§ 1077a. Applicable interest rates

(a) Rates to be consistent for borrower’s entire debt

With respect to any loan to cover the cost of instruction for any period of instruction beginning on or after January 1, 1981, the rate of interest applicable to any borrower shall—

(1) not exceed 7 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has an outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, for which the interest rate does not exceed 7 percent;

(2) except as provided in paragraph (3), be 9 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has no outstanding balance of principal or interest on any loan described in paragraph (1) or any loan for which the interest rate is determined under paragraph (1); or

(3) be 8 percent per year on the unpaid principal balance of the loan for a loan to cover the cost of education for any period of enrollment beginning on or after a date which is 3 months after a determination made under subsection (b) of this section in the case of any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan for which the interest rate is determined under paragraph (1) or (2) of this subsection.

(b) Reduction for new borrowers after decline in Treasury bill rates

If for any 12-month period beginning on or after January 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period is equal to or less than 9 percent, the interest rate for loans under this part shall be the rate prescribed in subsection (a)(3) of this section for borrowers described in such subsection.

(c) Rates for supplemental loans for students and loans for parents

(1) In general

Except as otherwise provided in this subsection, the applicable rate of interest on loans made pursuant to section 1078–1 or 1078–2 of this title on or after October 1, 1981, shall be 14 percent per year on the unpaid principal balance of the loan.

(2) Reduction of rate after decline in Treasury bill rates

If for any 12-month period beginning on or after October 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period is equal to or less than 14 percent, the applicable rate of interest for loans made pursuant to section 1078–1 or 1078–2 of this title on and after the first day of the first month beginning after the date of publication of such determination shall be 12 percent per year on the unpaid principal balance of the loan.

(3) Increase of rate after increase in Treasury bill rates

If for any 12-month period beginning on or after the date of publication of a determination under paragraph (2), the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period exceeds 14 percent, the applicable rate of interest for loans made pursuant to section 1078–1 or 1078–2 of this title on and after the first day of the first month beginning after the
date of publication of that determination under this paragraph shall be 14 percent per year on the unpaid principal balance of the loan.

(4) Availability of variable rates

(A) For any loan made pursuant to section 1078–1 or 1078–2 of this title and disbursed on or after July 1, 1987, or any loan made pursuant to such section prior to such date that is refinanced pursuant to section 1078–1 (d) or 1078–2 (d) of this title, the applicable rate of interest during any 12-month period beginning on July 1 and ending on June 30 shall be determined under subparagraph (B), except that such rate shall not exceed 12 percent.

(B) (i) For any 12-month period beginning on July 1 and ending on or before June 30, 2001, the rate determined under this subparagraph is determined on the preceding June 1 and is equal to—

(I) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1; plus
(II) 3.25 percent.

(ii) For any 12-month period beginning on July 1 of 2001 or any succeeding year, the rate determined under this subparagraph is determined on the preceding June 26 and is equal to—

(I) the weekly average 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 such June 26; plus
(II) 3.25 percent.

(C) The Secretary shall determine the applicable rate of interest under subparagraph (B) after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(D) Notwithstanding subparagraph (A)—

(i) for any loan made pursuant to section 1078–1 of this title for which the first disbursement is made on or after October 1, 1992—

(I) subparagraph (B) shall be applied by substituting “3.1” for “3.25”; and
(II) the interest rate shall not exceed 11 percent; and

(ii) for any loan made pursuant to section 1078–2 of this title for which the first disbursement is made on or after October 1, 1992—

(I) subparagraph (B) shall be applied by substituting “3.1” for “3.25”; and
(II) the interest rate shall not exceed 10 percent.

(E) Notwithstanding subparagraphs (A) and (D) for any loan made pursuant to section 1078–2 of this title for which the first disbursement is made on or after July 1, 1994—

(i) subparagraph (B) shall be applied by substituting “3.1” for “3.25”; and
(ii) the interest rate shall not exceed 9 percent.

(d) Interest rates for new borrowers after July 1, 1988

Notwithstanding subsections (a) and (b) of this section, with respect to any loan (other than a loan made pursuant to sections 1078–1, 1078–2, and 1078–3 of this title) to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1988, to any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, the applicable rate of interest shall be—

(I) 8 percent per year on the unpaid principal balance of the loan during the period beginning on the date of the disbursement of the loan and ending 4 years after the commencement of repayment; and
(2) 10 percent per year on the unpaid principal balance of the loan during the remainder of the repayment period.

