

30 JUN 2015 4:45 PM

Fitch Affirms PHEAA 2006-2

Fitch Ratings-New York-30 June 2015: Fitch Ratings affirms the senior and subordinate notes issued by Pennsylvania Higher Education Assistance Agency (PHEAA) 2006-2 Trust Indenture at 'AAAsf' and 'AAsf', respectively. The Rating Outlook remains Stable.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral consists of 100% of 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. Fitch currently rates the U.S. sovereign rating at 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): Credit Enhancement is provided by overcollateralization and excess spread, and for the class A notes, subordination is provided by the class B notes. As of the March 2015 distribution date, total parity is 103.8% and senior parity is 109.5%.The trust is releasing cash.

Adequate Liquidity Support: Liquidity support is provided by a reserve account sized at the greater of 0.25% of the pool balance and \$1,088,285 as of March 2015.

Acceptable Servicing Capabilities: Day-to-day servicing is

provided by PHEAA. Fitch believes PHEAA to be an acceptable servicer at this time.

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 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.

Fitch has affirmed the following ratings:

PHEAA 2006-2

- Class A-2 at 'AAAsf'; Outlook Stable;
- Class A-3 at 'AAAsf'; Outlook Stable;
- Class B note at 'AAsf'; Outlook Stable

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Additional information is available at www.fitchratings.com.

Applicable Criteria

Global Structured Finance Rating Criteria (pub. 31 Mar 2015)
(https://www.fitchratings.com/crediddesk/reports/report_frame.cfm?rpt_id=864268)

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 23 Jun 2014)
(https://www.fitchratings.com/crediddesk/reports/report_frame.cfm?rpt_id=750530)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
(https://www.fitchratings.com/crediddesk/press_releases/content/ridf_frame.cfm?pr_id=987218)

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