

# Market Insights

## Sector Intelligence | U.S. Student Loan ABS

Feb. 22, 2023

Editor's note: On March 9, 2023, we updated the data in chart 14.

This report does not constitute a rating action.

### Key Takeaways

- Performance for private student loan (PSL) in-school (post-2010) transactions has been solid, but we anticipate some stress to borrowers if inflation remains high and unemployment increases. However, we expect performance on these transactions--which are heavily co-signed and are high-investment-grade rated--to remain stable.
- PSL refinancing transactions may be impacted by slower prepayments, higher inflation, and unemployment, but solid loan performance, coupled with these borrowers' strong credit profiles, should allow for some deterioration without any impact to ratings.
- Most of the PSL state authority (and state-affiliated) lenders have been making student loans for many years and have diligently maintained their underwriting guidelines, leading to consistent loan performance. Additionally, many of these entities issue from master trust structures, which we believe partially insulate the bonds from deterioration in macroeconomic factors because of the issuers' ability to adjust credit profiles, capital structures, and credit enhancement with annual issuances.
- We continue to monitor our ratings on Federal Family Education Loan Program (FFELP) transactions, focusing on payment rates. We believe the credit quality of FFELP student loan ABS will remain stable due to the U.S. government's guarantee on the underlying loans.

### CONTENTS

Private Student Loan In-School (Post-2010)	2
Private Student Loan Refinancing	3
Private Student Loan State Authorities	5
Private Student Loan Legacy (Pre-2009)	6
Federal Family Education Loan Program	7

### Recent Student Loan Articles

[FFELP Student Loan ABS LIBOR Transition: An Evolving Situation](#), Nov. 7, 2022

[U.S. Private Student Loan ABS LIBOR Transition: Minimal Negative Credit Impact Expected](#), Oct. 6, 2022

[Student Loan Forgiveness Expected To Have Minimal Impact On ABS Ratings](#), Oct. 3, 2022

## U.S. Student Loan ABS At A Glance

Ratings actions |  
full-year 2022

**120** Upgrades

**540** Affirmations

**21** Downgrades

**416**

Total rated transactions

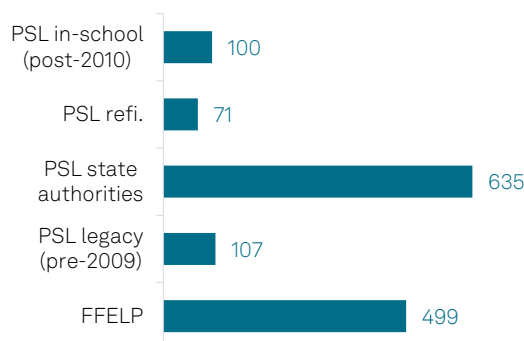
**\$83.59 bil.**

Total rated note balance

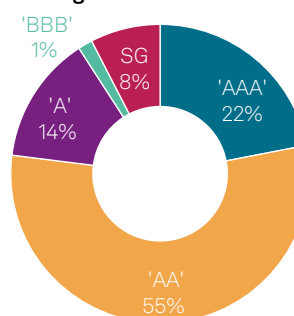
**1,412**

Total rated classes

#### Rated bonds by collateral type (no.)



#### Ratings distribution



ABS--Asset-backed securities. PSL--Private student loan. Refi.--Refinancing. No.--Number. FFELP--Federal Family Education Loan Program. SG--Speculative grade. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

U.S. student loan asset-backed securities (ABS) ratings performance in 2022 was stable. Loan performance in the private student loan (PSL) segment has been strong. Sticky inflation and forecasts for rising unemployment may disrupt the strong performance but the mostly high-investment-grade ABS ratings are supported by adequate credit enhancement that should be able to absorb some deterioration and remain stable. Speculative-grade ratings in the PSL legacy (pre-2009) segment will likely be pressured further in a weakening economy. Federal Family Education Loan Program (FFELP) loan performance has been stable from a credit perspective due to the U.S. government's guarantee on the underlying collateral. Slower payment rates resulting from income-based repayment plans has impacted some FFELP student loan ABS ratings. Although this will likely continue in 2023, most of the classes rated by S&P Global Ratings have long-dated legal final maturities to help mitigate this risk.

