Education Loan Program Special Allowance Rates for the Quarter Ending December 31, 2008

Background

In calculating quarterly Special Allowance rates, the Department is required, under section 438(b)(2)(I)(i)(I) of the Higher Education Act (HEA), to determine “the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period.”

Since October 1, 2008 (the beginning of the quarter ending December 31, 2008), there have been 33 business days (out of 62 business days) when no daily commercial paper (CP) rate was printed in Publication H-15. Given market conditions, the Federal Reserve instituted the Commercial Paper Funding Facility (CPFF) on October 27, 2008. On January 5, 2009, the Federal Reserve announced and included in Publication H-15 Commercial Paper Funding Facility (CPFF) rates. The Federal Reserve provided this data back to October 27, 2008, the date of the inception of the CPFF.

Calculation of Special Allowance Rates

To address the lack of a CP rate for 33 business days during the fourth quarter of 2008 and to meet its obligations under section 438 of the HEA for the quarter, the Department used, in its calculations, the “3-month nonfinancial or financial [rate] posted by CPFF . . . with surcharge” which is found under the “Commercial Paper” heading of Publication H-15. This CPFF rate was used for those business days during the fourth quarter of 2008, on or after October 27, when no “3-month financial” CP rate was published (as indicated by “n.a.” in Publication H-15). For days prior to October 27 when no 3-month financial commercial paper rate was published, the Department carried forward the previous business day’s CP rate (consistent with Department practice).

For example, on November 25, 2008, the published CP rate was 1.7 percent; the CPFF rate for that day was 2.48 percent. In that case, the Department used 1.7 percent as the applicable rate for November 25 in its Special Allowance rate calculation. However, on November 26, there was no CP rate published (“n.a.”); the CPFF rate was 2.42 percent. Thus, for November 26, the Department used 2.42 percent in its Special Allowance rate calculation.

Accordingly, using the above approach for the quarter ending December 31, 2008, the “average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter” is 2.58 percent.

Special Allowance Rates for the Quarter Ending 12/31/08 cont'd.

Calculations Under the Master Participation Agreement(s) for 2008-2009 Loans

Pursuant to the Master Participation Agreement(s) under the Department's loan participation purchase program for 2008-2009 loans, the 2.58 percent rate is also used to determine the Participant Yield (i.e., yield owed the Department). The calculated Participation Yield rate will be formally communicated to program participants via an Electronic Announcement on the Department's Ensuring Continued Access to Student Loans website (<http://www.federalstudentaid.ed.gov/ffelp>).

Treasury Bill Rate

For some loans, pursuant to section 438, the Special Allowance rate is calculated by using the average of the bond equivalent rates of the ninety-one day Treasury bills as published by the Department of the Treasury. For the quarter ending December 31, 2008, the average of the rates is 0.35 percent.

Attachments

Attachments A, B & C contain the quarterly special allowance rates computed pursuant to section 438. **Attachment D** contains the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter.

Accounting Division
Office of the Chief Financial Officer

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

Attachment A Includes: Stafford loans (subsidized and unsubsidized), PLUS loans, SLS loans, and Consolidation loans made or purchased with taxable funds.

- I. -- Stafford (subsidized and unsubsidized), PLUS (fixed-rate; includes student-borrower component of the PLUS Program), and Consolidation loans: made prior to 10/1/81.

Formula: **(.35%)** 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%	.00	.000000
9%	.00	.000000

* The Special Allowance at Annual Rate and Special Allowance for 3-month Period figures are shown as decimals throughout this memo, 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.

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

- II. -- Stafford (subsidized only) and PLUS (fixed-rate, includes student borrower component of the PLUS program) loans:
 - made on/after 10/1/81, 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 10/1/81, but prior to 11/16/86.
- *Also*, certain taxable obligations of South Carolina and Maine.

