

PHEAA Addresses Counterparty Exposure; Ratings Remain On Watch Neg Due To U.S. Sovereign Rating

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OVERVIEW

- On Jan. 18, 2011, we placed our ratings on five classes of senior notes from PHEAA Student Loan Trust I on CreditWatch with negative implications due to noncompliance with our updated counterparty criteria.
- Pennsylvania Higher Education Assistance Agency (PHEAA) addressed its counterparty exposure in PHEAA Student Loan Trust I to comply with our updated criteria for assessing counterparty risk.
- However, our ratings on PHEAA Student Loan Trust I remain on CreditWatch negative due to the negative CreditWatch placement of the sovereign credit rating on the United States of America.

NEW YORK (Standard & Poor's) July 21, 2011--On Jan. 18, 2011, Standard & Poor's Ratings Services placed its ratings on the class A notes from PHEAA Student Loan Trust I's series 2003-1, 2004-1, and 2005-1 on CreditWatch negative (see list). We placed our ratings on the class A notes from each series on CreditWatch negative after we updated our criteria for assessing counterparty risk (see "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010).

The documentation in the investment agreement with Trinity Plus Funding Co. LLC ('AA+/A-1+') associated with these series had a replacement framework that was inconsistent with the provisions in our updated criteria. PHEAA addressed this inconsistency, and after reviewing the new documentation, Standard & Poor's determined that it is consistent with the replacement framework

outlined in its updated counterparty criteria.

However, our ratings on the class A notes from PHEAA Student Loan Trust I's series 2003-1, 2004-1, and 2005-1 remain on CreditWatch negative to reflect Standard & Poor's placement of its 'AAA' long-term and 'A-1+' short-term sovereign ratings on the United States of America on CreditWatch negative. These transactions are backed by student loans originated under the Federal Family Education Loan Program (FFELP). Each of the loans originated under this program are, at a minimum, 97% guaranteed by the U.S. government.

RELATED CRITERIA AND RESEARCH

- 82 Ratings on 27 U.S. Student Loan ABS Deals Remain On Watch; Counterparty Criteria, U.S. Sovereign Rating Cited, published July 19, 2011
- 604 Structured Finance Ratings Put On CreditWatch Negative Following U.S. Sovereign CreditWatch Placement, published July 15, 2011
- United States of America 'AAA/A-1+' Ratings Placed On CreditWatch Negative On Rising Risk Of Policy Stalemate, published July 14, 2011
- General Criteria: Principles Of Credit Ratings, published Feb. 16, 2011.
- North American Structured Finance CreditWatch Actions In Connection With Revised Counterparty Criteria, published Jan. 18, 2011.
- Counterparty And Supporting Obligations Update, published Jan. 13, 2011.
- Counterparty And Supporting Obligations Methodology and Assumptions, published Dec. 6, 2010.
- Methodology: Credit Stability Criteria, published May 3, 2010.
- Standard & Poor's To Explicitly Recognize Credit Stability As An Important Rating Factor, published Oct. 15, 2008.
- Student Loan Criteria: Rating Methodology For Student Loan Transactions, published Oct. 1, 2004.
- Student Loan Criteria: Structural Elements In Student Loan Transactions, published Oct. 1, 2004.
- Student Loan Criteria: Student Loan Programs, published Oct. 1, 2004.
- Student Loan Criteria: The Rating Process For Student Loan Transactions, published Oct. 1, 2004.

RATINGS REMAINING ON CREDITWATCH NEGATIVE

PHEAA Student Loan Trust I
Series 2003-1

Class	Rating
A-3	AAA (sf)/Watch Neg

PHEAA Student Loan Trust I
Series 2004-1

Class	Rating
A-2	AAA (sf)/Watch Neg
A-3	AAA (sf)/Watch Neg

PHEAA Student Loan Trust I

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Series 2005-1

Class	Rating
A-1	AAA (sf)/Watch Neg
A-2	AAA (sf)/Watch Neg

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