

Fitch Ratings

Fitch Affirms PHEAA Student Loan Trust I - 2003 Trust Indenture; Outlook Stable

Fitch Ratings-New York-25 July 2016: Fitch Ratings affirms the PHEAA Student Loan Trust I - 2003 Trust Indenture, Series 2003-1 senior A-3 note and the Series 2004-1 senior A-2 and A-3 notes at 'AAAsf' with a Stable Outlook.

KEY RATING DRIVERS

High Collateral Quality: The trust 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 currently rates the U.S. 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): CE is provided by excess spread and overcollateralization. As of the April 2016 distribution date, reported total parity is 122.98% (18.69% CE).

Adequate Liquidity: Liquidity support is provided by a reserve account sized at the greater of 0.95% of the aggregate principal amount of the notes outstanding and \$500,000. The reserve account is currently sized at \$2,014,950.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency (PHEAA) is responsible for the day-to-day servicing of this trust. In Fitch's opinion, PHEAA is an acceptable servicer of FFELP student loans.

In certain LIBOR-down interest rate stress scenarios the basis spread may be compressed, as Fitch would apply a floor to 1-month LIBOR and 91-day T-Bill at a negative rate level in accordance with Fitch's "Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds" dated May 2016. Since the updated interest rate stresses are not addressed yet in existing FFELP criteria, this represents a criteria variation. Use of the criteria variation did not have a measurable impact upon the ratings assigned.

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 I - 2003 Trust Indenture:
--Series 2003-1 Class A-3 at 'AAAsf'; Outlook Stable;
--Series 2004-1 Class A-2 at 'AAAsf'; Outlook Stable;
--Series 2004-1 Class A-3 at 'AAAsf'; Outlook Stable.

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 18 Jul 2016)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=884963)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 17 May 2016) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=879815)
Criteria for Servicing Continuity Risk in Structured Finance (pub. 17 Dec 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875586)
Global Structured Finance Rating Criteria (pub. 27 Jun 2016)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=883130)
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)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1009460)
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