

DEPARTMENT OF EDUCATION

**Office of Student Financial Assistance;
William D. Ford Federal Direct Loan
Program and Federal Family Education
Loan Program**

AGENCY: 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, 1999, through June 30, 2000.

SUMMARY: The Chief Operating Officer for the Office of Student Financial Assistance 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, 1999, through June 30, 2000.

FOR FURTHER INFORMATION CONTACT: For the FFEL Program: Brian Smith, Program Specialist. For the Direct Loan Program: Barbara F. Grayson, Program Specialist. Mailing address: Program Development Division, Office of Student Financial Assistance, U.S. Department of Education, Room 3045, ROB-3, 400 Maryland 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.

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SUPPLEMENTARY INFORMATION: General—The Higher Education Act of 1965, as amended, (HEA) provides that variable interest rates apply to parent and student loans made under the Direct Loan and FFEL programs. Variable interest rates also apply to Direct Consolidation Loans for which the application was received before February 1, 1999, and to FFEL Consolidation loans for which the application was received on or after November 13, 1997, and before October 1, 1998. All other Consolidation loans have fixed interest rates based on the weighted average of the loans being consolidated.

Except for Consolidation loans, the formulas for determining the interest rates charged to borrowers for Direct Loan Program loans and FFEL Program loans are established by section 455(b) of the HEA (20 U.S.C. 1087e) for Direct Loan Program loans and section 427A of the HEA (20 U.S.C. 1077a) for FFEL

Program loans. These interest rate formulas do not apply to fixed-rate FFEL loans made before October 10, 1992, unless the fixed-rate loan has been converted to a variable-rate loan.

Consolidation loan interest rate formulas are established in 34 CFR 685.215(g) and 34 CFR 685.202(a) for Direct Consolidation Loans for which the application was received before October 1, 1998; section 455(b)(6)(D) and (E) of the HEA (20 U.S.C. 1087e) for Direct Consolidation Loans for which the application is received on or after October 1, 1998, but before July 1, 2003; and section 428C of the HEA (20 U.S.C. 1078-3) for FFEL Consolidation loans.

As noted below, interest rate caps apply to most Direct Loan and FFEL Program loans.

The interest rates on variable-rate loans are determined annually and apply for each 12-month period beginning July 1 and ending June 30. For parent loans first disbursed on or after July 1, 1998, and all student loans, interest rates are based on the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before June 1st of each year. For parent loans first disbursed before July 1, 1998, interest rates are based on the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held before June 1st of each year.

The bond equivalent rate of the 91-day Treasury bills auctioned on May 24, 1999, (the last auction prior to June 1, 1999) is 4.621 percent, which rounds to 4.62 percent.

The bond equivalent rate of the 52-week Treasury bills auctioned on May 25, 1999, is 4.879 percent, which rounds to 4.88 percent.

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

1. Direct Subsidized and Direct Unsubsidized Loans first disbursed prior to July 1, 1995—the interest rate may not exceed 8.25 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

2. Direct Subsidized and Direct Unsubsidized Loans first disbursed 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: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.12 percent (4.62 percent plus 2.5 percent equals 7.12 percent); and

(b) During all other periods: The interest rate for the period July 1, 1999,

through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

3. Direct Subsidized and Direct Unsubsidized Loans first disbursed on or after July 1, 1998, and before July 1, 2003—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.32 percent (4.62 percent plus 1.7 percent equals 6.32 percent); and

(b) During all other periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.92 percent (4.62 percent plus 2.3 percent equals 6.92 percent).

Interest Rates for Direct Subsidized and Direct Unsubsidized Consolidation Loans

1. Direct Subsidized and Direct Unsubsidized Consolidation Loans first disbursed before July 1, 1998—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.12 percent (4.62 percent plus 2.5 percent equals 7.12 percent); and

(b) During all other periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

2. Direct Subsidized and Direct Unsubsidized Consolidation Loans for which the application was received before October 1, 1998, and the loan was first disbursed on or after July 1, 1998—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.32 percent (4.62 percent plus 1.7 percent equals 6.32 percent); and

(b) During all other periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.92 percent (4.62 percent plus 2.3 percent equals 6.92 percent).

3. Direct Subsidized and Direct Unsubsidized Consolidation loans for which the application was received on or after October 1, 1998, and before February 1, 1999—the interest rate may not exceed 8.25 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.92 percent (4.62 percent plus 2.3 percent equals 6.92 percent).

