

FITCH RATES PHEAA STUDENT LOAN TRUST 2014-3; CONFIRMS PHEAA 1997 TRUST RATINGS

Fitch Ratings-New York-18 September 2014: Fitch Ratings rates PHEAA Student Loan Trust 2014-3 as follows:

--\$631,100,000 floating rate class A notes 'AAAsf'; Outlook Stable;
--\$15,600,000 floating rate class B notes 'Asf'; Outlook Stable.

KEY RATING DRIVERS

High Collateral Quality: The trust collateral consists entirely of Federal Family Education Loan Program (FFELP) loans. Although the trust is consists of 17.5% of rehabilitated FFELP loans, guarantees provided by eligible guarantors and reinsurance provided by the U.S. Department of Education (ED) will cover at least 97% of principal and accrued interest. Fitch's current U.S. sovereign rating is 'AAA' with a Stable Rating Outlook.

Sufficient Credit Enhancement: Cash flow scenarios for class A and B notes were satisfactory under Fitch's corresponding stresses. At closing, total parity is 101.00% and senior parity is 103.50%. Total credit enhancement (CE) is provided by overcollateralization (OC; about \$6.5 million at closing), excess spread and, in the case of the class A notes, a 2.40% subordination provided by the class B notes. A target OC amount (or specified OC amount) equal to the greater of 1.54% of the current adjusted pool balance and \$6.505 million must be met before excess cash can be released from the trust.

Adequate Liquidity Support: Liquidity support for PHEAA SLT 2014-3 notes is provided by a \$1.63 million reserve account (0.25% of the pool balance) funded at closing with note proceeds.

Acceptable Servicing Capabilities: Pennsylvania Higher Education Assistance Agency (PHEAA) will service the entire PHEAA SLT 2014-3 portfolio. Fitch believes that PHEAA is an acceptable servicer of FFELP student loans.

RATING SENSITIVITY

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.

Key Rating Drivers and Rating Sensitivities are further described in the updated presale report titled 'PHEAA Student Loan Trust 2014-3', dated Sept. 2, 2014 available on www.fitchratings.com, or by clicking on the link.

Additionally, Fitch confirms the existing ratings assigned to the bonds issued under the 1997 Trust in connection with the sale of approximately \$150 million student loan collateral from the trust, which will exceed the loans remaining in the 20% Selected Loan Pool as defined by the 40th Supplemental Indenture of the 1997 Indenture. The loans will be purchased by bond proceeds from the PHEAA

2014-3 issuance and the proceeds will remain in the PHEAA 1997 revenue trust account for next distribution.

Contact:

Primary Analyst
Autumn Mascio
Director
+1-212-908-0896
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Harry Kohl
Associate Director
+1-212-908-0837

Committee Chairperson
Steven Stubbs
Senior Director
+1-212-908-0676

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' (August 2014);
- 'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (April 2014).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=754389

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

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708795

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'. 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.