FitchRatings

Fitch Affirms PHEAA 2005 Trust Indenture

Ratings Endorsement Policy
24 Jul 2014 4:52 PM (EDT)

Fitch Ratings-New York-24 July 2014: Fitch Ratings affirms the Pennsylvania Higher Education Assistance Agency 2005 Trust Indenture senior and subordinate notes at 'AAAsf'. The Rating Outlook is Stable for all of the notes.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral is comprised of 100% 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 at least 97% reinsurance of principal and accrued interest provided by the U.S. Department of Education. The U.S. is currently rated 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement: CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance), excess spread, and for the class A notes, subordination provided by the class B notes. As of the March 2014 distribution report, total and senior parity is 104.5% and 113.7% respectively.

Adequate Liquidity Support: Liquidity support is provided by a Debt Service Reserve Account in the amount of $2,043,146.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency and is the servicer of the portfolio, and Fitch believes that PHEAA is an acceptable servicer of FFELP student loans.

RATING SENSITIVITIES

Since 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 actions:

Pennsylvania Higher Education Assistance Agency 2005 Trust Indenture

--Class A-2 affirmed at 'AAAsf'; Outlook Stable;
--Class B at affirmed at 'AAAsf'; Outlook Stable.

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Applicable Criteria and Related Research:
--'Global Structured Finance Rating Criteria' (May 20, 2014);
--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (June 23, 2014).

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

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