

# Fitch Ratings

## Fitch Affirms PHEAA Student Loan Trust 2015-1; Outlook Stable

Fitch Ratings-New York-31 March 2016: Fitch Ratings affirms the senior student loan bonds at 'AAAsf' and the subordinate notes at 'Asf' issued by PHEAA Student Loan Trust 2015-1. The Rating Outlook is Stable.

### KEY RATING DRIVERS

**High Collateral Quality:** The trust collateral consists of 100% Federal Family Education Loan Program (FFELP) loans (including approximately 16% rehab 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'; Stable Outlook.

**Sufficient Credit Enhancement (CE):** The CE is provided by overcollateralization (OC) and future excess spread. Additionally, the senior note also benefits from subordination provided by the class B note. As of the Feb. 25, 2016 distribution period, total parity is 101.52% and senior parity is 104.38%. A target OC amount, equal to the greater of 1.5% of the current adjusted pool balance and 1% of the initial pool balance (\$6.36 million), must be met before excess cash can be released from the trust.

**Adequate Liquidity Support:** Liquidity is provided by both a reserve account and a capitalized interest account. The reserve is sized at the greater of 0.25% of pool balance and \$ 954,662. The current capitalized interest account of \$3.65 million will be released based on a predetermined schedule. Any remaining amounts in the account will be released on the August 2016 quarterly distribution date.

**Acceptable Servicing Capabilities:** Pennsylvania Higher Education Assistance Agency (PHEAA) services the entire PHEAA SLT 2015-1 portfolio. Fitch believes that PHEAA is an acceptable servicer of FFELP student loans.

On Nov. 18, 2015, Fitch released its exposure draft which delineates revisions we plan 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 buildup 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 2015-1:

--Class A notes at 'AAAsf'; Outlook Stable;  
--Class B notes 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](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](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](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](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](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864375&cft=0))  
Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 23 Jun 2014)  
([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=750530&cft=0](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750530&cft=0))

**Related Research**

PHEAA Student Loan Trust 2015-1 - Appendix  
([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=864569&cft=0](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864569&cft=0))

**Additional Disclosures**

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