

RatingsDirect®

Seven Ratings Affirmed, One Placed On CreditWatch Positive From 3 PHEAA ABS Deals Backed By FFELP Loans

Primary Credit Analysts:

Shane N Franciscovich, New York (1) 212-438-2033; shane.franciscovich@standardandpoors.com

Frank J Trick, New York (1) 212-438-1108; frank.trick@standardandpoors.com

Analytical Manager, ABS Term Surveillance:

Gary P Kochubka, New York (1) 212-438-2514; gary.kochubka@standardandpoors.com

Research Contributors:

Sangeetha Vishwesh, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Naveen B Jathan, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Naveen George, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

OVERVIEW

- We affirmed our ratings on seven classes from three Pennsylvania Higher Education Assistance Agency trusts backed by FFELP student loans.
- We also placed our rating on one class on CreditWatch positive.
- The 'AAA (sf)' affirmations reflect our view that the credit enhancement available in the transaction is able to absorb the 15% haircut to the cash inflows received from the U.S. federal government under the FFEL program under a 'AAA' stress scenario.
- The remaining senior note rating affirmations reflect our view that the current credit enhancement levels are sufficient to support the ratings.
- The CreditWatch placement reflects our view that the current credit enhancement level may be sufficient to support a higher rating.

NEW YORK (Standard & Poor's) Aug. 28, 2014--Standard & Poor's Ratings Services today affirmed its ratings on seven classes from three Pennsylvania Higher Education Assistance Agency trusts. At the same time, we placed one rating on CreditWatch with positive implications. These transactions are collateralized by student loans originated through the U.S. government's Federal Family Education Loan Program (FFELP). Pennsylvania Higher Education Assistance

Seven Ratings Affirmed, One Placed On CreditWatch Positive From 3 PHEAA ABS Deals Backed By FFELP Loans

Agency's series 2005, 2006, and 2006-2 deals are discrete trusts.

The ratings reflect our views regarding future collateral performance as well as the current credit enhancement available to support the bonds, including overcollateralization (parity), the reserve account, subordination for senior classes, and excess spread. Our analysis also incorporated secondary credit factors such as credit stability, payment priority, sector- and issuer-specific analyses, and peer analyses.

The 'AAA (sf)' affirmations on class A-2 from series 2006 and 2006-2 reflect our view that the available credit enhancement can absorb the 15% haircut to the cash inflows received from the U.S. federal government under FFELP under a 'AAA' stress scenario, per our criteria, and our assessment that a sequential-pay structure within the class A notes will likely continue following a nonmonetary event of default.

The affirmations of the remaining senior notes reflect our view that the available credit enhancement is not able to absorb the 15% haircut to the cash inflows received from the U.S. federal government under FFELP under a 'AAA' stress scenario and our assessment of the likelihood that the class A notes will pay down sequentially following a nonmonetary event of default. Generally, we believe the senior parity would have to be at least 120% for there to be enough credit enhancement for the 'AAA' rating category.

The affirmations of the 'AA' class B-1 ratings for series 2006 and 2006-2 reflect our assessment of the credit enhancement available in these transactions. These notes benefit from a strong collateral profile of seasoned FFELP Consolidation loans that are at least 97% guaranteed by the federal government. In addition, the collateral for the transactions has significant amounts of floor income loans. The pro rata structure benefits the subordinate bonds as they receive principal payments.

We placed our rating on series 2005's class B-1 notes on CreditWatch positive to reflect our view of the collateral's future performance based on its seasoning and the FFELP reinsurance by the U.S. Department of Education (ED). The strong collateral performance, primarily due to the reinsurance of defaults by the ED, has contributed to the structure's ability to reach certain parity ratios and allow excess cash to be released from the deal.

CURRENT CAPITAL STRUCTURE

Pennsylvania Higher Education Assistance Agency 2005*

	Class	Current	Note		Maturity
Series	name	balance (\$)	factor	Coupon	date
2005	A-2	169,563,336	60.99%	3ML + 0.12%	01-Mar-2037
2005	B-1	14,928,084	74.64%	3ML + 0.38%	01-Mar-2037

*Current balance and note factors as of the June 30, 2014, reporting end period. 3ML--Three-month LIBOR.

Seven Ratings Affirmed, One Placed On CreditWatch Positive From 3 PHEAA ABS Deals Backed By FFELP Loans

Pennsylvania Higher Education Assistance Agency 2006*

Series	Class name	Current balance (\$)	Note factor	Coupon	Maturity date
2006	A-2	40,505,410	31.28%	3ML + 0.09%	25-Jul-2024
2006	A-3	171,500,000	100.00%	3ML + 0.14%	25-Oct-2035
2006	B	19,933,786	79.74%	3ML + 0.27%	26-Apr-2038

*Current balance and note factors as of the June 30, 2014, reporting end period. 3ML--Three-month LIBOR.

