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Wednesday  
July 8, 1998

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**Part V**

**Department of  
Education**

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William D. Ford Federal Direct Loan  
Program; Federal Family Education Loan  
Program; Notice

**DEPARTMENT OF EDUCATION****William D. Ford Federal Direct Loan Program; Federal Family Education Loan Program**

**AGENCY:** Office of Postsecondary Education, Department of Education

**ACTION:** Notice of interest rates for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan Program for the period July 1, 1998, through June 30, 1999.

**SUMMARY:** The Assistant Secretary for Postsecondary Education announces the interest rates for variable-rate loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program for the period July 1, 1998–June 30, 1999.

**FOR FURTHER INFORMATION CONTACT:** For the FFEL Program: Brian Smith, Program Specialist. For the Direct Loan Program: Barbara F. Grayson, Program Specialist. Mailing address: Policy Development Division, Office of Postsecondary Education, U.S. Department of Education, Room 3045, ROB-3, 600 Independence Avenue, SW, Washington, DC 20202-5345. Telephone: (202) 708-8242. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern Daylight time, Monday through Friday.

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**SUPPLEMENTARY INFORMATION:****General**

Section 455(b) of the Higher Education Act of 1965, as amended (the HEA), 20 U.S.C. 1087e(b), provides that variable interest rates apply to loans made under the Direct Loan Program. Section 427A of the HEA, 20 U.S.C. 1077a, provides that variable interest rates apply to certain loans made under the FFEL Program. The variable rates for Direct Loan Program loans and FFEL Program loans are determined annually and apply for each 12-month period beginning July 1 and ending June 30.

The formulas for determining the interest rates charged to borrowers for Direct Loan Program and FFEL Program loans, *except for Consolidation loans in both programs*, are provided in the following legislation:

- For Direct Loan Program loans for which the first disbursement is made

before July 1, 1998, section 455 of the HEA (20 U.S.C. 1087e).

- For FFEL Program loans for which the first disbursement is made before July 1, 1998, section 427A of the HEA (20 U.S.C. 1077a).

- For FFEL Program loans and Direct Loan Program loans for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998, section 8301 of Pub.L. 105-178 (the Transportation Equity Act for the 21st Century).

The interest rate calculations for all parent and student loans in the Direct Loan and FFEL programs *for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998*, are based on the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1.

The formulas for determining the interest rates charged to borrowers of Direct Consolidation loans and FFEL Consolidation loans are provided in the following legislation and regulation:

- For Direct Consolidation loans, 34 CFR 685.215(g).
- For FFEL Consolidation loans for which the consolidation loan application was received by an eligible lender before November 13, 1997, section 428C(c)(1) of the HEA (20 U.S.C. 1078-3(c)(1)).
- For FFEL Consolidation loans for which the consolidation loan application was received by an eligible lender on or after November 13, 1997, and before October 1, 1998, section 428C(c)(1)(D) of the HEA, 20 U.S.C. 1078-3(c)(1)(D) (as added by the Emergency Student Loan Consolidation Act of 1997).

Section 455(g) of the HEA, 20 U.S.C. 1087e(g), gives the Secretary discretion to establish the interest rates for Direct Consolidation loans. Under 34 CFR 685.215(g), for consolidation loans, the interest rate is the same as the interest rate for student and parent loans made during that time.

As described later in this notice, the interest rate for FFEL Consolidation Loans is set by statute.

The bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 of each year is used as the index to calculate annual interest rates charged to borrowers with the following loans:

- Federal Direct Stafford/Ford loans (Direct Subsidized).
- Federal Direct Unsubsidized Stafford/Ford loans (Direct Unsubsidized).
- Federal Direct Subsidized Consolidation loans.
- Federal Direct Unsubsidized Consolidation loans.

FFEL Stafford loans (subsidized and unsubsidized).

FFEL Consolidation loans for applications received on or after November 13, 1997.

Federal Direct PLUS loans for which the first disbursement is made on or after July 1, 1998.

Federal Direct PLUS Consolidation loans made on or after July 1, 1998.

FFEL PLUS loans for which the first disbursement was made on or after July 1, 1998.

The bond equivalent rate of the 52-week Treasury bills auctioned in the final auction held before June 1 of each year is used to calculate annual interest rates charged to borrowers with the following loans:

Federal Direct PLUS loans for which the first disbursement was made before July 1, 1998.

Federal Direct PLUS Consolidation loans for which the first disbursement was made before July 1, 1998.

FFEL PLUS loans for which the first disbursement was made before July 1, 1998.

FFEL Supplemental Loans for Students (SLS).

The bond equivalent rate of the 91-day Treasury bills auctioned on May 26, 1998, is 5.155 percent, which rounds to 5.16 percent.

The bond equivalent rate of 52-week Treasury bills auctioned on May 21, 1998, is 5.434 percent, which rounds to 5.43 percent.

