



April 2, 2003

SUBJECT: Federal Family Education Loan Program Special Allowance Rates for the Quarter Ending March 31, 2003

The Treasury Department has published the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending **March 31, 2003**, as **1.17** percent. Further, 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 the quarter ending **March 31, 2003**, is **1.27** percent.

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

Financial Management  
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Attachments

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<b>AUCTION DATE</b>	<b>BOND EQUIVALENT RATE</b>
01/06/03	1.207%
01/13/03	1.199%
01/21/03	1.179%
01/27/03	1.159%
02/03/03	1.175%
02/10/03	1.171%
02/18/03	1.179%
02/24/03	1.195%
03/03/03	1.198%
03/10/03	1.077%
03/17/03	1.137%
03/24/03	1.174%
03/31/03	1.121%
	15.171%
<b>AVERAGE = 1.17%</b>	

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

**Attachment B 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: (1.17%)** 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

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\* 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 B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

- 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:** (1.17%) 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 B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

- 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:** (1.17%) 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
4.86% <sup>1,2,3</sup>	.00	.000000
5.01% <sup>4</sup>	.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 7/1/02 - 6/30/03 (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):**

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

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

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

- 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:** (1.17%) 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
4.86% <sup>5, 6, 7</sup>	.00	.000000

[continued...]

<sup>5</sup> Fixed-rate 7% Stafford Loans (1992 Amendments).

<sup>6</sup> (a) Fixed-rate 8% Stafford loans, and (b) 8/10% Stafford loans (prior to the 49<sup>th</sup> 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).

<sup>7</sup> (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.

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

IV. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
4.86% <sup>8</sup>	.00	.000000
5.23% <sup>9</sup>	.00	.000000
6% <sup>10</sup>	.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 7/1/02 - 6/30/03 (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.**

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- <sup>8</sup> (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 49<sup>th</sup> 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).
  - <sup>9</sup> PLUS loans made on/after 7/1/94 but prior to 7/1/98.
  - <sup>10</sup> 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 B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

- 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:** (1.17%) 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
4.26%	.00	.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:** (1.17%) 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
3.46%	.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:** (1.17%) 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
4.06%	.0000	.000000

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

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

**Formula:** (1.17%) 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 1/8<sup>th</sup> of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

**Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

**Attachment C 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:** (1.17%) 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 03/31/03)**

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

**Formula:** (1.17%) 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
3.46% <sup>11</sup>	.0604	.015100
4.06% <sup>12</sup>	.0544	.013600
4.26% <sup>13</sup>	.0524	.013100
4.86% <sup>14</sup>	.0464	.011600

[continued...]

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**For the period 7/1/02 – 6/30/03:**

<sup>11</sup> Stafford loans made on/after 7/1/98 but prior to 7/1/06, *only* during the in-school, grace, and deferment periods.

<sup>12</sup> Stafford loans made on/after 7/1/98 but prior to 7/1/06, *except* during the in-school, grace and deferment periods.

<sup>13</sup> 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.

<sup>14</sup> (a) 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, and (b) fixed-rate 8% Stafford loans, and 8/10% Stafford loans (prior to the 49<sup>th</sup> 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).

**Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

II. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
4.86% <sup>15,16</sup>	.0464	.011600
5.01% <sup>17</sup>	.0449	.011225
5.23% <sup>18</sup>	.0427	.010675
6% <sup>19</sup>	.035	.008750
7%	.025	.006250
8%	.015	.003750
9%	.005	.001250
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

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**For the period 7/1/02 - 6/30/03:**

<sup>15</sup> (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 the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate. (1992 Amendments).

<sup>16</sup> (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, and (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.*

<sup>17</sup> 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).

<sup>18</sup> PLUS loans made on/after 7/1/94 but prior to 7/1/98.

<sup>19</sup> The 6% interest rates 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 D - SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

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

- I. –Stafford loans (subsidized and unsubsidized):  
made on/after 1/1/00 but prior to 7/1/06, *only* during the in-school, grace and deferment periods.

**Formula: (1.27%)** 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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3.46%	.00	.000000
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- II. –Stafford loans (subsidized and unsubsidized):  
made on/after 1/1/00 but prior to 7/1/06, *except* during the in-school, grace and deferment periods.

**Formula: (1.27%)** 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
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4.06%	.00	.000000
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**Attachment D - SPECIAL ALLOWANCE RATES (QUARTER ENDING 03/31/03)**

- III. -PLUS loans  
made on/after 1/1/00 but prior to 7/1/06 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).

**Formula:** (1.27%) plus (2.64%) less (applicable interest rate) = annual special allowance rate.

Note: The current interest rate for PLUS loans is 4.86%. Since this rate does not exceed the 9% cap, no special allowance will be paid during the period 7/1/02 through 6/30/03.

- IV. -Consolidation loans  
for applications received on/after 1/1/00 but prior to 7/1/06

**Formula:** (1.27%) 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 1/8<sup>th</sup> of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.