FitchRatings

Fitch: Pennsylvania Higher Education Assistance Agency Requests Rating Confirmation

Ratings
14 Jul 2011 11:58 AM (EDT)

Fitch Ratings-New York-14 July 2011: Fitch Ratings currently maintains ratings as listed below on the student loan revenue bonds issued from the Pennsylvania Higher Education Assistance Agency (PHEAA) trust indenture dated as of August 1, 1997, as amended and supplemented (the 1997 Trust).

PHEAA has requested that Fitch confirm the existing ratings assigned to the bonds issued under the 1997 Trust in connection with: (i) the repurchase and cancellation of certain auction rate securities (the ARS) issued under the 1997 Trust, (ii) the sale of the related student loan collateral securing such ARS and (iii) a reduction in the size of the debt service reserve fund supporting the 1997 Trust (collectively, the Refinancing).

Consistent with its statements on policies regarding rating confirmations in structured finance transactions (Jan. 13, 2009) and student loan confirmations (May 8, 2009), Fitch is treating this request as a notification. The 1997 Trust will repurchase and cancel approximately $2.3 billion of outstanding ARS. The repurchase is being affected through an optional tender offer which expired on June 21, 2011. The repurchase of ARS will take place on July 14, 2011.

Additionally, the balance of the debt service reserve fund supporting the 1997 Trust will be reduced to $32,802,247 from $53,200,000. Post reduction, the ratio of the reserve fund balance to the principal balance of outstanding securities will remain the same at approximately 0.89%.

The repurchase and cancellation of ARS, sale of related collateral and the reduction in debt service reserve fund balance will result in an increase in the total parity ratio of the 1997 Trust to at least 102% and an increase of the senior parity ratio to at least 106%.

Based on the information provided, Fitch has determined that the Refinancing will not have an impact on the existing ratings at this time. This determination only addresses the effect of the Refinancing on the current ratings assigned by Fitch to the securities listed below. This determination does not address whether the Refinancing is permitted by the terms of the transaction documents. It does not address whether the Refinancing is in the best interests of, or prejudicial to, some or all of the holders of the securities listed.

The current ratings of the bonds are as follows:

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Senior Class Notes

--1998-1 Class C 'AAA/LS-1'; Outlook Stable;
--1998-2 Class D 'AAA/LS-1'; Outlook Stable;
--2000-1 Class F-1 'AAA/LS-1'; Outlook Stable;
--2000-1 Class F-2 'AAA/LS-1'; Outlook Stable;
--2000-2 Class H 'AAA/LS-1'; Outlook Stable;
--2000-3 Class J-2 'AAA/LS-1'; Outlook Stable;
--2000-3 Class J-3 'AAA/LS-1'; Outlook Stable;
--2000-3 Class J-4 'AAA/LS-1'; Outlook Stable;
--2001 Class L-1 'AAA/LS-1'; Outlook Stable;
--2001 Class L-2 'AAA/LS-1'; Outlook Stable;
--2002-1 Class N-1 'AAA/LS-1'; Outlook Stable;
--2002-1 Class N-2 'AAA/LS-1'; Outlook Stable;
--2002-3 Class R-1 'AAA/LS-1'; Outlook Stable;
--2002-3 Class R-2 'AAA/LS-1'; Outlook Stable;
--2002-4 Class T-1 'AAA/LS-1'; Outlook Stable;
--2002-4 Class T-2 'AAA/LS-1'; Outlook Stable;
--2002-4 Class T-3 'AAA/LS-1'; Outlook Stable;
--2002-4 Class T-4 'AAA/LS-1'; Outlook Stable;
--2002-4 Class T-5 'AAA/LS-1'; Outlook Stable;
--2002-5 Class V-1 'AAA/LS-1'; Outlook Stable;