(e) **Interest rates for new borrowers after October 1, 1992**

1. **In general**

   Notwithstanding subsections (a), (b), and (d) of this section, with respect to any loan (other than a loan made pursuant to sections 1078–1, 1078–2 and 1078–3 of this title) for which the first disbursement is made on or after October 1, 1992, to any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan made, insured, or guaranteed under section 1077, 1078, or 1078–8 of this title, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—
   
   (A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus
   
   (B) 3.10 percent, except that such rate shall not exceed 9 percent.

2. **Consultation**

   The Secretary shall determine the applicable rate of interest under paragraph (1) after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(f) **Interest rates for new loans after July 1, 1994**

1. **In general**

   Notwithstanding subsections (a), (b), (d), and (e) of this section, with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after July 1, 1994, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

   (A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

   (B) 3.10 percent, except that such rate shall not exceed 8.25 percent.

2. **Consultation**

   The Secretary shall determine the applicable rate of interest under paragraph (1) after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(g) **In school and grace period rules**

1. **General rule**

   Notwithstanding the provisions of subsection (f) of this section, but subject to subsection (h) of this section, with respect to any loan under section 1078 or 1078–8 of this title for which the first disbursement is made on or after July 1, 1995, the applicable rate of interest for interest which accrues—

   (A) prior to the beginning of the repayment period of the loan; or

   (B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 1078 (b)(1)(M) or 1077 (a)(2)(C) of this title,

   shall not exceed the rate determined under paragraph (2).

2. **Rate determination**
For purposes of paragraph (1), the rate determined under this paragraph shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction prior to such June 1; plus
(B) 2.5 percent,
except that such rate shall not exceed 8.25 percent.

(3) Consultation

The Secretary shall determine the applicable rate of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(h) Interest rates for new loans after July 1, 1998

(1) In general

Notwithstanding subsections (a), (b), (d), (e), (f), and (g) of this section, with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to sections 1078–2 and 1078–3 of this title) for which the first disbursement is made on or after July 1, 1998, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(A) the bond equivalent rate of the securities with a comparable maturity as established by the Secretary; plus
(B) 1.0 percent,
except that such rate shall not exceed 8.25 percent.

(2) Interest rates for new PLUS loans after July 1, 1998

Notwithstanding subsections (a), (b), (d), (e), (f), and (g) of this section, with respect to any loan made under section 1078–2 of this title for which the first disbursement is made on or after July 1, 1998, paragraph (1) shall be applied—

(A) by substituting “2.1 percent” for “1.0 percent” in subparagraph (B); and
(B) by substituting “9.0 percent” for “8.25 percent” in the matter following such subparagraph.

(3) Consultation

The Secretary shall determine the applicable rate of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(i) Treatment of excess interest payments on new borrower accounts resulting from decline in Treasury bill rates

(1) Excess interest on 10 percent loans

If, with respect to a loan for which the applicable interest rate is 10 percent under subsection (d) of this section at the close of any calendar quarter, the sum of the average of the bond equivalent rates of 91-day Treasury bills auctioned for that quarter and 3.25 percent is less than 10 percent, then an adjustment shall be made to a borrower’s account—

(A) by calculating excess interest in the amount computed under paragraph (2) of this subsection; and
(B) during any period in which a student is eligible to have interest payments paid on his or her behalf by the Government pursuant to section 1078 (a) of this title, by crediting the excess interest to the Government; or
(ii) during any other period, by crediting such excess interest to the reduction of principal to the extent provided in paragraph (5) of this subsection.

(2) **Amount of adjustment for 10 percent loans**

The amount of any adjustment of interest on a loan to be made under this subsection for any quarter shall be equal to—

(A) 10 percent minus the sum of

(i) the average of the bond equivalent rates of 91-day Treasury bills auctioned for such calendar quarter, and

(ii) 3.25 percent; multiplied by

(B) the average daily principal balance of the loan (not including unearned interest added to principal) during such calendar quarter; divided by

(C) four.

(3) **Excess interest on loans after 1992 amendments, to borrowers with outstanding balances**

If, with respect to a loan made on or after July 23, 1992, to a borrower, who on the date of entering into the note or other written evidence of the loan, has an outstanding balance of principal or interest on any other loan made, insured, or guaranteed under this part, the sum of the average of the bond equivalent rates of 91-day Treasury bills auctioned for that quarter and 3.1 percent is less than the applicable interest rate, then an adjustment shall be made—

(A) by calculating excess interest in the amount computed under paragraph (4) of this subsection; and

(B) (i) during any period in which a student is eligible to have interest payments paid on his or her behalf by the Government pursuant to section 1078 (a) of this title, by crediting the excess interest to the Government; or

(ii) during any other period, by crediting such excess interest to the reduction of principal to the extent provided in paragraph (5) of this subsection.

