

Fitch Ratings

Fitch Affirms PHEAA Student Loan Trust 2012-1 Trust; Outlook to Negative

Fitch Ratings-New York-30 September 2015: Fitch Ratings has affirmed the senior note issued by PHEAA Student Loan Trust 2012-1 at 'AAAsf'. The Rating Outlook has been revised to Negative from Stable.

The Outlook revision is due to Fitch's belief that the class A-1 note carries a heightened level of extension risk. Based on Fitch's cash flow modelling runs, the note was not paid in full by its legal final maturity date of May 25, 2027 in a stressed scenario. Under such a scenario, this may result in a technical default, although Fitch would expect ultimate repayment of full principal and interest afterwards.

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): The CE is provided by overcollateralization and future excess spread. As of August 2015 distribution period, total parity is 104.65% (4.45% CE). Excess spread must build to 1.72% of the current adjusted pool balance plus 1.89% of the original adjusted pool balance before excess cash may be released from the trust.

Adequate Liquidity Support: Liquidity support is provided by a reserve account. The reserve is sized equal to the greater of 0.25% of the outstanding notes and 0.15% of the initial note balance.

Acceptable Servicing Capabilities: Day-to-day servicing is provided by Pennsylvania Higher Education Assistance Agency (PHEAA). Fitch considers PHEAA to be an acceptable servicer of FFELP 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.

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 Student Loan Trust 2012-1:

--Class A-1 at 'AAAsf'; Outlook revised to Negative from Stable.

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Additional information is available at www.fitchratings.com.

Applicable Criteria

Global Structured Finance Rating Criteria (pub. 06 Jul 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

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)

Related Research

PHEAA Student Loan Trust 2012-1 Appendix

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=694669)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=991565)

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