



Moody's Investors Service

Global Credit Research  
Rating Action  
6 FEB 2009

**Rating Action: Pennsylvania Higher Education Assistance Agency (1988 Indenture - Remarketing 1988 Series A)**

**Moody's downgrades fifteen series of PHEAA variable rate demand student loan revenue bond**

**Approximately \$1.8 billion of asset-backed securities affected**

New York, February 06, 2009 -- Moody's Investors Service completed its review of the underlying ratings of fifteen series of bonds from fourteen trusts issued by Pennsylvania Higher Education Assistance Agency. The bonds are guaranteed by Ambac Assurance Corporation or Financial Security Assurance, Inc (FSA), whose insurance financial strength ratings are Baa1 and Aa3 respectively with a developing outlook.

According to Moody's policy, securities insured by financial guarantors are rated at the higher of the guarantor's insurance financial strength rating and the underlying rating, which reflects the intrinsic credit quality of the bonds in the absence of the guarantee.

The Baa1 and Aa3 ratings assigned to the bonds are based on the financial guaranty insurance policy issued by Ambac Assurance Corporation and Financial Security Assurance Inc., respectively, which unconditionally and irrevocably guarantee timely payment of interest and the ultimate repayment of principal on the maturity date of the bonds.

All trusts are funded by Variable Rate Demand Notes (VRDN) and have experienced significant excess spread compression due to the prolonged and continued market dislocation. As of September 30, 2008, almost all bonds guaranteed by Ambac were put back to the liquidity banks and a portion of FSA guaranteed bonds were put back to the liquidity banks. At the bank rate, the trusts are expected to generate significantly negative excess spread.

As of September 30, 2008, the total parity (the ratio of total assets to total liabilities) was 101.82%, 103.86%, 104.89%, 110.34%, 103.37%, 103.08%, 105.06%, 104.27%, 103.87%, 103.91%, 104.66%, 106.05%, 98.99% and 99.07% for the 1988 A, 1988B, 1988C, 1988E, 1994A, 1997A, 2000A, 2001A, 2001B, 2002A, 2002B, 2003A, 2006A and 2007A indentures, respectively.

Other methodologies and factors that may have been considered in the process of rating this issue can also be found at [www.moodys.com](http://www.moodys.com) in the Credit Policy & Methodologies directory.

The complete rating actions are as follows:

Issuer: Pennsylvania Higher Education Assistance Agency (1988 Indenture - Remarketing 1988 Series A)

Student Loan Revenue Bonds, Series 1988A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (1988 Indenture - Remarketing 1988 Series B)

Student Loan Revenue Bonds, Series 1988B, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (July 1, 1998 Indenture - Remarketing 1988 Series C)

Student Loan Revenue Bonds, Series 1988C, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (December 30, 1988 Indenture - Remarketing 1988 Series E)

Student Loan Revenue Bonds, Series 1988E, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (1994 Indenture - Remarketed 1994 Series A)

Student Loan Revenue Bonds, Series 1994A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (March 1, 1997 Indenture - Remarketing 1997 Series A)

Student Loan Revenue Bonds, Series 1997A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (2000 Indenture - First Issuance)

Student Loan Revenue Bonds, Series 2000A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency, 2001 Series A

Student Loan Revenue Bonds, Series 2001A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency, 2001 Series B (2001 Indenture - First Issuance)

Student Loan Revenue Bonds, Series 2001B, Downgraded to Aa3; previously on Jul 21, 2008, Aaa Placed Under Review for Possible Downgrade;

Financial Guarantor: Financial Security Assurance, Inc. (Aa3)

Issuer: Pennsylvania Higher Education Assistance Agency, 2002 Series A (2002 Indenture - First issuance)

Student Loan Revenue Bonds, Series 2002A, Downgraded to Aa3; previously on Jul 21, 2008, Aaa Placed Under Review for Possible Downgrade;

Financial Guarantor: Financial Security Assurance, Inc. (Aa3)

Issuer: Pennsylvania Higher Education Assistance Agency Series 2002 B

Student Loan Revenue Bonds, Series 2002B, Downgraded to Aa3; previously on Jul 21, 2008, Aaa Placed Under Review for Possible Downgrade;

Financial Guarantor: Financial Security Assurance, Inc. (Aa3)

Issuer: Pennsylvania Higher Education Assistance Agency (2003 Indenture)

Student Loan Revenue Bonds, Series 2003A-1, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Student Loan Revenue Bonds, Series 2003A-2, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (2006 Indenture)

Student Loan Revenue Bonds, Series 2006A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

Issuer: Pennsylvania Higher Education Assistance Agency (2007-A Indenture)

Student Loan Revenue Bonds, Series 2007A, Downgraded to Baa1; previously on Nov 17, 2008, Aa3 Placed Under Review with Direction Uncertain;

Financial Guarantor: Ambac Assurance Corporation (Baa1)

For more information please see [www. Moodys.com](http://www.Moodys.com)

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