Formula: (.35%) 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%	.00	.000000
8%	.00	.000000
9%	.00	.000000
12%	.00	.000000
14%	.00	.000000

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

- III. -- 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 10/1/92.
 (unsubsidized, made pursuant to 428H of the Act) made prior to 10/1/92 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 7/1/87.
 (variable-rate) made on/after 7/1/87, but prior to 10/1/92, *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 10/1/92.

Formula: (.35%) plus (3.25%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
5.01% ^{1, 2, 3}	.00	.000000
5.16% ⁴	.00	.000000
7%	.00	.000000
8%	.00	.000000
9%	.00	.000000
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

Also included for the period 7/1/08 - 6/30/09 (Fixed-rate Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) or 427A(i)(1) of the Act and that have been converted to a variable rate):

- ¹ Fixed-rate 7% Stafford loans (1992 Amendments).
- ² (a) Fixed-rate 8% Stafford loans, and (b) 8/10% Stafford loans (prior to the 49th month of repayment) (1992 Amendments).
- ³ (a) Fixed-rate 9% Stafford loans, and (b) 8/10% Stafford loans (on/after the 49th month of repayment) (1992 Amendments).
- ⁴ Fixed-rate 8/10% Stafford loans (on/after the 49th month of repayment) (1986 Amendments).

See 427A(i)(7)(D) of the Act.

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

- IV. -- Stafford loans:
 (subsidized) made on/after 10/1/92, but prior to 7/1/95.
 (unsubsidized) made on/after 10/1/92, but prior to 7/1/95, for periods of enrollment beginning on/after 10/1/92.
 (subsidized and unsubsidized) made on/after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
- PLUS/SLS loans:
 (variable-rate) made on/after 10/1/92 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 but prior to 7/1/98.
 (variable-rate) made on/after 7/1/98 but prior to 1/1/00 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).
- Consolidation loans:
 made on/after 10/1/92 but prior to 10/1/98.

Formula: (.35%) 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
5.01% ^{5, 6, 7, 8}	.0000	.000000

[continued...]

- ⁵ Fixed-rate 7% Stafford Loans (1992 Amendments).
- ⁶ (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 427A(i)(3) of the Act and that have been converted to a variable rate (1992 Amendments).
- ⁷ (a) *All* Stafford loans made for periods of enrollment that either begin on/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 and before 7/1/98, *except during the in-school, grace, and deferment periods*, and (c) consolidation loans for which the loan application was received on/after 11/13/97 and prior to 10/1/98.
- ⁸ (a) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/1/92 but prior to 7/1/94, (b) fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate; *see* 427A(i)(7)(D) of the Act and (c) 8/10% Stafford loans (on/after the 49th month of repayment) that were subject to

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate (1992 Amendments).

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

IV. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
5.67% ⁹	.00	.000000
6% ¹⁰	.00	.000000
7%	.00	.000000
8%	.00	.000000
9%	.00	.000000
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

Also included for the period 7/1/08 - 6/30/09 (Fixed-rate Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate):

See 427A(i)(7)(D) of the Act.

⁹ PLUS loans made on/after 7/1/94 but prior to 7/1/98.

¹⁰ 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.

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

- V. -- Stafford loans (subsidized and unsubsidized):
made on/after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods.

Formula: (.35%) 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
4.41%	.0000	.000000

- VI. --Stafford loans (subsidized and unsubsidized):
made on/after 7/1/98 but prior to 1/1/00 *only* during the in-school, grace, and deferment periods.

Formula: (.35%) plus (2.2%) less (applicable interest rate) = special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
3.61%	.0000	.000000

- VII. --Stafford loans (subsidized and unsubsidized):
made on/after 7/1/98 but prior to 1/1/00, *except* during the in-school, grace, and deferment periods.

Formula: (.35%) plus (2.8%) less (applicable interest rate) = special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
4.21%	.0000	.000000

Attachment A - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 12/31/08)

VIII. --Consolidation loans
made on/after 10/1/98 but prior to 1/1/00

Formula: (.35%) plus (3.1%) less (applicable interest rate) = special allowance rate.