Pennsylvania Higher Education Assistance Agency 2006-2*

Series	Class name	Current balance (\$)	Note factor	Coupon	Maturity date
2006-2	A-2	36,167,186	22.83%	3ML + 0.09%	25-Oct-2020
2006-2	A-3	299,985,000	100.00%	3ML + 0.13%	25-Oct-2036
2006-2	B	18,450,000	82.00%	Auction rate	25-Jul-2042

*Current balance and note factors as of the June 30, 2014, reporting end period. 3ML--Three-month LIBOR.

PARITY LEVELS*

The 'AA+' class A parity ranges between 109%-113%, the parity for the 'AAA (sf)' rated classes is well-above the 120% parity we believe is needed for a 'AAA' rating. The total reported parity is as follows:

Issuer	June 2014
PHEAA 2005	103.9%
PHEAA 2006	103.7%
PHEAA 2006-2	103.4%

*As of the June 30, 2014, reporting end period. PHEAA--Pennsylvania Higher Education Assistance Agency.

PAYMENT PRIORITY

The trusts initially paid sequentially between the class A and class B notes. All of these deals have reached their step-down dates and are now paying pro rata (subject to release thresholds) between the class A and B notes. The payments allocated to class A are paying sequentially within the class A notes when there is more than one class A note.

FFELP LOAN TYPES

The trusts comprise only FFELP Consolidation loans guaranteed by the ED. Floor income loans allow the trust to retain the borrower interest that exceeds the special allowance payment rate paid by the government, which can increase excess spread in a low interest rate environment.

RELEASING

All of the transactions are allowed to release available funds when the total

parity is greater than 100%. The trusts are releasing.

LOAN STATUS*

The trusts continue to have a high percentage of loans in non-paying status (deferment, forbearance, and delinquency).

Status	PHEAA 2005	PHEAA 2006	PHEAA 2006-2
Repayment	87.26%	86.56%	86.3%
Deferment	5.67%	6.34%	6.73%
Forbearance	7.07%	7.10%	7.44%
30+ delinquency	6.49%	6.11%	7.07%

*Values as per June 30, 2014, report date. PHEAA--Pennsylvania Higher Education Assistance Agency.

We will continue to monitor the performance of the student loan receivables backing these transactions relative to our ratings and the trust's available credit enhancement.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>

RELATED CRITERIA AND RESEARCH

Related Criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- U.S. Government Support In Structured Finance And Public Finance Ratings, Sept. 19, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Upon A Nonmonetary EOD, March 16, 2010
- Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Asset-Backed Securities, Oct. 1, 2006
- Student Loan Criteria: Student Loan Programs, Oct. 1, 2004
- Student Loan Criteria: Evaluating Risk In Student Loan Transactions, Oct. 1, 2004
- Student Loan Criteria: Structural Elements In Student Loan Transactions, Oct. 1, 2004
- Student Loan Criteria: Rating Methodology For Student Loan Transactions, Oct. 1, 2004

Seven Ratings Affirmed, One Placed On CreditWatch Positive From 3 PHEAA ABS Deals Backed By FFELP Loans

Related Research

- Global Structured Finance Scenario Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- The Rating Process For Student Loan Transactions, Oct. 1, 2004

RATINGS AFFIRMED

Pennsylvania Higher Education Assistance Agency
US\$400 mil floating rate student loan revenue bonds series 2005

Class	CUSIP	Rating
A-2	709163EK1	AA+ (sf)

Pennsylvania Higher Education Assistance Agency
US\$500 mil floating-rate student loan revenue notes series 2006

Class	CUSIP	Rating
A-2	708788AB0	AAA (sf)
A-3	708788AC8	AA+ (sf)
B-1	708788AD6	AA (sf)

Pennsylvania Higher Education Assistance Agency
US\$750 mil student loan revenue notes series 2006-2

Class	CUSIP	Rating
A-2	709163GG8	AAA (sf)
A-3	709163GH6	AA+ (sf)
B-1	709163GJ2	AA (sf)

RATING PLACED ON CREDITWATCH POSITIVE

Pennsylvania Higher Education Assistance Agency
US\$400 mil floating rate student loan revenue bonds series 2005

Class	CUSIP	To	From
B-1	709163EL9	A (sf)/Watch Pos	A (sf)

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.