

FitchRatings

Fitch Affirms Pennsylvania Higher Education Assistance Agency Series 2013-2

Ratings Endorsement Policy
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Fitch Ratings-New York-10 July 2014: Fitch Ratings affirms the notes issued by Pennsylvania Higher Education Assistance Agency Series 2013-2 at 'AAAsf'. The Rating Outlook remains Stable.

KEY RATING DRIVERS

High Collateral Quality: The collateral consists of 100% 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. 'AAA' with a Stable Outlook.

Sufficient Credit Enhancement (CE): CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance), and excess spread. As of May 2014, total parity is 103.42% (3.31% CE). Excess spread must build to 1.7% of the adjusted pool balance plus \$6,470,622 before excess cash can be released.

Adequate Liquidity Support: Liquidity support is provided by a Debt Service Reserve Fund sized at the greater of 0.25% of the pool balance and \$509,562.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency (PHEAA) is responsible for the day to day servicing of the trust. Fitch has reviewed the servicing operations of PHEAA and believes PHEAA to be an acceptable servicer of FFELP student loans.

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:

Pennsylvania Higher Education Assistance Agency Series 2013-2
--2013-2 note affirmed at 'AAAsf'; Outlook Stable

A comparison of the transaction's RW&Es to those of typical RW&Es for student loans is available by accessing the reports and links below:

--'PHEAA Student Loan Trust Series 2013-2 - Appendix', dated July 16, 2013;
--'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions Amended', dated April 17, 2012.

Contact:

Jared Smith
Analyst
+1-212-908-0371
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Committee Chairperson
Tracy Wan
Senior Director
+1-212-908-9171

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);
--'PHEAA Student Loan Trust Series 2013-2 - Appendix', dated July 16, 2013;
--'Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions -- Amended', dated April 17, 2012.

Applicable Criteria and Related Research:

Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions
PHEAA Student Loan Trust 2013-2 - Appendix
Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria
Global Structured Finance Rating Criteria

Additional Disclosure

Solicitation Status

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