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Summary: Notice of interest rates for the Federal Family Education Loan Program for the period July 1, 2006 through June 30, 2007

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## DEPARTMENT OF EDUCATION

### Federal Family Education Loan Program

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice of interest rates for the Federal Family Education Loan Program for the period July 1, 2006 through June 30, 2007.

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SUMMARY: The Chief Operating Officer for Federal Student Aid announces the interest rates for the period July 1, 2006 through June 30, 2007 for loans made under the Federal Family Education Loan (FFEL) Program.

FOR FURTHER INFORMATION CONTACT: Don Watson, U.S. Department of Education, room 11412, UCP, 400 Maryland Avenue, SW., Washington, DC 20202-5400. Telephone: (202) 377-4008.

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### SUPPLEMENTARY INFORMATION:

#### General

Under title IV, part B of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. Section 1071, et seq., most loans made to student and parent borrowers under the FFEL Program have variable interest rates.

The formulas for determining the interest on variable-rate, FFEL Program loans are established in section 427A of the HEA (20 U.S.C.

1077a).

The interest rates on variable-rate loans are determined annually and apply to the following 12-month period beginning July 1 and ending June 30.

As described below, interest rate caps apply to most FFEL Program loans.

FFEL interest rate formulas use the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before June 1 of each year plus a statutorily established add-on to determine the variable interest rate for--

FFEL fixed-rate Stafford loans first disbursed before October 1, 1992 that have been converted to variable-rate loans;

All FFEL Subsidized and Unsubsidized Stafford Loans first disbursed on or after October 1, 1992;

FFEL PLUS loans first disbursed on or after July 1, 1998; and

FFEL Consolidation Loans for which the Consolidation Loan application was received by the lender on or after November 13, 1997 and before October 1, 1998.

The bond equivalent rate of the 91-day Treasury bills auctioned on May 30, 2006, which is used to calculate the interest rates for the one-year period beginning on July 1, 2006, is 4.843 percent, which is rounded to 4.84 percent.

For FFEL PLUS loans first disbursed before July 1, 1998, interest rates are calculated based on the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26.

The weekly average of the 1-year constant maturity Treasury yield for the last calendar week ending on or before June 26, 2006 is 5.24 percent.

#### Interest Rates for "Converted" Variable-Rate FFEL Stafford Loans

1. Under section 427A(i)(7) of the HEA (20 U.S.C. 1077a (i)(7)), loans that were originally made with a fixed interest rate of eight percent with an increase to ten percent four years after commencement of the repayment period were converted to a variable interest rate that may not exceed ten percent: The interest rate for these loans for the period from July 1, 2006, through June 30, 2007, is 8.09 percent (4.84 percent plus 3.25 percent).

2. Loans with fixed interest rates of seven percent, eight percent, nine percent, or eight percent with an increase to ten percent four years after commencement of the repayment period, that were subject to the provisions of section 427A(i)(3) of the HEA (20 U.S.C. 1077a(i)(3)) and were converted to variable-rate loans--the interest rate may not exceed seven percent, eight percent, nine percent, or ten percent, respectively. For loans with fixed interest rates of seven percent that were converted to variable-rate loans, the interest rate for the period from July 1, 2006, through June 30, 2007, is the maximum interest rate of 7.00 percent (4.84 percent plus 3.1 percent). For loans with fixed interest rates of eight percent, nine percent, or eight percent with an increase to ten percent that were converted to variable-rate loans, the interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

#### Interest Rates for Variable-Rate FFEL Stafford Loans

1. FFEL Stafford loans made to "new" borrowers for which the

first disbursement was made (a) on or after October 1, 1992, but before July 1, 1994, or (b) on or after July 1, 1994, for a period of enrollment ending before July 1, 1994 (i.e. a late disbursement)--the interest rate may not exceed nine percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

2. FFEL Stafford loans made to all borrowers, regardless of prior borrowing, for periods of enrollment that include or begin on or after July 1, 1994, for which the first disbursement was made on or after July 1, 1994, but before July 1, 1995--the interest rate may not exceed 8.25 percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

3. FFEL Stafford loans made to all borrowers, regardless of prior borrowing, on or after July 1, 1995, but before July 1, 1998--the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, or deferment period: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.34 percent (4.84 percent plus 2.5 percent); and

(b) During all other periods: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

4. FFEL Stafford loans, first disbursed on or after July 1, 1998, but before July 1, 2006--the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: The interest rate for the period from July 1, 2006, through June 30, 2007, is 6.54 percent (4.84 percent plus 1.7 percent); and

(b) During all other periods: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.14 percent (4.84 percent plus 2.3 percent).

#### Interest Rates for Fixed-Rate FFEL Stafford Loans

1. FFEL Stafford loans for which the first disbursement was made on or after July 1, 2006--the interest rate is fixed at 6.80 percent.

#### Interest Rates for FFEL PLUS and FFEL Supplemental Loans for Students (SLS) Loans

1. Variable-rate FFEL PLUS and FFEL SLS loans first disbursed before October 1, 1992--the interest rate may not exceed 12 percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 8.49 percent (5.24 percent plus 3.25 percent).

2. FFEL SLS loans first disbursed on or after October 1, 1992, for a period of enrollment beginning before July 1, 1994--the interest rate may not exceed 11 percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 8.34 percent (5.24 percent plus 3.10 percent).

3. FFEL PLUS loans first disbursed on or after October 1, 1992, but before July 1, 1994--the interest rate may not exceed ten percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 8.34 percent (5.24 percent plus 3.10 percent).

4. FFEL PLUS loans first disbursed on or after July 1, 1994, but prior to July 1, 1998--the interest rate may not exceed nine percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 8.34 percent (5.24 percent plus 3.10 percent).

5. FFEL PLUS loans first disbursed on or after July 1, 1998, and before July 1, 2006--the interest rate may not exceed nine percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

6. FFEL PLUS loans first disbursed on or after July 1, 2006--the interest rate is fixed at 8.50 percent.

#### Interest Rates for FFEL Consolidation Loans

1. FFEL Consolidation loans for which the consolidation loan was made by the lender before July 1, 1994--the interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent, but may not be less than nine percent.

2. FFEL Consolidation loans for which the consolidation loan was made by the lender on or after July 1, 1994, and before November 13, 1997--the interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

3. FFEL Consolidation loans for which the consolidation loan application was received by the lender on or after November 13, 1997, and before October 1, 1998--the interest rate may not exceed 8.25 percent: The interest rate for the period from July 1, 2006, through June 30, 2007, is 7.94 percent (4.84 percent plus 3.1 percent).

4. FFEL Consolidation loans for which the consolidation loan application was received by the lender on or after October 1, 1998, and before July 1, 2006--the interest rate may not exceed 8.25 percent: The interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher 1/8 of one percent.

5. If a portion of a Consolidation loan is attributable to a loan made under subpart I of part A of title VII of the Public Health Service Act, the maximum interest rate for that portion of a Consolidation loan is determined annually, for each 12-month period beginning on July 1 and ending on June 30. The interest rate equals the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending prior to July 1, plus three percent. For the quarter ending before July 1, 2006, the average 91-day Treasury bill rate was 4.828 percent (rounded to 4.83 percent). The maximum interest rate for the period from July 1, 2006, through June 30, 2007, is 7.83 percent (4.83 percent plus 3.0 percent).

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Program Authority: 20 U.S.C. 1087 et seq.

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Theresa S. Shaw, Chief Operating Officer, Federal Student Aid.  
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Attachments/Enclosures:

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