**William D. Ford Federal Direct Loan Program***Interest Rates for Direct Subsidized, Direct Unsubsidized, Direct Subsidized Consolidation, and Direct Unsubsidized Consolidation Loans*

1. Direct Subsidized, Direct Unsubsidized, Direct Subsidized Consolidation, and Direct Unsubsidized Consolidation Loans for which the first disbursement was made prior to July 1, 1995—the interest rate may not exceed 8.25 percent: Pursuant to section 455(b)(1) of the HEA, 20 U.S.C. 1087e(b)(1), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.25 percent (5.16 percent plus 3.1 percent equals 8.26 percent, which exceeds the 8.25 percent cap).

2. Direct Subsidized, Direct Unsubsidized, Direct Subsidized Consolidation, and Direct Unsubsidized Consolidation Loans for which the first disbursement was made on or after July 1, 1995, and before July 1, 1998—the interest rate may not exceed 8.25 percent:

- (a) During the in-school, grace, and deferment periods: Pursuant to section

455(b)(2) of the HEA, 20 U.S.C. 1087e(b)(2), the interest rate for the period July 1, 1998, through June 30, 1999, is 7.66 percent (5.16 percent plus 2.5 percent equals 7.66 percent).

(b) During all other periods: Pursuant to section 455(b)(1) of the HEA, 20 U.S.C. 1087e(b)(1), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.25 percent (5.16 percent plus 3.1 percent equals 8.26 percent, which exceeds the 8.25 percent cap).

3. Direct Subsidized and Direct Unsubsidized Loans for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: Pursuant to section 8301 of Pub. L. 105–178, the interest rate for the period July 1, 1998, through June 30, 1999, is 6.86 percent (5.16 percent plus 1.7 percent equals 6.86 percent).

(b) During all other periods: Pursuant to section 8301 of Pub.L. 105–178, the interest rate for the period July 1, 1998, through June 30, 1999, is 7.46 percent (5.16 percent plus 2.3 percent equals 7.46 percent).

4. Direct Subsidized Consolidation and Direct Unsubsidized Consolidation Loans for which the first disbursement is made on or after July 1, 1998, or for which the consolidation loan application is received by the Secretary on or after July 1, 1998—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: Pursuant to section 455(g) of the HEA, 20 U.S.C. 1087e(g) and 34 CFR 685.215(g), the interest rate for the period July 1, 1998, through June 30, 1999, is 6.86 percent (5.16 percent plus 1.7 percent equals 6.86 percent).

(b) During all other periods: Pursuant to section 455(g) of the HEA, 20 U.S.C. 1087e(g) and 34 CFR 685.215(g), the interest rate for the period July 1, 1998, through June 30, 1999, is 7.46 percent (5.16 percent plus 2.3 percent equals 7.46 percent).

#### *Interest Rates for Direct PLUS and Direct PLUS Consolidation Loans*

1. Direct PLUS loans and Direct PLUS Consolidation loans for which the first disbursement was made before July 1, 1998: Pursuant to section 455(b)(4) of the HEA, 20 U.S.C. 1087e(b)(4), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.53 percent (5.43 percent plus 3.1 percent equals 8.53 percent).

2. Direct PLUS loans for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998—the interest rate may not exceed

9 percent: Pursuant to section 8301 of Pub.L. 105–178, the interest rate for the period July 1, 1998, through June 30, 1999, is 8.26 percent (5.16 percent plus 3.1 percent equals 8.26 percent).

3. Direct PLUS Consolidation loans for which the first disbursement is made on or after July 1, 1998, or for which the consolidation loan application is received by the Secretary on or after July 1, 1998—the interest rate may not exceed 9 percent: Pursuant to section 455(g) of the HEA, 20 U.S.C. 1087e(g) and 34 CFR 685.215(g), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.26 percent (5.16 percent plus 3.1 percent equals 8.26 percent).

#### **Federal Family Education Loan Program**

##### *Interest Rates for “Converted” Variable-rate FFEL Stafford Loans*

1. FFEL Stafford loans which were made with an interest rate of eight percent with an increase to ten percent and that were subject to the “windfall profits” provisions of section 427A(i)(1) of the Act, 20 U.S.C. 1077a(i)(7), and that have been converted to a variable interest rate—the interest rate may not exceed 10 percent: Pursuant to section 427A(i)(7)(A) of the HEA, 20 U.S.C. 1077a(i)(7)(A), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.41 percent (5.16 percent plus 3.25 percent equals 8.41 percent).

2. Seven percent, eight percent, nine percent and eight/ten percent loans that were subject to the “windfall profits” provisions of section 427A(i)(3) of the HEA, 20 U.S.C. 1077a(i)(3), and that have been converted to a variable interest rate—the interest rate may not exceed seven percent, eight percent, nine percent, or ten percent, respectively: Pursuant to section 427A(i)(7)(A) of the Act, 20 U.S.C. 1077a(i)(7)(A), the interest rate for the period July 1, 1998, through June 30, 1999, is 7 percent for 7 percent loans, 8 percent for 8 percent loans, 8.26 percent for 9 percent loans, and 8.26 percent for 10 percent loans (5.16 percent plus 3.1 percent equals 8.26 percent, which exceeds the cap for 7 percent loans and 8 percent loans).

