

# Fitch Ratings

## Fitch Affirms PHEAA Student Loan Trust 2014-2; Outlook Stable

Fitch Ratings-New York-16 May 2016: Fitch Ratings affirms the senior and subordinate student loan notes at 'AAAsf' and 'A+sf', respectively, issued by PHEAA Student Loan Trust 2014-2. The Rating Outlook on the notes remains Stable.

### KEY RATING DRIVERS

**High Collateral Quality:** The trust collateral consists of 100% (89% Non-Rehab; 11% Rehab) of 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. Fitch currently rates the U.S. 'AAA'/Stable Outlook.

**Sufficient Credit Enhancement:** CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance) and excess spread. In addition, the senior notes also benefit from subordination provided by the class B note. As of April 2016, total parity is 102.47% and senior parity is 105.87%. The trust can release excess cash as long as the Specified OC is maintained (the greater \$6.12 million or 1.54% of adjusted pool balance).

**Adequate Liquidity Support:** Liquidity support is provided by a reserve account, sized at the greater of 0.25% of the pool balance and \$910,471, with a current balance of \$1,171,212.

**Acceptable Servicing Capabilities:** Pennsylvania Higher Education Assistance Agency (PHEAA) is servicing the entire trust. Fitch believes that 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 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 2014-2:

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

--Class B at 'A+sf'; 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))  
Criteria for Servicing Continuity Risk in Structured Finance (pub. 17 Dec 2015)  
([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=875586&cft=0](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875586&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 2014-2 -- Appendix  
([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=748921&cft=0](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748921&cft=0))

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Solicitation Status ([https://www.fitchratings.com/gws/en/disclosure/solicitation?pr\\_id=1004529](https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=1004529))  
Endorsement Policy (<https://www.fitchratings.com/jsp/creditdesk/PolicyRegulation.faces?context=2&detail=31>)

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