

Fitch Ratings

Fitch Affirms PHEAA Series 2014-1; Outlook Stable

Fitch Ratings-New York-08 February 2016: Fitch Ratings has affirmed PHEAA Student Loan Trust 2014-1's senior note at 'AAAsf' and subordinate note at 'Asf'. The Rating Outlook remains Stable for both classes.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral consists of 100% Federal Family Education Loan Program (FFELP) loans, including approximately 11.4% rehabilitated (rehab) FFELP loans. The credit quality of the trust collateral is high, in Fitch's opinion, based on the guarantees provided by the transaction's eligible guarantors and reinsurance provided by the U.S. Department of Education (ED) for at least 97% of principal and accrued interest. The current U.S. sovereign rating is 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): While both the senior and subordinate notes will benefit from overcollateralization (OC) and future excess spread, the senior notes also benefit from subordination provided by the class B note. As of December 2015 servicing report, reported total parity is 102.45% and senior parity is 106.08%. The trust is releasing excess cash as the specified OC amount (the greater of 1.54% of the adjusted pool balance or \$5.8 million) is maintained.

Adequate Liquidity Support: Liquidity support for the notes is provided by a reserve account. The reserve is sized equal to the greater of 0.25% of pool balance and \$837,753.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency is the servicer of the portfolio. Fitch believes PHEAA is an acceptable servicer of FFELP student loans.

On Nov. 18, 2015, Fitch released its exposure draft which delineates revisions it plans to make to the 'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria', dated June 23, 2014. Fitch has reviewed this transaction under both the existing and proposed criteria.

RATING SENSITIVITIES

Since the FFELP student loan ABS relies on the U.S. government to reimburse defaults, 'AAAsf' FFELP ABS ratings will likely move in tandem with the 'AAA' U.S. sovereign rating. Aside from the U.S. sovereign rating, defaults, basis risk, and loan extension risk account for the majority of the risk embedded in FFELP student loan transactions. Additional defaults, basis shock beyond Fitch's published stresses, lower than expected payment speed, and other factors could result in future downgrades. Likewise, a build-up of CE driven by positive excess spread given favorable basis factor conditions could lead to future upgrades.

DUE DILIGENCE USAGE

No third-party due diligence was provided or reviewed in relation to this rating action.

Fitch has affirmed the following ratings:

PHEAA Student Loan Trust 2014-1:

--Class A at 'AAAsf'; Outlook Stable;

--Class B at 'Asf'; Outlook Stable.

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158&cft=0)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 19 Dec 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=838868&cft=0)
Exposure Draft: Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 04 Dec 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=874971&cft=0)
Global Structured Finance Rating Criteria (pub. 06 Jul 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952&cft=0)
Rating Criteria for Structured Finance Servicers (pub. 23 Apr 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864375&cft=0)

Related Research

PHEAA Student Loan Trust 2014-1 -- Appendix
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=736636&cft=0)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
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