(4) **Amount of adjustment**

The amount of any adjustment of interest on a loan to be made under this subsection for any quarter shall be equal to—

(A) the applicable interest rate minus the sum of

(i) the average of the bond equivalent rates of 91-day Treasury bills auctioned for such calendar quarter, and

(ii) 3.1 percent; multiplied by

(B) the average daily principal balance of the loan (not including unearned interest added to principal) during such calendar quarter; divided by

(C) four.

(5) **Annual adjustment of interest and borrower eligibility for credit**

Any adjustment amount computed pursuant to paragraphs (2) and (4) of this subsection for any quarter shall be credited, by the holder of the loan on the last day of the calendar year in which such quarter falls, to the loan account of the borrower so as to reduce the principal balance of such account. No such credit shall be made to the loan account of a borrower who on the last day of the calendar year is delinquent for more than 30 days in making a required payment on the loan, but the excess interest shall be calculated and credited to the Secretary. Any credit which is to be made to a borrower’s account pursuant to this subsection shall be made effective commencing no later than 30 days following the last day of the calendar year in which the quarter falls for which the credit is being made. Nothing in this subsection shall be construed to require refunding any repayment of a loan. At the option of the lender, the amount of such adjustment may be distributed to the borrower either by reduction in the amount of the periodic payment on loan, by reducing
the number of payments that shall be made with respect to the loan, or by reducing the amount of
the final payment of the loan. Nothing in this paragraph shall be construed to require the lender to
make additional disclosures pursuant to section 1083 (b) of this title.

(6) Publication of Treasury bill rate

For the purpose of enabling holders of loans to make the determinations and adjustments provided
for in this subsection, the Secretary shall for each calendar quarter commencing with the quarter
beginning on July 1, 1987, publish a notice of the average of the bond equivalent rates of 91-day
Treasury bills auctioned for such quarter. Such notice shall be published not later than 7 days after
the end of the quarter to which the notice relates.

(7) Conversion to variable rate

(A) Subject to subparagraphs (C) and (D), a lender or holder shall convert the interest rate on
a loan that is made pursuant to this part and is subject to the provisions of this subsection to
a variable rate. Such conversion shall occur not later than January 1, 1995, and, commencing
on the date of conversion, the applicable interest rate for each 12-month period beginning on
July 1 and ending on June 30 shall be determined by the Secretary on the June 1 preceding
each such 12-month period and be equal to the sum of

(i) the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction
    prior to such June 1; and

(ii) 3.25 percent in the case of loans described in paragraph (1), or 3.10 percent in the
case of loans described in paragraph (3).

(B) In connection with the conversion specified in subparagraph (A) for any period prior to
such conversion, and subject to paragraphs (C) and (D), a lender or holder shall convert the
interest rate to a variable rate on a loan that is made pursuant to this part and is subject to
the provisions of this subsection to a variable rate. The interest rates for such period shall be
reset on a quarterly basis and the applicable interest rate for any quarter or portion thereof
shall equal the sum of

(i) the average of the bond equivalent rates of 91-Treasury bills auctioned for the
    preceding 3-month period, and

(ii) 3.25 percent in the case of loans described in paragraph (1) or 3.10 percent in the
    case of loans described in paragraph (3). The rebate of excess interest derived through
    this conversion shall be provided to the borrower as specified in paragraph (5) for loans
    described in paragraph (1) or to the Government and borrower as specified in paragraph
    (3).

(C) A lender or holder of a loan being converted pursuant to this paragraph shall complete
such conversion on or before January 1, 1995. The lender or holder shall notify the borrower
that the loan shall be converted to a variable interest rate and provide a description of the
rate to the borrower not later than 30 days prior to the conversion. The notice shall advise
the borrower that such rate shall be calculated in accordance with the procedures set forth in
this paragraph and shall provide the borrower with a substantially equivalent benefit as the
adjustment otherwise provided for under this subsection. Such notice may be incorporated
into the disclosure required under section 1083 (b) of this title if such disclosure has not been
previously made.

(D) The interest rate on a loan converted to a variable rate pursuant to this paragraph shall
not exceed the maximum interest rate applicable to the loan prior to such conversion.

(E) Loans on which the interest rate is converted in accordance with subparagraph (A) or (B)
shall not be subject to any other provisions of this subsection.

