

LOUISIANA STUDENT FINANCIAL ASSISTANCE COMMISSION
OFFICE OF STUDENT FINANCIAL ASSISTANCE
Loan Program Bulletin

TO: Lenders, Guarantors and Schools

DATE: October 17, 2006

TOPIC: Special Allowance Rates calculated for the quarter ending September 30, 2006

To assure that your *Common Manual* remains current, please record this document on your LPM/LPB index, and retain it in Appendix E of your manual.

The Treasury Department has published the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending **September 30, 2006**, as **5.05** 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 **September 30, 2006**, is **5.45** percent.

SPECIAL ALLOWANCE RATES FOR THE QUARTER ENDING SEPTEMBER 30, 2006

| Applicable Annual Interest Rate | Special Allowance at Annual Rate | Special Allowance For 3-Month Period |
|---------------------------------|----------------------------------|--------------------------------------|
| Loans prior to 10/1/81 | | |
| 7% | .01625 | .004063 |
| 9% | .00 | .000000 |
| Loans from 10/1/81 to 11/16/86 | | |
| 7% | .0155 | .003875 |
| 8%, 9%, 12% and 14% | .0055 .0000 | .001375 .000000 |
| Loans from 11/16/86 to 10/1/92 | | |
| 7% ¹ | .0130 | .003250 |
| 7.94% ^{2,3} | .0036 | .000900 |
| 8% | .0030 | .000750 |
| 8.09% ⁴ | .0021 | .000525 |
| 9 - 14% | .0000 | .000000 |

1 Fixed-rate 7% Stafford loans (1992 Amendments)

2 (a) Fixed-rate 8% Stafford loans, and (b) 8/10 Stafford loans 9prior to the 49th month of repayment) (1992 Amendments)

3 (a) Fixed-rate 9% Stafford Loans, and (b) 8/10% Stafford loans (on/after the 49th month of repayment) (1992 Amendments)

4 Fixed-rate 8/10% Stafford loans (on/after the 49th month of repayment) (1986 Amendments).

| Applicable Annual Interest Rate | Special Allowance at Annual Rate | Special Allowance For 3-Month Period |
|--|----------------------------------|--------------------------------------|
| Loans from 10/1/92 to 10/1/98 | | |
| 6% ⁵ | .0215 | .005375 |
| 7% ⁶ | .0115 | .002875 |
| 7.94% ^{7, 8, 9} | .0021 | .000525 |
| 8% | .0015 | .000375 |
| 8.34% ¹⁰ | .0000 | .000000 |
| 9 - 14% | .0000 | .000000 |
| Stafford loans from 7/1/95 to 7/1/98, only during in-school, grace and deferment. | | |
| 7.34% | .0021 | .000525 |
| Stafford loans from 7/1/98 to 1/1/00, only during in-school, grace and deferment. | | |
| 6.54% | .0071 | .001775 |
| Stafford loans from 7/1/98 to 1/1/00, except during in-school, grace and deferment. | | |
| 7.14% | .0071 | .001775 |

Consolidation loans made on/after 10/1/98 but prior to 1/1/00. **Formula:** (5.05%) 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 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

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- 5 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.
 - 6 Fixed-rate 7% Stafford Loans (1992 Amendments).
 - 7 (a) Fixed-rate 8% Stafford loans, and (b) 8/10% Stafford loans (prior to the 49th month of repayment) that were subject to the "windfall profits" provisions of 427A9i(3) of the Act and that have been converted to a variable rate (1992 Amendments)
 - 8 (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.
 - 9 (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).
 - 10 PLUS loans made on/after 7/1/94 but prior to 7/1/98.

Tax-exempt Loans

| Applicable Annual Interest Rate | Special Allowance at Annual Rate | Special Allowance For 3-Month Period |
|--|---|---|
| Tax-exempt loans made on/after 10/1/80, but prior to 10/1/81 | | |
| 7% | .025 | .00625 |
| 9% | .005 | .00125 |
| Tax-exempt loans made on/after 10/1/81 | | |
| 6.00% ¹¹ | .0350 | .008750 |
| 6.54% ¹² | .0296 | .007400 |
| 6.80% ¹³ | .0270 | .006750 |
| 7.00% ¹⁴ | .0250 | .006250 |
| 7.14% ¹⁵ | .0236 | .005900 |
| 7.34% ¹⁶ | .0216 | .005400 |
| 7.94% ^{17, 18, 19} | .0156 | .003900 |
| 8% | .015.003750 | |
| 8.09% ²⁰ | .0141 | .003525 |
| 8.34% ²¹ | .0116 | .002900 |
| 8.50% ²² | .010.002500 | |
| 9% | .005.001250 | |
| 10-14% | .0000 | .000000 |

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- 11 The 6% interest rates and special allowance rates *only* apply to Consolidation loans made on/after 7/1/94 with the tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to Consolidation loans made with tax-exempt funds.
 - 12 Stafford loans made on/after 7/1/98 but prior to 7/1/06, *only* during the in-school, grace and deferment periods.
 - 13 Fixed-rate Stafford loans made on/after 7/1/06.
 - 14 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
 - 15 Stafford loans made on/after 7/1/98 but prior to 7/1/06, *except* during the in-school, grace and deferment periods.
 - 16 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.
 - 17 (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 and (b) fixed-rate 8% Stafford loans, and 8/10% Stafford loans (prior to 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. Also, see 427A9i)(7)(D) of the Act. (1992 Amendments)
 - 18 (a) 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 (b) 8/10% Stafford loans (on/after the 49th month or 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)
 - 19 (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) all PLUS loans made n/after 1/1/00 but prior to 7/1/06.
 - 20 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).
 - 21 PLUS loans made on/after 7/1/94 but prior to 7/1/98.
 - 22 Fixed-rate PLUS loans made on/after 7/1/06.

| Applicable Annual Interest Rate | Special Allowance at Annual Rate | Special Allowance For 3-Month Period |
|---------------------------------|----------------------------------|--------------------------------------|
|---------------------------------|----------------------------------|--------------------------------------|

Stafford loans from 1/1/00 but prior to 4/1/06, **only** during in-school, grace and deferment.

| | | |
|---------------------|-------|---------|
| 6.54% | .0065 | .001625 |
| 6.80% ²³ | .0039 | .000975 |

Stafford loans from 1/1/00 but prior to 4/1/06, **except** during in-school, grace and deferment.

| | | |
|---------------------|-------|---------|
| 6.80% ²³ | .0099 | .002475 |
| 7.14% | .0065 | .001625 |

Special allowance rate for PLUS loans - Formula: **(5.45%)** plus (2.64%) less (applicable interest rate) = annual special allowance rate.

| | | |
|---------------------|--------|----------|
| 7.94% | .0015 | .000375 |
| 8.50% ²⁴ | -.0041 | -.001025 |

Consolidation Loans - for applications received on/after 1/1/00

Formula: **(5.45%)** plus (2.64%) less (applicable interest rate) = annual special allowance rate.

Note: The interest rate for consolidation loans for applications received on/after 1/1/00 is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

23 All Stafford loans made on or after 7/1/06.

24 All PLUS loans made on or after 7/1/06. Because this formula resulted in an amount less than zero, these loans will not receive special allowance . the rate shown is for the recapture of excess interest.

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