## PSL In-School (Post-2010) Transactions

Performance for PSL in-school (post-2010) transactions has been solid, but we anticipate some stress to borrowers if inflation remains high and unemployment increases. However, we expect performance on these transactions--which are heavily co-signed and are high-investment-grade rated--to remain stable.

Charts 1 and 2 detail ratings performance for PSL in-school (post-2010) transactions.

Chart 1

PSL In-School (Post-2010)  
Transactions - Rating Actions |  
Full-Year 2022

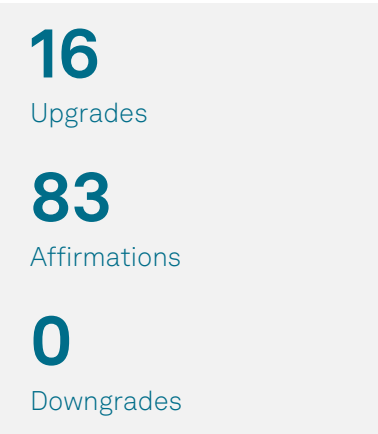
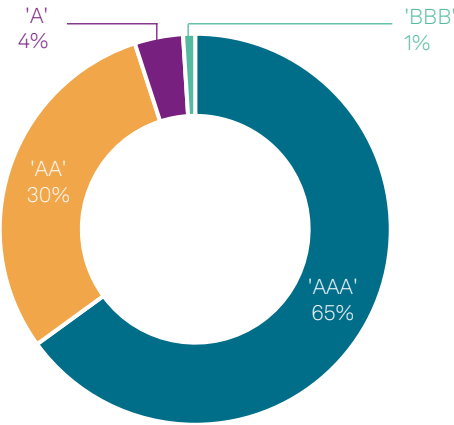


Chart 2

PSL In-School (Post-2010) Transactions -  
Ratings Distribution

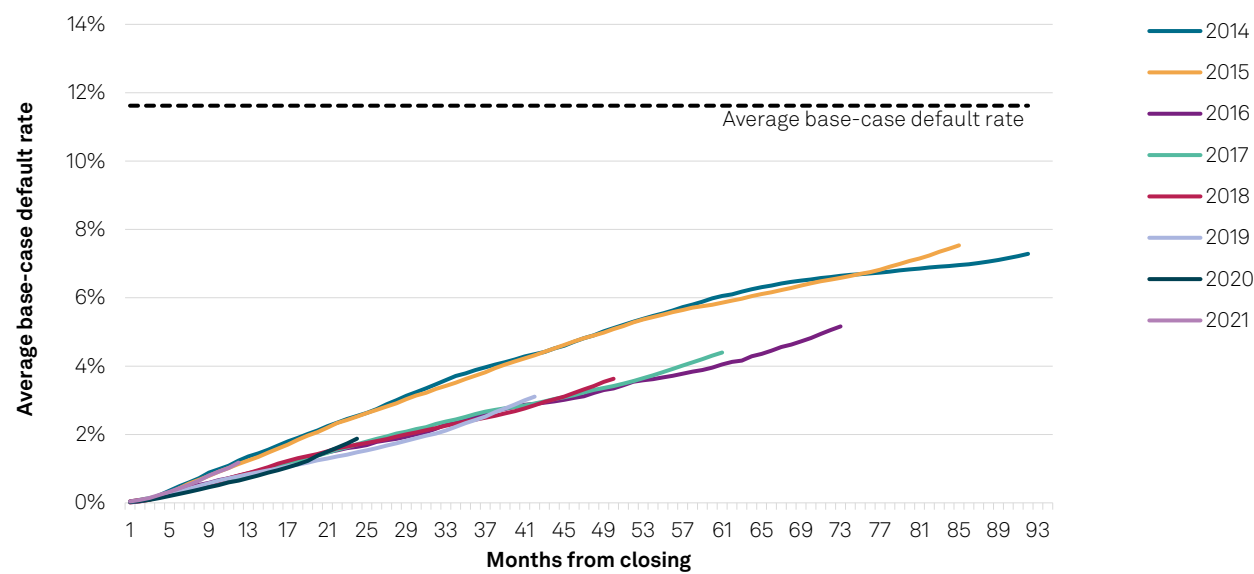


Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Chart 3 details cumulative defaults by vintage for PSL in-school (post-2010) transactions.

