

Fitch Ratings

Fitch Affirms Pennsylvania Higher Education Assistance Agency Series 2013-1

Ratings Endorsement Policy
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Fitch Ratings-New York-19 May 2014: Fitch Ratings affirms the notes issued by Pennsylvania Higher Education Assistance Agency Series 2013-1 at 'AAAsf'. The Rating Outlook remains Stable.

KEY RATING DRIVERS

High Collateral Quality: The 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. Fitch affirmed at 'AAA' and assigned a Stable Outlook to the U.S. sovereign rating on March 24, 2014.

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 March 2014, total parity is 103.30% (3.19% CE). Excess cash cannot be released from the trust until all of the notes are paid in full.

Adequate Liquidity Support: Liquidity support is provided by a Debt Service Reserve Fund sized at the greater of 0.25% of the pool balance and \$893,445. The Trust is a turbo structure, and no cash can be released until all of the notes are paid in full.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency (PHEAA) is responsible for the day to day servicing of the trust. Fitch has reviewed the servicing operations of PHEAA and believes PHEAA to be an acceptable servicer of FFELP student loans.

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 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.

Fitch has taken the following rating action:

Pennsylvania Higher Education Assistance Agency Series 2013-1
--Series 2013-1 notes affirmed at 'AAAsf'; Outlook Stable.

A comparison of the transaction's RW&Es to those of typical RW&Es for student loans is available by accessing the reports and links below:

--'PHEAA Student Loan Trust Series 2013-1 - Appendix', dated May 29, 2013;
--'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions -- Amended', dated April 17, 2012.

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

Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (May 24, 2013);

--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (May 17, 2013).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria

Additional Disclosure

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