Note: The interest rate for these consolidation loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

Attachment B - SPECIAL ALLOWANCE RATES FOR TAX-EXEMPT LOANS (QUARTER ENDING 12/31/08)

Attachment B Includes: 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.

- I. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/1/80, but prior to 10/1/81.

Formula: **(.35%)** 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 B - SPECIAL ALLOWANCE RATES FOR TAX-EXEMPT LOANS (QUARTER ENDING 12/31/08)

II. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/1/81.

Formula: (.35%) 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 10/1/92, 2.5% (for 7% loans), 1.5% (for 8% loans), and 0.5% (for 9% loans).

For loans made on/after 10/1/92, 9.5% less the applicable interest rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
3.61% ¹¹	.0589	.014725
4.21% ¹²	.0529	.013225
4.41% ¹³	.0509	.012725
5.01% ^{14, 15, 16}	.0449	.011225

[continued...]

For the period 7/1/08 – 6/30/09:

- ¹¹ Stafford loans made on/after 7/1/98 but prior to 7/1/06, *only* during the in-school, grace, and deferment periods.
- ¹² Stafford loans made on/after 7/1/98 but prior to 7/1/06, *except* during the in-school, grace and deferment periods.
- ¹³ Stafford loans for which the first disbursement is made on/after 7/1/95 and before 7/1/98, *only* during the in-school, grace, and deferment periods.
- ¹⁴ Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate
- ¹⁵ Fixed-rate 8% Stafford loans, and 8/10% Stafford loans (prior to the 49th month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate. Also, see 427A(i)(7)(D) of the Act. (1992 Amendments)
- ¹⁶ (a) Fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate; *see* 427A(i)(7)(D) of the Act, (b) 8/10% Stafford loans (on/after the 49th month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate, and (c) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/1/92 but prior to 7/1/94. (1992 Amendments).

Attachment B - SPECIAL ALLOWANCE RATES FOR TAX-EXEMPT LOANS (QUARTER ENDING 12/31/08)

II. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
5.01% ¹⁷	.0449	.011225
5.16% ¹⁸	.0434	.010850
5.67% ¹⁹	.0383	.009575
6% ²⁰	.035	.008750
6.80% ²¹	.027	.006750
7%	.025	.006250
8%	.015	.003750
8.50% ²²	.01	.002500
9%	.005	.001250
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

For the period 7/1/08 - 6/30/09:

- ¹⁷ (a) All Stafford loans made for periods of enrollment that either begin on/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 and before 7/1/98, *except during the in-school, grace, and deferment periods*, and (c) all PLUS loans made on/after 1/1/00 but prior to 7/1/06.
- ¹⁸ Fixed-rate 8/10% Stafford loans that were subject to the “windfall profits” provisions of 427A(i)(1) of the Act and that have been converted to a variable rate; see 427A(i)(7)(D) of the Act (1986 Amendments).
- ¹⁹ PLUS loans made on/after 7/1/94 but prior to 7/1/98.
- ²⁰ (a) The 6% interest rates and special allowance rates 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, and (b) Undergraduate subsidized Stafford loans made on/after 7/1/08 and before 7/1/09.
- ²¹ Fixed-rate Stafford loans made on/after 7/1/06.
- ²² Fixed-rate PLUS loans made on/after 7/1/06.

Attachment C - SPECIAL ALLOWANCE RATES BASED ON COMMERCIAL PAPER RATES (QUARTER ENDING 12/31/08)

Attachment C Includes: Loans made on or after January 1, 2000 for which the special allowance is calculated.

- I. –Stafford loans (subsidized and unsubsidized):
 made on/after 1/1/00 but prior to 4/1/06, *only* during the in-school, grace and deferment periods;
 made on/after 4/1/06 and prior to 10/1/07, *only* during the in-school, grace and deferment periods, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: **(2.58%)** plus (1.74%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
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3.61% ²³	.0071	.001775
6.80% ²⁴	-.0248	-.0062

²³ Stafford loans made on or after 1/1/00 but prior to 7/1/06.