(j) Interest rates for new loans between July 1, 1998, and October 1, 1998

(1) In general
Notwithstanding subsection (h) of this section, but subject to paragraph (2), with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

(B) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

(2) **In school and grace period rules**

Notwithstanding subsection (h) of this section, with respect to any loan under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998, the applicable rate of interest for interest which accrues—

(A) prior to the beginning of the repayment period of the loan; or

(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 1078 (b)(1)(M) or 1077 (a)(2)(C) of this title,

shall be determined under paragraph (1) by substituting “1.7 percent” for “2.3 percent”.

(3) **PLUS loans**

Notwithstanding subsection (h) of this section, with respect to any loan under section 1078–2 of this title for which the first disbursement is made on or after July 1, 1998, and before October 1, 1998, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—

(A) (i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

(ii) 3.1 percent; or

(B) 9.0 percent.

(4) **Consultation**

The Secretary shall determine the applicable rate of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(k) **Interest rates for new loans on or after October 1, 1998, and before July 1, 2006**

(1) **In general**

Notwithstanding subsection (h) of this section and subject to paragraph (2) of this subsection, with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after October 1, 1998, and before July 1, 2006, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

(B) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

(2) **In school and grace period rules**
Notwithstanding subsection (h) of this section, with respect to any loan under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after October 1, 1998, and before July 1, 2006, the applicable rate of interest for interest which accrues—

(A) prior to the beginning of the repayment period of the loan; or
(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 1077 (a)(2)(C) or 1078 (b)(1)(M) of this title,

shall be determined under paragraph (1) by substituting “1.7 percent” for “2.3 percent”.

(3) **PLUS loans**

Notwithstanding subsection (h) of this section, with respect to any loan under section 1078–2 of this title for which the first disbursement is made on or after October 1, 1998, and before July 1, 2006, the applicable rate of interest shall be determined under paragraph (1)—

(A) by substituting “3.1 percent” for “2.3 percent”; and
(B) by substituting “9.0 percent” for “8.25 percent”.

(4) **Consolidation loans**

With respect to any consolidation loan under section 1078–3 of this title for which the application is received by an eligible lender on or after October 1, 1998, and before July 1, 2006, the applicable rate of interest shall be at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

(A) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of 1 percent; or
(B) 8.25 percent.

(5) **Consultation**

The Secretary shall determine the applicable rate of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

(l) **Interest rates for new loans on or after July 1, 2006, and before July 1, 2010**

(1) **In general**

Notwithstanding subsection (h) of this section, with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 1078–2 or 1078–3 of this title) for which the first disbursement is made on or after July 1, 2006, and before July 1, 2010, the applicable rate of interest shall be 6.8 percent on the unpaid principal balance of the loan.

(2) **PLUS loans**

Notwithstanding subsection (h) of this section, with respect to any loan under section 1078–2 of this title for which the first disbursement is made on or after July 1, 2006, and before July 1, 2010, the applicable rate of interest shall be 8.5 percent on the unpaid principal balance of the loan.

(3) **Consolidation loans**

With respect to any consolidation loan under section 1078–3 of this title for which the application is received by an eligible lender on or after July 1, 2006, and that was disbursed before July 1, 2010, the applicable rate of interest shall be at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

(A) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of 1 percent; or
(B) 8.25 percent.

(4) **Reduced rates for undergraduate subsidized loans**
Notwithstanding subsection (h) and paragraph (1) of this subsection, with respect to any loan to an undergraduate student made, insured, or guaranteed under this part (other than a loan made pursuant to section 1078–2, 1078–3, or 1078–8 of this title) for which the first disbursement is made on or after July 1, 2006, and before July 1, 2010, the applicable rate of interest shall be as follows:

(A) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.8 percent on the unpaid principal balance of the loan.

(B) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.0 percent on the unpaid principal balance of the loan.

(C) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.6 percent on the unpaid principal balance of the loan.

(m) Lesser rates permitted

Nothing in this section or section 1078–3 of this title shall be construed to prohibit a lender from charging a borrower interest at a rate less than the rate which is applicable under this part.

(n) Definitions

For the purpose of subsections (a) and (d) of this section—

(1) the term “period of instruction” shall, at the discretion of the lender, be any academic year, semester, trimester, quarter, or other academic period; or shall be the period for which the loan is made as determined by the institution of higher education; and

(2) the term “period of enrollment” shall be the period for which the loan is made as determined by the institution of higher education and shall coincide with academic terms such as academic year, semester, trimester, quarter, or other academic period as defined by such institution.

