

# Fitch Ratings

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## Fitch Affirms PHEAA Student Loan Trust 2013-3 Ratings Endorsement Policy

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Fitch Ratings-New York-05 November 2014: Fitch Ratings has affirmed the PHEAA Student Loan Trust 2013-3 senior note at 'AAAsf' and subordinate note at 'AAsf'. The Rating Outlook remains Stable for both classes.

### KEY RATING DRIVERS

**High Collateral Quality:** The trust collateral consists of 100% Federal Family Education Loan Program (FFELP) loans. The credit quality of the trust 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. The current U.S. sovereign rating is at 'AAA' with a Stable Outlook.

**Sufficient Credit Enhancement (CE):** The CE is provided by overcollateralization and future excess spread. Additionally, the senior note also benefits from subordination provided by the class B note. As of September 2014, total parity is 101.15% (1.14% CE) and senior parity is 104.46% (4.27% CE). A target OC amount (or specified OC amount) equal to the sum of 1.7% of the current adjusted pool balance and 1.9% of the initial adjusted pool balance must be met before excess cash can be released from the trust.

**Adequate Liquidity Support:** Liquidity is supported by both a reserve account and a capitalized interest account. The reserve is sized at the greater of 0.25% of pool balance and \$758,492. The current capitalized interest account of \$12.9 million will be released based on a predetermined schedule. Any remaining amounts in the account will be released on the November 2016 quarterly distribution date.

**Acceptable Servicing Capabilities:** Pennsylvania Higher Education Assistance Agency (PHEAA) services the entire PHEAA SLT 2013-3 portfolio. Fitch believes that PHEAA is an acceptable servicer of FFELP student loans.

### 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.

A comparison of the transaction's representations, warranties, and enforcement mechanisms (RW&Es) to those of typical RW&Es for FFELP asset-backed securities is available in the presale appendix. This presale appendix and Fitch's special report on 'Representations, Warranties, and Enforcement Mechanisms on Global Structured Finance Transactions,' may be accessed via the links provided below.

Fitch has affirmed the following:

PHEAA Student Loan Trust 2013-3:  
-- Class A at 'AAAsf'; Outlook Stable;  
-- Class B at 'AAsf'; Outlook Stable.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

**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);
- 'PHEAA Student Loan Trust 2013-3 -- Appendix' (Nov. 5, 2013);
- 'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions' (Oct. 31, 2014).

**Applicable Criteria and Related Research:**

Global Structured Finance Rating Criteria  
Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria  
PHEAA Student Loan Trust 2013-3 -- Appendix  
Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions

Additional Disclosure  
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