4. Direct Subsidized and Direct Unsubsidized Consolidation loans for which the application is received on or after February 1, 1999, and before July 1, 2003—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 one-eighth of one percent.

Interest Rates for Direct PLUS Loans

1. Direct PLUS loans first disbursed before July 1, 1998—the interest rate may not exceed 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.98 percent (4.88 percent plus 3.1 percent equals 7.98 percent).

2. Direct PLUS loans first disbursed on or after July 1, 1998, and before July 1, 2003—the interest rate may not exceed 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

Interest Rates for Direct PLUS Consolidation Loans

1. Direct PLUS Consolidation loans first disbursed before July 1, 1998—the interest rate may not exceed 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.98 percent (4.88 percent plus 3.1 percent equals 7.98 percent).

2. Direct PLUS Consolidation loans for which the application was received before October 1, 1998, and the loan was first disbursed on or after July 1, 1998—the interest rate may not exceed 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

3. Direct PLUS Consolidation loans for which the application was received on or after October 1, 1998, and before February 1, 1999—the interest rate may not exceed 8.25 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.92 percent (4.62 percent plus 2.3 percent equals 6.92 percent).

4. Direct PLUS Consolidation loans for which the application is received on or after February 1, 1999, and before July 1, 2003—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 one-eighth of one percent.

Federal Family Education Loan Program

Interest Rates for "Converted" Variable-rate FFEL Stafford Loans

1. Eight/ten percent loans that were subject to the provisions of section 427A(i)(1) of the HEA and that have been converted to a variable interest rate—the interest rate may not exceed

10 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.87 percent (4.62 percent plus 3.25 percent equals 7.87 percent).

2. Seven percent, eight percent, nine percent and eight/ten percent loans that were subject to the provisions of section 427A(i)(3) of the HEA 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: The interest rate for the period July 1, 1999, through June 30, 2000, is 7 percent for 7 percent loans and 7.72 percent for 8 percent, 9 percent, and 10 percent loans (4.62 percent plus 3.1 percent equals 7.72 percent, which exceeds the cap for 7 percent loans).

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 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 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 is 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 July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 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 July 1, 1999, through June 30, 2000, is 7.12 percent (4.62 percent plus 2.5 percent equals 7.12 percent); and
(b) During all other periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

4. FFEL Stafford loans, first disbursed on or after July 1, 1998, but before July 1, 2003—the interest rate may not exceed 8.25 percent:

(a) During the in-school, grace, and deferment periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.32 percent (4.62 percent plus 1.7 percent equals 6.32 percent); and

(b) During all other periods: The interest rate for the period July 1, 1999, through June 30, 2000, is 6.92 percent (4.62 percent plus 2.3 percent equals 6.92 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 July 1, 1999, through June 30, 2000, is 8.13 percent (4.88 percent plus 3.25 percent equals 8.13 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 July 1, 1999, through June 30, 2000, is 7.98 percent (4.88 percent plus 3.1 percent equals 7.98 percent).

3. FFEL PLUS loans first disbursed on or after October 1, 1992, but before July 1, 1994—the interest rate may not exceed 10 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.98 percent (4.88 percent plus 3.1 percent equals 7.98 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 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.98 percent (4.88 percent plus 3.1 percent equals 7.98 percent).

5. FFEL PLUS loans first disbursed on or after July 1, 1998, and before July 1, 2003—the interest rate may not exceed 9 percent: The interest rate for the period July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 percent).

Interest Rates for FFEL Consolidation Loans

1. FFEL Consolidation loans made before July 1, 1994—the interest rate may not be less than 9 percent: 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 the lender before November 13, 1997: 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 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 July 1, 1999, through June 30, 2000, is 7.72 percent (4.62 percent plus 3.1 percent equals 7.72 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, 2003—the interest rate may not exceed 8.25 percent: The interest rate is the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth 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 3 percent. For the quarter ending prior to July 1, 1999, the average 91-day Treasury bill rate was 4.60 percent. The maximum interest rate for the period July 1, 1999, through June 30, 2000, is 7.60 percent (4.60 percent plus 3.0 percent equals 7.60 percent).

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Greg Woods,

Chief Operating Officer, Office of Student Financial Assistance.

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