

Fitch Ratings

Fitch Affirms PHEAA Student Loan Trust 2012-1 Senior Note Ratings Endorsement

Policy

13 Oct 2014 12:44 PM (EDT)

Fitch Ratings-New York-13 October 2014: Fitch Ratings has affirmed the PHEAA Student Loan Trust 2012-1 class A-1 note 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 at 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): The CE is provided by overcollateralization and future excess spread. As of August 2014, total parity is 103.63% (3.5% 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.

Contact:

Primary Analyst
Paul Jiang
Analyst
+1-212-908-9120
Fitch Ratings, Inc.
33 Whitehall St.
New York, NY 10004

Committee Chairperson
Kevin Corrigan
Senior Director
+1-212-908-1156

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

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).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

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

Additional Disclosure
Solicitation Status

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '[WWW.FITCHRATINGS.COM](http://www.fitchratings.com)'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2014 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.