

Fitch Ratings

Fitch Affirms PHEAA Student Loan Trust 2014-3; Revises Sub Outlook to Positive

Fitch Ratings-New York-03 September 2015: Fitch Ratings affirms the PHEAA Student Loan Trust 2014-3 senior and subordinate notes at 'AAAsf' and 'Asf', respectively. The Rating Outlook for the subordinate notes is revised to Positive from Stable, while the Rating Outlook for the senior notes remains Stable.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral comprises Federal Family Education Loan Program (FFELP) loans (including 17.4% rehabilitated FFELP loans) with guaranties provided by eligible guarantors and reinsurance provided by the U.S. Department of Education (ED) for at least 97% of principal and accrued interest. Fitch's current U.S. sovereign rating is 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): 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 July 2015, total parity is 101.56% (1.54% CE) and senior parity is 104.59% (4.39% CE). The trust has been releasing cash given the specified OC amount of the greater of 1.54% of the adjusted pool balance and \$6,505,000 is maintained.

Adequate Liquidity Support: Liquidity support is provided by a reserve fund sized at the greater of 0.25% of the pool balance and 0.15% of the initial pool balance. The reserve fund is sized at \$1,364,542 as of July 2015. Additionally, there is a capitalized interest fund currently sized at \$1 million, scheduled to release on October 25, 2015.

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

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 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 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.

A comparison of the transaction's Representations, Warranties & Enforcement Mechanisms (RW&Es) to those of typical RW&Es for that asset class is available by accessing the appendix that accompanies the initial Presale Report. Please refer to 'PHEAA Student Loan Trust 2014-3 -- Appendix', published on Sept. 8, 2014 at www.fitchratings.com.

Initial Key Rating Drivers and Rating Sensitivities further described in the presale report published on Sept. 8, 2014.

Fitch has affirmed the following ratings:

PHEAA Student Loan Trust 2014-3:

--Class A at 'AAAsf', Outlook Stable;

--Class B at 'Asf', Outlook revised to Positive from Stable.

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Additional information is available at www.fitchratings.com.

Applicable Criteria

Global Structured Finance Rating Criteria (pub. 06 Jul 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

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)

Related Research

PHEAA Student Loan Trust 2014-3 -- Appendix

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=767968)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=990359)

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