

Fitch Ratings

Fitch Affirms PHEAA 2011-1

Fitch Ratings-New York-24 February 2016: Fitch Ratings affirms the PHEAA Student Loan Trust 2011-1 (PHEAA 2011-1) notes at 'AAAsf'. 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. The current U.S. sovereign rating is 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement: CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance) and excess spread. As of November 2015, total parity is 110.29% (9.93% CE). The trust has a turbo structure, so no cash will be released until the notes are paid in full.

Adequate Liquidity Support: Liquidity support is provided by a reserve account equal to the greater of 0.25% of the Pool Balance or \$2,599,872, currently at sized at the floor as of November 2015.

Acceptable Servicing Capabilities: PHEAA is responsible for day-to-day servicing of the trust. Fitch believes PHEAA to be an acceptable servicer of FFELP student loans. On Nov. 18, 2015, Fitch released its exposure draft that delineates revisions it plans to make to the 'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria', dated June 23, 2014. Fitch has reviewed this transaction under both the existing and proposed criteria.

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, basis risk, and loan extension risk account for the majority of the risk embedded in FFELP student loan transactions. Additional defaults, basis shock beyond Fitch's published stresses, lower than expected payment speed, and other factors 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.

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158&cft=0)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 19 Dec 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=838868&cft=0)
Exposure Draft: Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 04 Dec 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=874971&cft=0)
Global Structured Finance Rating Criteria (pub. 06 Jul 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952&cft=0)
Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria (pub. 23 Jun 2014)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750530&cft=0)

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Dodd-Frank Rating Information Disclosure Form
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