

FitchRatings

Fitch Affirms PHEAA 1997 Indenture Ratings Endorsement Policy

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Fitch Ratings-New York-20 May 2014: Fitch Ratings affirms the ratings of the bonds issued by Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture for the senior and subordinate bonds at 'BBBsf' and 'Bsf', respectively. The Rating Outlook is Stable for all of the bonds.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral for the notes is comprised 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 at least 97% reinsurance of principal and accrued interest provided by the U.S. Department of Education.

Sufficient Credit Enhancement: CE is provided by overcollateralization (OC; the excess of trust's asset balance over bond balance), excess spread, and for the class A notes, subordination provided by the class B notes. As of the March 2014 distribution report, total and senior parity is 116.90% and 112.3% respectively. Although excess cash is being released from the trust, the parity remains above the release thresholds of 106% senior parity and 102% total parity.

Adequate Liquidity Support: Liquidity support is provided by a cash Debt Service Reserve Account in the amount of 32,802,247 by a surety bond provided by Ambac and a \$20 million Omnibus Reserve fund.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency and is the servicer of the portfolio, and Fitch believes that PHEAA is an acceptable servicer of FFELP student 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.

Fitch has affirmed the following ratings:

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Senior Class Notes

- 2000-1 class F-1 at 'BBBsf', Outlook Stable;
- 2000-3 class J-3 at 'BBBsf', Outlook Stable;
- 2000-3 class J-4 at 'BBBsf', Outlook Stable;
- 2001 class L-1 at 'BBBsf', Outlook Stable;
- 2001 class L-2 at 'BBBsf', Outlook Stable;
- 2002-1 class N-1 at 'BBBsf', Outlook Stable;
- 2002-1 class N-2 at 'BBBsf', Outlook Stable;
- 2002-3 class R-1 at 'BBBsf', Outlook Stable;
- 2002-4 class T-1 at 'BBBsf', Outlook Stable;
- 2002-4 class T-2 at 'BBBsf', Outlook Stable;
- 2002-4 class T-3 at 'BBBsf', Outlook Stable;
- 2002-4 class T-4 at 'BBBsf', Outlook Stable;
- 2002-4 class T-5 at 'BBBsf', Outlook Stable;
- 2002-5 class V-1 at 'BBBsf', Outlook Stable;
- 2002-5 class V-2 at 'BBBsf', Outlook Stable;
- 2002-5 class V-3 at 'BBBsf', Outlook Stable;
- 2002-5 class V-4 at 'BBBsf', Outlook Stable;

--2003-1 class W-1 at 'BBBsf', Outlook Stable;
--2003-1 class W-2 at 'BBBsf', Outlook Stable;
--2003-2 class Y-1 at 'BBBsf', Outlook Stable;
--2003-2 class Y-2 at 'BBBsf', Outlook Stable;
--2003-2 class Y-3 at 'BBBsf', Outlook Stable;
--2003-2 class Y-4 at 'BBBsf', Outlook Stable;
--2004-1 class Z-1 at 'BBBsf', Outlook Stable;
--2004-1 class Z-3 at 'BBBsf', Outlook Stable;
--2004-1 class Z-4 at 'BBBsf', Outlook Stable;
--2004-2 class AA-1 at 'BBBsf', Outlook Stable;
--2004-2 class AA-2 at 'BBBsf', Outlook Stable;
--2004-3 class BB-1 at 'BBBsf', Outlook Stable;
--2004-3 class BB-2 at 'BBBsf', Outlook Stable;
--2004-3 class BB-3 at 'BBBsf', Outlook Stable;
--2004-3 class BB-4 at 'BBBsf', Outlook Stable;
--2005-1 class CC-2 at 'BBBsf', Outlook Stable;
--2005-2 class DD-1 at 'BBBsf', Outlook Stable;
--2005-2 class DD-2 at 'BBBsf', Outlook Stable;
--2005-3 class EE-1 at 'BBBsf', Outlook Stable;
--2005-3 class EE-2 at 'BBBsf', Outlook Stable;
--2005-3 class EE-3 at 'BBBsf', Outlook Stable;
--2005-3 class EE-4 at 'BBBsf', Outlook Stable;

--2005-4 class GG-1 at 'BBBsf', Outlook Stable;
--2005-4 class GG-2 at 'BBBsf', Outlook Stable;
--2005-4 class GG-3 at 'BBBsf', Outlook Stable;
--2005-4 class GG-4 at 'BBBsf', Outlook Stable;
--2005-4 class GG-5 at 'BBBsf', Outlook Stable;
--2006-1 class HH-1 at 'BBBsf', Outlook Stable;
--2006-1 class HH-2 at 'BBBsf', Outlook Stable;
--2006-1 class HH-3 at 'BBBsf', Outlook Stable;
--2006-1 class HH-4 at 'BBBsf', Outlook Stable;
--2006-1 class HH-5 at 'BBBsf', Outlook Stable;
--2006-1 class HH-6 at 'BBBsf', Outlook Stable;
--2006-1 class HH-7 at 'BBBsf', Outlook Stable;
--2006-1 class HH-8 at 'BBBsf', Outlook Stable;
--2006-1 class HH-9 at 'BBBsf', Outlook Stable;
--2006-1 class HH-10 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-1 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-2 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-3 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-4 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-5 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-6 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-8 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-9 at 'BBBsf', Outlook Stable;
--2006-2 class JJ-10 at 'BBBsf', Outlook Stable;
--2007 class LL-2 at 'BBBsf', Outlook Stable;
--2007 class LL-3 at 'BBBsf', Outlook Stable;
--2007 class LL-4 at 'BBBsf', Outlook Stable;
--2007 class LL-5 at 'BBBsf', Outlook Stable;
--2007 class LL-6 at 'BBBsf', Outlook Stable;
--2007 class LL-7 at 'BBBsf', Outlook Stable;
--2007 class LL-8 at 'BBBsf', Outlook Stable;
--2007 class LL-9 at 'BBBsf', Outlook Stable;
--2007 class LL-10 at 'BBBsf', Outlook Stable;
--2007 class MM-1 at 'BBBsf', Outlook Stable;
--2007 class MM-2 at 'BBBsf', Outlook Stable;
--2007 class MM-3 at 'BBBsf', Outlook Stable;
--2007 class MM-4 at 'BBBsf', Outlook Stable;
--2007 class MM-6 at 'BBBsf', Outlook Stable.

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Subordinate Class Notes

--2000-1 class G at 'Bsf', Outlook Stable;
--2000-3 class K at 'Bsf', Outlook Stable;

--2001 class M at 'Bsf', Outlook Stable;
--2002-4 class U at 'Bsf', Outlook Stable;
--2003-1 class X at 'Bsf', Outlook Stable;
--2005-3 class FF at 'Bsf', Outlook Stable;
--2006-1 class II at 'Bsf', Outlook Stable;
--2007 class NN at 'Bsf', Outlook Stable.

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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:

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

Additional Disclosure

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