Footnotes

1 See References in Text note below.
Amendments

Subsec. (l)(3). Pub. L. 111–152, § 2203(4), inserted “and that was disbursed before July 1, 2010,” after “July 1, 2006.”.
Subsec. (l)(4)(D), (E). Pub. L. 111–152, § 2203(5)(B), struck out subpars. (D) and (E) which read as follows:
“(D) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.5 percent on the unpaid principal balance of the loan.
“(E) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 3.4 percent on the unpaid principal balance of the loan.”


2006—Subsec. (l)(2). Pub. L. 109–171 substituted “8.5 percent” for “7.9 percent”.

2002—Subsec. (k). Pub. L. 107–139, § 1(c), subst. (l) to (n), Pub. L. 107–139, § 1(a)(1), added subsec. (l) and redesignated former subsecs. (l) and (m) as (m) and (n), respectively.

2000—Subsec. (c)(4)(B). Pub. L. 106–554 amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “For any 12-month period beginning on July 1 and ending on June 30, the rate determined under this subparagraph is determined on the preceding June 1 and is equal to—
“(i) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1; plus
“(ii) 3.25 percent.”


Subsec. (e)(1). Pub. L. 103–208, § 2(c)(5), substituted “under section 1077, 1078, or 1078–8 of this title” for “under this part”.

Subsecs. (f) to (h). Pub. L. 103–66, § 4101(3), added subsecs. (f) to (h). Former subsecs. (f) to (h) redesignated (i) to (k), respectively.


Subsec. (j)(1)(B). Pub. L. 103–208, § 2(c)(6), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “by crediting the excess interest to the reduction of principal to the extent provided for under paragraph (5) of this subsection.” See Codification note above.


Subsec. (i)(5). Pub. L. 103–208, § 2(c)(9)(A)(i), (B), substituted “paragraphs (2) and (4)” for “paragraph (2)” in first sentence and inserted “, but the excess interest shall be calculated and credited to the Secretary” after “required payment on the loan” in second sentence. See Codification note above.

Pub. L. 103–208, § 2(c)(9)(A)(ii), which directed substitution of “principal” for “principle” in first sentence, could not be executed because the word “principle” does not appear in text.

Subsecs. (j), (k). Pub. L. 103–66, § 4101(2), redesignated subsecs. (g) and (h) as (j) and (k), respectively.


Pub. L. 102–325, § 415(b), amended par. (1) heading and substituted “paragraph (5)” for “paragraph (3)” in par. (1)(B), amended par. (2) heading, added pars. (3) and (4), redesignated former par. (3) as (5), struck out “or” before “by reducing the number” and inserted “, or by reducing the amount of the final payment of the loan. Nothing in this paragraph shall be construed to require the lender to make additional disclosures pursuant to section 1083(b) of this title” before period at end, redesignated former par. (4) as (6), and struck out former par. (5) which provided for study of treatment of excess interest payments provisions.

Subsecs. (f) to (h). Pub. L. 102–325, § 415(c)(1), redesignated subsecs. (e) to (g) as (f) to (h), respectively.

1987—Subsec. (c)(4)(A). Pub. L. 100–50, § 10(d)(1)(A), (B), substituted “and disbursed on or after July 1, 1987” for “to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1987” and “any 12-month period beginning on or after July 1 and ending on June 30” for “any calendar year”.

Subsec. (c)(4)(B). Pub. L. 100–50, § 10(d)(1)(C), added subpar. (B) and struck out former subpar. (B) which read as follows: “For any calendar year, the rate determined under this subparagraph is determined on December 15 preceding such calendar year and is equal to—

“(i) the average of the bond equivalent rates of 91-day Treasury bills auctioned during the 12 months ending on November 30 preceding such calendar year; plus

“(ii) 3.75 percent.”

Effective Date of 2007 Amendment

Amendment by Pub. L. 110–84 effective Oct. 1, 2007, see section 1(c) of Pub. L. 110–84, set out as a note under section 1070a of this title.

Effective Date of 2006 Amendment

Amendment by Pub. L. 109–171 effective July 1, 2006, except as otherwise provided, see section 8001(c) of Pub. L. 109–171, set out as a note under section 1002 of this title.

Effective Date of 1998 Amendment


Effective Date of 1993 Amendment

Amendment by section 2(c)(5) of Pub. L. 103–208 effective on and after Dec. 20, 1993, and amendment by section 2 (c)(6)–(10) of Pub. L. 103–208 effective, except as otherwise provided, as if included in the Higher Education Amendments of 1992, Pub. L. 102–325, see section 5(a), (b)(2) of Pub. L. 103–208, set out as a note under section 1051 of this title.

Effective Date of 1987 Amendment