

Fitch Ratings

Fitch Affirms Pennsylvania Higher Education Assistance Agency's 2009-1 & 2009-2 Indenture Notes Ratings Endorsement Policy

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Fitch Ratings-New York-05 September 2014: Fitch Ratings affirms the Pennsylvania Higher Education Assistance Agency 2009-1 Indenture Floating Rate Student Loan Asset-Backed Notes series 2009-1 (PHEAA 2009-1) and the Pennsylvania Higher Education Assistance Agency 2009-2 Indenture Floating Rate Student Loan Asset-Backed Notes series 2009-2 (PHEAA 2009-2) at 'AAAsf'. The Rating Outlook remains Stable for the notes under each indenture.

KEY RATING DRIVERS

High Collateral Quality: PHEAA 2009-1 and PHEAA 2009-2 each consists of collateral comprised of 100% Federal Family Education Loan Program (FFELP) loans. The credit quality of the trusts 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. On March 24, 2014, Fitch affirmed the U.S. sovereign rating at 'AAA' and assigned a Stable Outlook.

Sufficient Credit Enhancement (CE): The PHEAA 2009-1 and PHEAA 2009-2 notes benefit from overcollateralization (the excess of trust's asset balance over bond balance) and excess spread. As of June 2014, the reported parity for PHEAA 2009-1 is 116.98% and the reported parity for PHEAA 2009-2 is 115.28%. The trusts are both currently in turbo; therefore, cash will not be released from either trust until all the bonds for each respective trust has been paid in full.

Adequate Liquidity Support: For each trust, the 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.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency (PHEAA), as servicer, will be responsible for the day to day servicing of the portfolio. Fitch believes PHEAA to be 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 credit enhancement driven by positive excess spread given favorable basis factor conditions could lead to future upgrades.

Fitch has affirmed the following ratings:

Pennsylvania Higher Education Assistance Agency 2009-1 Indenture
Floating Rate Student Loan Asset-Backed Notes series 2009-1
--Class A-1 notes at 'AAAsf'; Outlook Stable.

Pennsylvania Higher Education Assistance Agency 2009-2 Indenture
Floating Rate Student Loan Asset-Backed Notes series 2009-2
--Class A-1 notes at 'AAAsf'; Outlook Stable;
--Class A-2 notes at 'AAAsf'; Outlook Stable.

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Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (May 20, 2014);

--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (June 23, 2014).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria

Additional Disclosure

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