

FitchRatings

Fitch Affirms Pennsylvania Higher Education Assistance Agency, Series 2006-2

Notes Ratings Endorsement Policy
29 Jul 2013 2:34 PM (EDT)

Fitch Ratings-New York-29 July 2013: Fitch Ratings affirms the senior and subordinate student loan notes at 'AAAsf' and 'A+sf', respectively, issued by the Pennsylvania Higher Education Assistance Agency, 2006-2 Trust Indenture (PHEAA 2006-2). The Rating Outlook on the senior notes, which is tied to the sovereign rating of the U.S. government, remains Negative.

The collateral supporting the notes is composed of student loans originated under the Federal Family Education Loan Program (FFELP). The affirmations are based on the sufficient level of credit enhancement consisting of subordination and overcollateralization to cover the applicable risk factor stresses. The parity ratios have been steadily increasing. Senior parity is currently 108.6%, and total parity is 103.0% as of March 31, 2013. In Fitch's analysis, the notes passed the cash flows corresponding to their rating stresses.

A detailed list of rating actions follows at the end of this press release.

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.

Fitch has affirmed the following ratings:

Pennsylvania Higher Education Assistance Agency, Series 2006-2:

- Class A-2 at 'AAAsf'; Outlook Negative;
- Class A-3 at 'AAAsf'; Outlook Negative;
- Class B at '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 24, 2013);

--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (May 17, 2013).

Applicable Criteria and Related Research:

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria - Effective Apr. 7, 2011 to Apr. 3, 2012
Global Structured Finance Rating Criteria

Additional Disclosure

Solicitation Status

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