

Fitch Ratings

Fitch Takes Various Rating Actions on PHEAA 2006-2 Notes Ratings Endorsement Policy

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Fitch Ratings-New York-14 July 2014: Fitch Ratings takes various rating actions on the notes issued by Pennsylvania Higher Education Assistance Agency (PHEAA) - 2006-2 Trust Indenture (PA) (PHEAA 2006-2). The Rating Outlook on the notes remains Stable. A complete list of ratings is provided at the end of the release.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral is comprised 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 at 'AAA' with a Stable Outlook.

Credit Enhancement (CE): CE is provided by overcollateralization and excess spread, to the class A notes subordination by the class B notes. As of March 2014, reported senior and total parities are 109.2% and 103.5%, respectively and continue to increase. The trust is releasing cash as long as principal distribution amount is maintained

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 2014.

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 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 taken the following rating actions:

PHEAA 2006-2

- Class A-2 note affirmed at 'AAAsf'; Outlook Stable;
- Class A-3 note affirmed at 'AAAsf'; Outlook Stable;
- Class B note upgraded to 'AAsf' from 'A+sf'; Outlook Stable.

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Additional information is available at '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).

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Global Structured Finance Rating Criteria

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

Additional Disclosure

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