FitchRatings

Fitch Affirms PHEAA Student Loan Trust Series 2013-1; Outlook Stable

Fitch Ratings-New York-14 April 2016: Fitch Ratings has affirmed the PHEAA Student Loan Trust 2013-1, series 2013-1 notes at 'AAAsf'. The Rating Outlook remains Stable.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral consists of 100% Federal Family Education Loan Program (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): CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance) and excess spread. As of the February 2016 servicing report, reported, total parity is 106.00%. The trust is a turbo structure and excess cash cannot be released until all of the notes are paid in full.

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 0.15% of the initial pool balance. As of February 2016, the reserve fund is sized at $1,048,262.

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.

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Additional information is available at www.fitchratings.com.

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 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)

Related Research
PHEAA Student Loan Trust Series 2013-1 -- Appendix (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708645&cft=0)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1002536&cft=0)
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