

**Rating Action: Pennsylvania Higher Education Assistance Agency (1999 Indenture - First Issuance)**

**Moody's publishes underlying rating and affirms short term rating of bonds issued by Pennsylvania Higher Education Assistance Agency**

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New York, May 09, 2008 -- Moody's Investors Service announced today that it has published, at the issuer's request, the underlying rating on the bonds below that are guaranteed by Ambac Assurance Corp. (AMBAC). In addition Moody's has affirmed the short term rating of VMIG 1 on the bonds in connection with the execution of amendment to the standby bond purchase agreement (SBPA) provided by Morgan Stanley Bank effective May 9, 2008.

The underlying rating reflects the intrinsic credit quality of the bonds in the absence of the guarantee. The current rating on the bonds below is consistent with Moody's practice of rating insured securities at the higher of the guarantor's insurance financial strength rating and any underlying rating that is public.

The determination of the underlying ratings considered qualitative and quantitative factors, including structural features of the transaction. In particular, Moody's analysis included the consideration of features such as control party discretionary actions which could affect cash flow allocations across the various investor interests in the affected transactions and the quality of the Federal Family Education Loan Program (FFELP) student loan collateral supporting the transaction and expected overcollateralization of 3%.

The short-term rating of VMIG-1 is now based on the combination of the P-1 rating of Morgan Stanley Bank, the insurance financial strength rating of AMBAC and the underlying ratings.

The automatic termination events under which Morgan Stanley Bank can immediately terminate its obligations to purchase the bonds without notice have been amended to include only the following events of default under the standby purchase agreement: (1) any principal or interest due on the bonds is not paid by the issuer when due and such principal or interest is not paid by the insurer, as, and in the amounts required to be paid pursuant to the terms of the insurer's financial guarantee insurance policy (Policy); (2) a declaration in writing by the insurer of a moratorium on the payment of principal and interest on the Policy and declaration in writing by the issuer of a moratorium on the payment of principal and interest on the bonds; (3) the occurrence of one or more of the following events with respect to both the issuer and the insurer: (A) the issuance of an order of rehabilitation, liquidation or dissolution of such person, (B) the commencement by such person of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law including the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property, (C) the commencement against such person of any involuntary case seeking relief referred to in (B), which case or proceeding shall not have been dismissed within 60 days following the commencement thereof, (D) an assignment by such person for the benefit of the creditors, (E) the inability or failure or any admission of its inability to pay its debts or claims when due, or (F) any action by such person authorizing or indicating its consent to any of the foregoing; (4) the occurrence of both (A) any final and non-appealable determination by any court, arbitrator or governmental authority with jurisdiction to rule that any material provision of the Policy is not valid and binding on the insurer, and (B) any final and non-appealable determination by any court, arbitrator or governmental authority with jurisdiction to rule that any material provision of the indenture is not valid and binding on the insurer; and (5) the cancellation or modification of the Policy without Morgan Stanley Bank's consent; and (6) the downgrade of all of the publicly available credit ratings on the bonds below investment grade

The complete rating action is as follows:

Issuer: Pennsylvania Higher Education Assistance Agency

Class Description: Student Loan Adjustable Rate Revenue Bonds, 1999 Series A

Current Rating: Aaa

Financial Guarantor: Ambac Assurance Corporation (Aaa)

Liquidity Provider: Morgan Stanley Bank (P-1)

Underlying Rating: Aaa

Short Term Rating Affirmed: VMIG 1

In a process outlined by Moody's on February 20, 2008, Moody's will publish underlying ratings at the issuer's request.

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