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LENDER BULLETIN

February 2012

On December 23, 2011, President Obama signed the Consolidated Appropriations Act, 2012 (Public Law 112-74.) The Act gives Federal Family Education Loan (FFEL) Program lenders the option to have special allowance payments calculated using the average of the bond equivalent rates of the quotes of the 1-month London Inter Bank Offered Rate (LIBOR) for the calendar quarter beginning April 1, 2012 and each subsequent quarter. The LIBOR rate would replace the current 3-month financial Commercial Paper (CP) rate. This letter will address the reporting changes to the quarterly Lender’s Interest and Special Allowance Request and Report (LaRS/799.)

LaRS Part III – Special Allowance Payments (SAP)

All loans for which the first disbursement was made on or after January 1, 2000 and before July 1, 2010 are eligible for the LIBOR calculation if a valid waiver is filed by the April 1, 2012 deadline. In order to properly calculate SAP using LIBOR, the Department has created new special allowance category codes. For each CP category code, there is a corresponding code that will use LIBOR to calculate special allowance.

SPECIAL ALLOWANCE CODES		
Disbursement Date	LIBOR	Commercial Paper
Stafford loans made on/after 1/1/2000 but prior to 4/1/06, only during the in-school, grace and deferment periods.	LA	CA
Stafford loans made on/after 1/1/2000 but prior to 4/1/06, only during the repayment and forbearance periods.	LB	CB
Consolidation loans made on/after 1/1/2000 but prior to 4/1/06.	LC	CC
PLUS loans made on/after 1/1/2000 but prior to 4/1/06.	LD	CD
Stafford loans made on/after 4/1/2006 but prior to 10/1/2007, only during the in-school, grace and deferment periods.	LE	CE
Stafford loans made on/after 4/1/2006 but prior to 10/1/2007, only during the repayment and forbearance periods.	LF	CF

LIBOR-Based SAP cont'd.

Consolidation loans made on/after 4/1/2006 but prior to 10/1/2007.	LG	CG
PLUS loans made on/after 4/1/2006 but prior to 10/1/2007.	LH	CH
Stafford loans made on/after 10/1/2007 but prior to 7/1/2010, only during the in-school, grace and deferment periods.	LI	CI
Stafford loans made on/after 10/1/2007 but prior to 7/1/2010, only during the repayment and forbearance periods.	LJ	CJ
Consolidation loans made on/after 10/1/2007 but prior to 7/1/2010.	LK	CK
PLUS loans made on/after 10/1/2007 but prior to 7/1/2010.	LM	CM

Adjustments:

Special allowance prior-quarter adjustments will be calculated based on the rate in effect for the period for which the adjustment is made. LIBOR is not retroactive.

If you do NOT elect LIBOR:

- If you do not elect LIBOR, you must continue to use the CP codes. If you use the LIBOR codes in error, your LaRS report will be rejected.
- If you do not elect LIBOR and later purchase loans, please be aware that the LIBOR designation follows the loan. If you purchase a LIBOR loan you will be required to report it with the appropriate LIBOR code. Please advise the Department of the purchase so your lender ID (LID) can be made LIBOR-eligible.

Lenders that are eligible to use the “X” SAP codes will receive separate guidance regarding the new codes for tax-exempt loans.

For more information on the use of LIBOR and the required waiver, please refer to Dear Colleague Letter FP-12-02 available at <http://ifap.ed.gov/dpclletters/FP1202.html>. Please send all questions to fsa_lr@ed.gov.