

TO : Regional Directors  
FFEL Program Section Staff June 30, 1997

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, 1997.

The average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending **June 30, 1997**, is **5.21%** 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).

*[signed]*  
Patricia Newcombe

Attachments

**Attachment A - 91-DAY TREASURY BILLS (QUARTER ENDING 6/30/97)**

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<b>AUCTION DATE</b>	<b>BOND EQUIVALENT RATE</b>
4/7/97	5.28%
4/14/97	5.29%
4/21/97	5.35%
4/28/97	5.36%
5/5/97	5.28%
5/12/97	5.22%
5/19/97	5.31%
5/27/97	5.16%
6/2/97	5.06%
6/9/97	5.07%
6/16/97	5.01%
6/23/97	5.07%
6/30/97	5.26%
<b>AVERAGE = 5.21%</b>	

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 6/30/97)**

**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.

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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.

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- 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:** (5.21%) 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%	.0175	.004375
9%	.00	.0000

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 6/30/97)**

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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.

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- 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:** (5.21%) 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%	.0171	.004275
8%	.0071	.001775
9%	.00	.0000
12%	.00	.0000
14%	.00	.0000

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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.

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- 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:** (5.21%) plus (3.25%) less (applicable interest rate) = annual special allowance rate.

[continued...]

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 6/30/97)**

**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.

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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.

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III.A. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7% <sup>1</sup>	.0146	.00365
8% <sup>2</sup>	.0046	.00115
8.26% <sup>3</sup>	.002	.0005
8.41% <sup>4</sup>	.0005	.000125
9%	.00	.0000
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

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<sup>1</sup> **Also included for the period 7/1/96 - 6/30/97:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>2</sup> **Also included for the period 7/1/96 - 6/30/97:** Fixed-rate 8% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>3</sup> **For the period 7/1/96 - 6/30/97:** Fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>4</sup> **For the period 7/1/96 - 6/30/97:** Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(1) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 6/30/97)**

**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.

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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.

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- 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.
- Consolidation loans:
- made on/after 10/01/92.

**Formula:** (5.21%) 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% <sup>5</sup>	.0231	.005775
7% <sup>6</sup>	.0131	.003275
8% <sup>7</sup>	.0031	.000775

[continued...]

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<sup>5</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 .

<sup>6</sup> **Also included for the period 7/1/96 - 6/30/97:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>7</sup> **Also included for the period 7/1/96 - 6/30/97:** Fixed-rate 8% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

**Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 6/30/97)**

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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.

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IV. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
8.25% <sup>8</sup>	.0006	.00015
8.26% <sup>9</sup>	.0005	.000125
8.72% <sup>10</sup>	.00	.0000
9%	.00	.0000
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

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<sup>8</sup> **For the period 7/1/96 - 6/30/97:** (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.

<sup>9</sup> **For the period 7/1/96 - 6/30/97:** (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. (b) Fixed-rate 9% 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.

<sup>10</sup> **For the period 7/1/96 - 6/30/97:** PLUS loans made on or after 7/1/94.



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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.

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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.

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

**Formula:** (5.21%) 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% <sup>11</sup>	.0005	.000125

- VI. *NOTE:* Pursuant to §438(b)(2)(F) of the Act, Stafford (subsidized and unsubsidized) and PLUS loans made on or after 7/1/98 will be subject to a special allowance formula based on the bond equivalent rate of the security with a comparable maturity, as established by the Secretary.

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<sup>11</sup> **For the period 7/1/96 - 6/30/97:** 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 6/30/97)**

**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.

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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.

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I.B. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/80, but prior to 10/01/81.

**Formula:** (5.21%) 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 6/30/97)**

**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.

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II.B. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/01/81.

**Formula:** (5.21%) 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% <sup>12</sup>	.035	.00875
7% <sup>13</sup>	.025	.00625
7.66 <sup>14</sup>	.0184	.0046
8% <sup>15</sup>	.015	.00375

[continued...]

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<sup>12</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.

<sup>13</sup> **Also included for the period 7/1/96 - 6/30/97:** 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.

<sup>14</sup> **For the period 7/1/96 - 6/30/97:** Stafford loans for which the first disbursement is made on/after 7/1/95, *only* during the in-school, grace & deferment periods.

<sup>15</sup> **Also included for the period 7/1/96 - 6/30/97:** Fixed-rate 8% 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.

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II.B. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
8.25% <sup>16</sup>	.0125	.003125
8.26% <sup>17</sup>	.0124	.0031
8.41% <sup>18</sup>	.0109	.002725
8.72% <sup>19</sup>	.0078	.00195
9%	.005	.00125
10%	.00	.0000
11%	.00	.0000
12%	.00	.0000
13%	.00	.0000
14%	.00	.0000

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<sup>16</sup> **For the period 7/1/96 - 6/30/97:** (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.

<sup>17</sup> **For the period 7/1/96 - 6/30/97:** (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. (b) Fixed-rate 9% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(3) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>18</sup> **For the period 7/1/96 - 6/30/97:** Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of §427(l)(1) of the Act and that have been converted to a variable rate; see §427(l)(7)(D) of the Act.

<sup>19</sup> **For the period 7/1/96 - 6/30/97:** PLUS loans made on or after 7/1/94.