

Fitch Ratings

Fitch Affirms PHEAA Student Loan Trust 2014-1 Ratings Endorsement Policy

24 Feb 2015 11:55 AM (EST)

Fitch Ratings-New York-24 February 2015: Fitch Ratings has affirmed the PHEAA Student Loan Trust 2014-1 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 12% 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 2014, total parity is 100.93% (0.92% CE) and senior parity is 103.96% (3.81% CE). Cash will be released from the trust given that 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 note is provided by a reserve account. The reserve is sized equal to the greater of 0.25% of pool balance and \$837,743.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency as servicer, will be responsible for servicing the portfolio. Fitch has reviewed the servicing operations of Pennsylvania Higher Education Assistance Agency and believes it to be acceptable servicer of FFELP student loans.

RATING SENSITIVITIES

Since FFELP student loan ABS rely 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 and basis risk account for the majority of the risk embedded in FFELP student loan transactions. Additional defaults and basis shock beyond Fitch's published stresses could result in future downgrades. Likewise, a buildup of credit enhancement driven by positive excess spread given favorable basis factor conditions could lead to future upgrades.

A comparison of the transaction's representations, warranties, and enforcement mechanisms (RW&Es) to those of typical RW&Es for FFELP asset-backed securities is available in the presale appendix. This presale appendix and Fitch's special report on 'Representations, Warranties, and Enforcement Mechanisms on Global Structured Finance Transactions,' may be accessed via the links provided below.

Fitch has taken the following rating actions:

PHEAA Student Loan Trust 2014-1:
--Class A affirmed at 'AAAsf'; Outlook Stable;
--Class B affirmed at 'Asf'; Outlook Stable.

Contact:

Primary Analyst
Paul Jiang
Analyst
+1-212-908-9120
Fitch Ratings, Inc.
33 Whitehall St.
New York, NY 10004

Committee Chairperson
Tracy Wan

Senior Director
+1-212-908-9171

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

- 'Global Structured Finance Rating Criteria' (May 20, 2014);
- 'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (June 23, 2014);
- 'PHEAA Student Loan Trust 2014-1 -- Appendix' (Feb. 24, 2014);
- 'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions' (Oct. 31, 2014).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria
Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria
PHEAA Student Loan Trust 2014-1 -- Appendix
Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions

Additional Disclosure
Solicitation Status

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2015 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.