##### *Interest Rates for Regular 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 9 percent: Pursuant to section 427A(e)(1) of the

HEA, 20 U.S.C. 1077a(e)(1), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.26 percent (5.16 percent plus 3.1 percent equals 8.26 percent).

2. FFEL Stafford loans made to all borrowers, regardless of prior borrowing, for a period of enrollment that includes or begins 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: Pursuant to section 427A(f)(1) of the HEA, 20 U.S.C. 1077a(e)(1), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.25 percent (5.16 percent plus 3.1 percent equals 8.26 percent which exceeds the 8.25 percent cap).

3. FFEL Stafford loans made to all borrowers, regardless of prior borrowing, for which the first disbursement was made 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: Pursuant to section 427A(g)(2) of the HEA, 20 U.S.C. 1077a(g)(2), the interest rate for the period July 1, 1998, through June 30, 1999, is 7.66 (5.16 percent plus 2.5 percent equals 7.66 percent).

(b) During the repayment period (except deferment periods): Pursuant to section 427A(f)(1) of the HEA, 20 U.S.C. 1077a(f)(1), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.25 percent (5.16 percent plus 3.1 percent equals 8.26 percent, which exceeds the 8.25 percent cap).

4. FFEL Stafford loans, for which the first disbursement is made on or after July 1, 1998, but before October 1, 1998—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: Pursuant to section 8301 of Pub.L. 105–178, the interest rate for the period July 1, 1998, through June 30, 1999, is 6.86 percent (5.16 percent plus 1.7 percent equals 6.86 percent).

(b) During all other periods: Pursuant to section 8301 of Pub.L. 105–178, the interest rate for the period July 1, 1998, through June 30, 1999, is 7.46 percent (5.16 percent plus 2.3 percent equals 7.46 percent).

##### *Interest Rates for FFEL PLUS and FFEL Supplemental Loans for Students Loans*

1. Variable-rate FFEL PLUS loans and FFEL SLS loans made before October 1, 1992—the interest rate may not exceed 12 percent: Pursuant to section 427A(c)(4)(B) of the HEA, 20 U.S.C. 1077a(c)(4)(B), the interest rate for the period July 1, 1998, through June 30,

1999, is 8.68 percent (5.43 percent plus 3.25 percent equals 8.68 percent).

2. FFEL SLS loans for which the first disbursement was made on or after October 1, 1992, for a period of enrollment beginning before July 1, 1994—the interest rate may not exceed 11 percent: Pursuant to section 427(c)(4) of the HEA, 20 U.S.C. 1077a(c)(4), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.53 percent (5.43 percent plus 3.1 percent equals 8.53 percent).

3. FFEL PLUS loans for which the first disbursement was made on or after October 1, 1992, but before July 1, 1994—the interest rate may not exceed 10 percent: Pursuant to section 427A(c)(4)(D) of the HEA, 20 U.S.C. 1077a(c)(4)(D), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.53 percent (5.43 percent plus 3.1 percent equals 8.53 percent).

4. FFEL PLUS loans for which the first disbursement was made on or after July 1, 1994 but prior to July 1, 1998—the interest rate may not exceed 9 percent: Pursuant to section 427(c)(4)(E) of the HEA, 20 U.S.C. 1077a(c)(4)(E), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.53 percent (5.43 percent plus 3.1 percent equals 8.53 percent).

5. FFEL PLUS loans for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998—the interest rate may not exceed 9 percent: Pursuant to section 8301 of

Pub.L. 105-178, the interest rate for the period July 1, 1998, through June 30, 1999, is 8.26 percent (5.16 percent plus 3.1 percent equals 8.26 percent).

#### *Interest Rates for FFEL Consolidation Loans*

1. FFEL Consolidation loans made before July 1, 1994—the interest rate may not exceed 9 percent: Pursuant to section 428C(c)(1)(B) of the HEA, 20 U.S.C. 1078-3(c)(1)(B), the interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

2. FFEL Consolidation loans made on or after July 1, 1994, for which the consolidation loan application was received by an eligible lender before November 13, 1997: Pursuant to section 428C(c)(1)(C) of the HEA, 20 U.S.C. 1078-3(c)(1)(C), the interest rate is the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent.

3. FFEL Consolidation loans for which the consolidation loan application is received by an eligible lender on or after November 13, 1997—the interest rate may not exceed 8.25 percent: Pursuant to section 428C(c)(1)(D) of the HEA, 20 U.S.C. 1078-3(c)(1)(D), the interest rate for the period July 1, 1998, through June 30, 1999, is 8.25 percent (5.16 percent plus 3.1 percent equals 8.26 percent which exceeds the 8.25 percent cap).

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**Note:** The official version of this document is the document published in the **Federal Register**.

(Authority: 20 U.S.C. 1077a and 20 U.S.C. 1087e).

Dated: July 6, 1998.

**David A. Longanecker,**  
*Assistant Secretary for Postsecondary Education.*

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