

02 Jun 2015 3:57 PM

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

Fitch Ratings-New York-02 June 2015: Fitch Ratings has affirmed at 'AAAsf' the class A note issued by PHEAA Student Loan Trust 2014-2. In addition, Fitch has affirmed the class B note at 'A+sf'. The Rating Outlook remains Stable for both notes.

### **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' with a Stable Outlook.

**Sufficient Credit Enhancement:** 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 2015, total parity is 101.46% (1.44% CE) and senior parity is 104.36% (4.18% CE). The trust is will be able to release cash as long as the specified OC is maintained (greater \$ 6.12 million or 1.54% of adjusted pool balance).

**Adequate Liquidity Support:** Liquidity support is provided by a reserve account and a capitalized interest account with a current balance of \$1,000,000. The reserve is sized equal to the greater of 0.25% of the pool balance and \$910,471.

**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.

### **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.

### **DUE DILIGENCE USAGE**

Fitch was not provided due diligence information from any third parties relating to the PHEAA Student Loan Trust 2014-2 Trust.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

### Applicable Criteria

Global Structured Finance Rating Criteria (pub. 31 Mar 2015)  
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Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 23 Jun 2014)  
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### Additional Disclosures

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Related Entity Research	
Title	Date
Fitch Affirms PHEAA Student Loan Trust 2014-2; Outlook Stable (/gws3.0/fitch-home/pressrelease?id=985758)	02 Jun
Fitch Rates PHEAA Student Loan Trust 2014-2 (/gws3.0/fitch-home/pressrelease?id=835058)	17 Jun
Fitch Expects to Rate PHEAA Student Loan Trust 2014-2; Presale Issued (/gws3.0/fitch-home/pressrelease?id=831827)	27 May
PHEAA Student Loan Trust 2014-2 -- Appendix (/creditdesk/reports/report_frame.cfm?rpt_id=748921)	27 May
PHEAA Student Loan Trust 2014-2 (US Student Loans) (/creditdesk/reports/report_frame.cfm?rpt_id=748849)	27 May

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