--2002-5 Class V-2 'AAA/LS-1'; Outlook Stable;
--2002-5 Class V-3 'AAA/LS-1'; Outlook Stable;
--2002-5 Class V-4 'AAA/LS-1'; Outlook Stable;
--2003-1 Class W-1 'AAA/LS-1'; Outlook Stable;
--2003-1 Class W-2 'AAA/LS-1'; Outlook Stable;
--2003-2 Class Y-1 'AAA/LS-1'; Outlook Stable;
--2003-2 Class Y-2 'AAA/LS-1'; Outlook Stable;
--2003-2 Class Y-3 'AAA/LS-1'; Outlook Stable;
--2003-2 Class Y-4 'AAA/LS-1'; Outlook Stable;
--2004-1 Class Z-1 'AAA/LS-1'; Outlook Stable;
--2004-1 Class Z-3 'AAA/LS-1'; Outlook Stable;
--2004-1 Class Z-4 'AAA/LS-1'; Outlook Stable;
--2004-2 Class AA-1 'AAA/LS-1'; Outlook Stable;
--2004-2 Class AA-2 'AAA/LS-1'; Outlook Stable;
--2004-3 Class BB-1 'AAA/LS-1'; Outlook Stable;
--2004-3 Class BB-2 'AAA/LS-1'; Outlook Stable;
--2004-3 Class BB-3 'AAA/LS-1'; Outlook Stable;
--2004-3 Class BB-4 'AAA/LS-1'; Outlook Stable;
--2005-1 Class CC-2 'AAA/LS-1'; Outlook Stable;
--2005-1 Class CC-3 'AAA/LS-1'; Outlook Stable;
--2005-2 Class DD-1 'AAA/LS-1'; Outlook Stable;
--2005-2 Class DD-2 'AAA/LS-1'; Outlook Stable;
--2005-3 Class EE-1 'AAA/LS-1'; Outlook Stable;
--2005-3 Class EE-2 'AAA/LS-1'; Outlook Stable;
--2005-3 Class EE-3 'AAA/LS-1'; Outlook Stable;
--2005-3 Class EE-4 'AAA/LS-1'; Outlook Stable;
--2005-4 Class GG-1 'AAA/LS-1'; Outlook Stable;
--2005-4 Class GG-2 'AAA/LS-1'; Outlook Stable;
--2005-4 Class GG-3 'AAA/LS-1'; Outlook Stable;
--2005-4 Class GG-4 'AAA/LS-1'; Outlook Stable;
--2005-4 Class GG-5 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-1 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-2 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-3 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-4 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-5 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-6 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-7 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-8 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-9 'AAA/LS-1'; Outlook Stable;
--2006-1 Class HH-10 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-1 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-2 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-3 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-4 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-5 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-6 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-7 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-8 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-9 'AAA/LS-1'; Outlook Stable;
--2006-2 Class JJ-10 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-1 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-2 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-3 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-4 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-5 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-6 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-7 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-8 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-9 'AAA/LS-1'; Outlook Stable;
--2007 Class LL-10 'AAA/LS-1'; Outlook Stable;
--2007 Class MM-1 'AAA/LS-1'; Outlook Stable;
--2007 Class MM-2 'AAA/LS-1'; Outlook Stable;
--2007 Class MM-3 'AAA/LS-1'; Outlook Stable;
--2007 Class MM-4 'AAA/LS-1'; Outlook Stable;
--2007 Class MM-5 'AAA/LS-1'; Outlook Stable;

--2007 Class MM-6 'AAA/LS-1'; Outlook Stable;

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Subordinate Class Notes

--2000-1 Class G 'BBB-/LS-3'; Outlook Stable;
--2000-3 Class K 'BBB-/LS-3'; Outlook Stable;
--2001 Class M 'BBB-/LS-3'; Outlook Stable;
--2002-1 Class O 'BBB-/LS-3'; Outlook Stable;
--2002-4 Class U 'BBB-/LS-3'; Outlook Stable;
--2003-1 Class X 'BBB-/LS-3'; Outlook Stable;
--2005-3 Class FF 'BBB-/LS-3'; Outlook Stable;
--2006-1 Class II 'BBB-/LS-3'; Outlook Stable;
--2006-2 Class KK 'BBB-/LS-3'; Outlook Stable; and
--2007 Class NN 'BBB-/LS-3'; Outlook Stable.

The following bonds will be paid in full as a result of the repurchase:

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Senior Class Notes

--1997 Class A;
--2000-1 Class F-3;
--2000-3 Class J-1;
--2002-2 Class P-1;
--2002-2 Class P-2;
--2004-1 Class Z-2;
--2004-2 Class AA-3;
--2005-1 Class CC-1;
--2005-4 Class GG-6;

Pennsylvania Higher Education Assistance Agency 1997 Trust Indenture Subordinate Class Notes

--1997 Class B;
--1998-2 Class E;
--2000-2 Class I;
--2002-2 Class Q; and
--2002-3 Class S.

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Applicable Criteria and Related Research:
--'Global Structured Finance Rating Criteria' (Aug. 13, 2010);
--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (April 10, 2011).

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

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