Moody's Investors Service

Global Credit Research
Rating Action
6 FEB 2009

Rating Action: Pennsylvania Higher Education Assistance Agency Series 2002 B

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 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

New York
Irina Faynzilberg
VP - Senior Credit Officer
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
JingJing Dang
Associate Analyst
Structured Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY

AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."