

Fitch Ratings

Fitch Affirms Notes Issued by Pennsylvania Higher Ed Assistance Agency & PHEAA Student Loan Trust I Ratings Endorsement Policy 13 Aug 2013 4:36 PM (EDT)

Fitch Ratings-New York-13 August 2013: Fitch Ratings affirms the 'AAAsf' ratings assigned to the senior and subordinate student loan notes issued by: PHEAA Student Loan Trust I (Trust I) for the series 2003-1, 2004-1 and 2005-1 student loan asset-backed notes pursuant to the 2003 Master Trust Indenture; Pennsylvania Higher Education Assistance Agency series 2005 floating rate student loan revenue notes pursuant to the 2005 Trust Indenture (PHEAA 2005); and Pennsylvania Higher Education Assistance Agency series 2006-1 floating rate student loan revenue notes pursuant to the 2006 Trust Indenture (PHEAA 2006-1). The Rating Outlook on the senior and subordinate notes, which is tied to the sovereign rating of the U.S. government, remains Negative.

The collateral supporting the notes is composed of student loans originated under the Federal Family Education Loan Program (FFELP). The affirmations are based on the sufficient level of credit enhancement consisting of subordination and overcollateralization to cover the applicable risk factor stresses. The parity ratios have been steadily increasing. As of June 2013, the senior parity and total parity for Trust I is 135.43% and 111.3% respectively; for PHEAA 2005, 113.20% and 104.0%, respectively; and for PHEAA 2006-1, 112.90% and 103.20%, respectively.

While the PHEAA 2005 and PHEAA 2006-1 transactions may release cash from the trust at 100% total parity, full credit is given to the current total parity levels in Fitch's analysis because only excess interest collections may be released. In Fitch's analysis, the notes passed the cash flows corresponding to their rating stresses.

Fitch is aware that Trust I is behind on its targeted amortization schedule for the floating rate notes; however, this does not constitute an event of default. Based on the historical principal payments, Fitch expects Trust I to pay the outstanding floating rate notes by their legal maturities.

A detailed list of rating actions follows at the end of this press release.

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.

Fitch has affirmed the following ratings:

PHEAA Student Loan Trust I - Student Loan Asset-Backed Notes, 2003 Master Trust Indenture:

- Series 2003-1 Class A-3 at 'AAAsf'; Outlook Negative;
- Series 2004-1 Class A-2 at 'AAAsf'; Outlook Negative;
- Series 2004-1 Class A-3 at 'AAAsf'; Outlook Negative;
- Series 2005-1 Class A-2 at 'AAAsf'; Outlook Negative;
- Series 2003-1 Class B at 'AAAsf'; Outlook Negative;
- Series 2004-1 Class B-1 at 'AAAsf'; Outlook Negative;
- Series 2005-1 Class B-1 at 'AAAsf'; Outlook Negative.

Pennsylvania Higher Education Assistance Agency, Series 2005 Floating Rate Student Loan Revenue Notes, 2005 Trust Indenture:

- Class A-2 at 'AAAsf'; Outlook Negative;
- Class B at 'AAAsf'; Outlook Negative.

Pennsylvania Higher Education Assistance Agency, Series 2006-1 Floating Rate Student Loan Revenue Notes, 2006 Trust Indenture:

- Class A-2 at 'AAAsf'; Outlook Negative;
- Class A-3 at 'AAAsf'; Outlook Negative;
- Class B at 'AAAsf'; Outlook Negative.

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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' (Jan. 9, 2013).

Applicable Criteria and Related Research:

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

Additional Disclosure

Solicitation Status

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