



Fitch Takes Multiple Actions on PHEAA Student Loan Trust 2014-3

Fitch Ratings-New York-01 September 2016: Fitch Ratings affirms the class A note at 'AAAsf' and upgrades the class B note to 'AAsf' for PHEAA Student Loan Trust 2014-3; The Outlooks are Stable for both notes. A full list of rating actions follows at the end of this release.

KEY RATING DRIVERS

U.S. Sovereign Risk: The trust collateral consists of Federal Family Education Loan Program (FFELP) loans, 18.1% of which are rehabilitated loans. Guarantees are provided by the transaction's eligible guarantors and reinsurance is provided by the U.S. Department of Education (ED) for at least 97% of principal and accrued interest. Fitch's U.S. sovereign rating is currently 'AAA' Outlook Stable.

Collateral Performance: Fitch assumes a base case default rate of 20% and a 54.25% default rate under the 'AAAsf' credit stress scenario. The claim reject rate is assumed to be 0.25% in the base case and 2% in the 'AAsf' case. Fitch applies the standard default timing curve in its credit stress cash flow analysis. The trailing 12-month (TTM) average constant default rate, used in the maturity stresses, is 6.30%. TTM average levels of deferment, forbearance, income-based repayment (before adjustment) and constant prepayment rate (voluntary and involuntary) are 9.31%, 12.77%, 9.17% and 14.75%, respectively, and are used as the starting point in cash flow modelling. Subsequent declines or increases are modelled as per criteria. The borrower benefit is assumed to be approximately 0.25%, based on information provided by the sponsor.

Basis and Interest Rate Risk: Fitch applies its standard basis and interest rate stresses to this trust as per the agency's criteria.

Payment Structure: Credit Enhancement (CE) is provided by excess spread, overcollateralization (OC), and for the class A note, subordination of the class B note. As of the June 2016 servicer report, senior parity is 105.14% (4.89% CE) and total parity is 101.56% (1.54% CE). Liquidity support is provided by a reserve account currently sized at \$1,160,771, which is the greater of 0.25% of the current pool balance and 0.15% of the initial pool balance. The trust has been releasing cash because the target specified OC amount, equal to the greater of 1.54% of the current adjusted pool balance and \$6,505,000 has been met. The specified OC amount is currently \$7,168,226.

Maturity Risk: Fitch's student loan ABS cash flow model indicates that the notes are paid in full on or prior to the legal final maturity dates under the commensurate rating scenario.

Operational Capabilities: Day-to-day servicing is provided by Pennsylvania Higher Education Assistance Agency (PHEAA). Fitch believes PHEAA is an acceptable servicer of FFELP student loans.

CRITERIA VARIATIONS

Under Fitch's criteria 'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria', dated July 26, 2016, Fitch does not address the process by which it gives certain credit to short-term assets in its cash flow analysis, and it is therefore considered a criteria variation.

Under the 'Counterparty Criteria for Structured Finance and Covered Bonds', dated July 18, 2016, Fitch looks to its own ratings in analyzing counterparty risk and assessing a counterparty's creditworthiness.

The definition of the permitted investment for this deal allows possibility of using investments that do not meet Fitch's criteria; this represents a criteria variation. Fitch does not believe such variation has a measurable impact upon the ratings assigned.

RATING SENSITIVITIES

Since the FFELP student loan ABS relies on the U.S. government to reimburse defaults, 'AAAs' 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.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

Fitch has taken the following rating actions:

PHEAA Student Loan Trust 2014-3:

--Class A note affirmed at 'AAAsf'; Outlook Stable

--Class B note upgraded to 'AAsf' from 'Asf'; Outlook revised to Stable from Positive.

Contacts:

Primary Analyst

Robert Lopez

Analyst

+1-646-582-4969

Fitch Ratings, Inc.

33 Whitehall St.

New York, NY 10004

Committee Chairperson

Tracy Wan

Senior Director

+1-212-908-9171

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at www.fitchratings.com.

Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 01 Sep 2016)

(<https://www.fitchratings.com/site/re/886006>)

Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 17

May 2016) (<https://www.fitchratings.com/site/re/879815>)

Global Structured Finance Rating Criteria (pub. 27 Jun 2016)

(<https://www.fitchratings.com/site/re/883130>)

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 26 Jul 2016)

(<https://www.fitchratings.com/site/re/881705>)

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(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1011119)

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