²⁴ Stafford loans made on or after 7/1/06 but prior to 10/1/07. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

Attachment C - SPECIAL ALLOWANCE RATES BASED ON COMMERCIAL PAPER RATES (QUARTER ENDING 12/31/08)

- II. –Stafford loans (subsidized and unsubsidized):
 made on/after 1/1/00 but prior to 4/1/06, *except* during the in-school, grace and deferment periods;
 made on/after 4/1/06 and prior to 10/1/07, *except* during the in-school, grace and deferment periods, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (2.34%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
4.21% ²⁵	.0071	.001775
6.80% ²⁶	-.0188	-.0047

²⁵ Stafford loans made on or after 1/1/00 but prior to 7/1/06.

²⁶ Stafford loans made on or after 7/1/06 but prior to 10/1/07. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

Attachment C - SPECIAL ALLOWANCE RATES BASED ON COMMERCIAL PAPER RATES (QUARTER ENDING 12/31/08)

- III. -PLUS loans
 made on/after 1/1/00 but prior to 4/1/06;
 made on/after 4/1/06 and prior to 10/1/07, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (2.64%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
5.01% ²⁷	.0021	.000525
8.50% ²⁸	-.0328	-.0082

- IV. -Consolidation loans
 for applications received on/after 1/1/00;
 made on/after 4/1/06 and prior to 10/1/07, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (2.64%) less (applicable interest rate) = annual special allowance rate.

Note: The interest rate for these consolidation loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

²⁷ PLUS loans made on or after 1/1/00 but prior to 7/1/06.

²⁸ PLUS loans made on or after 7/1/06 but prior to 10/1/07. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

Attachment C - SPECIAL ALLOWANCE RATES BASED ON COMMERCIAL PAPER RATES (QUARTER ENDING 12/31/08)

- V. –Stafford loans (subsidized and unsubsidized):
made on/after 10/1/07, *only* during the in-school, grace and deferment periods, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (1.19%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6.0% ²⁹	-.0223	-.005575
6.80% ³⁰	-.0303	-.007575

- VI. –Stafford loans (subsidized and unsubsidized):
made on/after 10/1/07, *except* during the in-school, grace and deferment periods, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (1.79%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6.0% ²⁹	-.0163	-.004075
6.80% ³⁰	-.0243	-.006075

²⁹ Undergraduate subsidized Stafford loans made on/after 7/1/08 and before 7/1/09. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

³⁰ Stafford loans made on/after 10/1/07, *except* undergraduate subsidized Stafford loans made on/after 7/1/08. Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

Attachment C - SPECIAL ALLOWANCE RATES BASED ON COMMERCIAL PAPER RATES (QUARTER ENDING 12/31/08)

VII. -PLUS loans made on/after 10/1/07, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (1.79%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
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8.50% ³¹

-.0413

-.010325

³¹ Because this formula resulted in an amount less than zero, these loans will not receive special allowance. The rate shown is for the recapture of excess interest.

VIII. -Consolidation loans made on or after 10/1/07, and *which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).*

Formula: (2.58%) plus (2.09%) less (applicable interest rate) = annual special allowance rate.

Note: The interest rate for these consolidation loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

Attachment D - 91-Day TREASURY BILLS (QUARTER ENDING 12/31/08)

AUCTION DATE	BOND EQUIVALENT RATE
10/06/08	.467%
10/14/08	.508%
10/20/08	1.271%
10/27/08	.915%
11/03/08	.538%
11/10/08	.360%
11/17/08	.152%
11/24/08	.152%
12/01/08	.051%
12/08/08	.005%
12/15/08	.051%
12/22/08	.041%
12/29/08	.051%
	4.562%
AVERAGE =.35%	