Chart 3

PSL In-School (Post-2010) Transactions - Cumulative Defaults By Vintage(i)



(i) Cumulative default data included from the three major issuers: College Avenue Student Loan, Navient Private Education Loan Trust, and SMB Private Education Loan Trust. Average S&P Global Ratings base-case default rate for transactions closed in 2021. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

## PSL Refinancing Transactions

PSL refinancing transactions may be impacted by slower prepayments, higher inflation, and unemployment, but solid loan performance, coupled with these borrowers' strong credit profiles, should allow for some deterioration without any impact to ratings.

Charts 4 and 5 detail ratings performance for PSL refinancing transactions.

Chart 4

PSL Refinancing Transactions - Rating Actions | Full-Year 2022

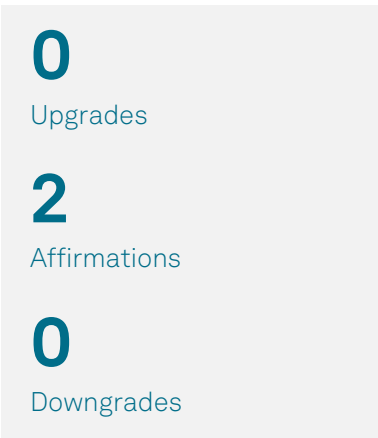
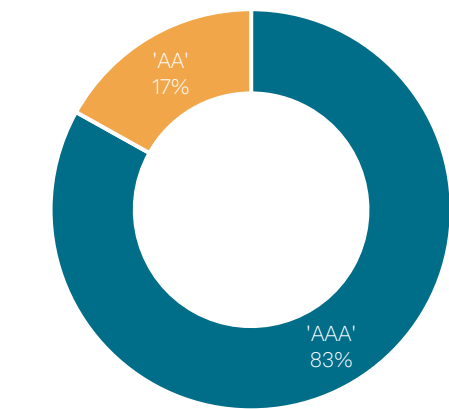


Chart 5

PSL Refinancing Transactions - Ratings Distribution

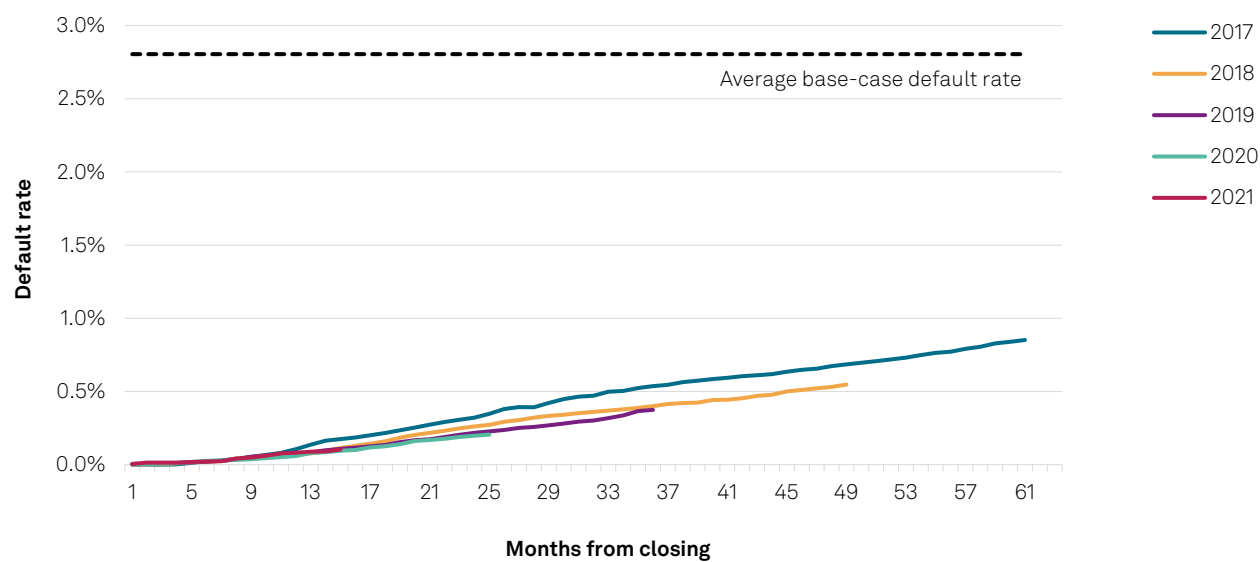


Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Charts 6 and 7 detail cumulative defaults by vintage for PSL refinancing transactions.

Chart 6

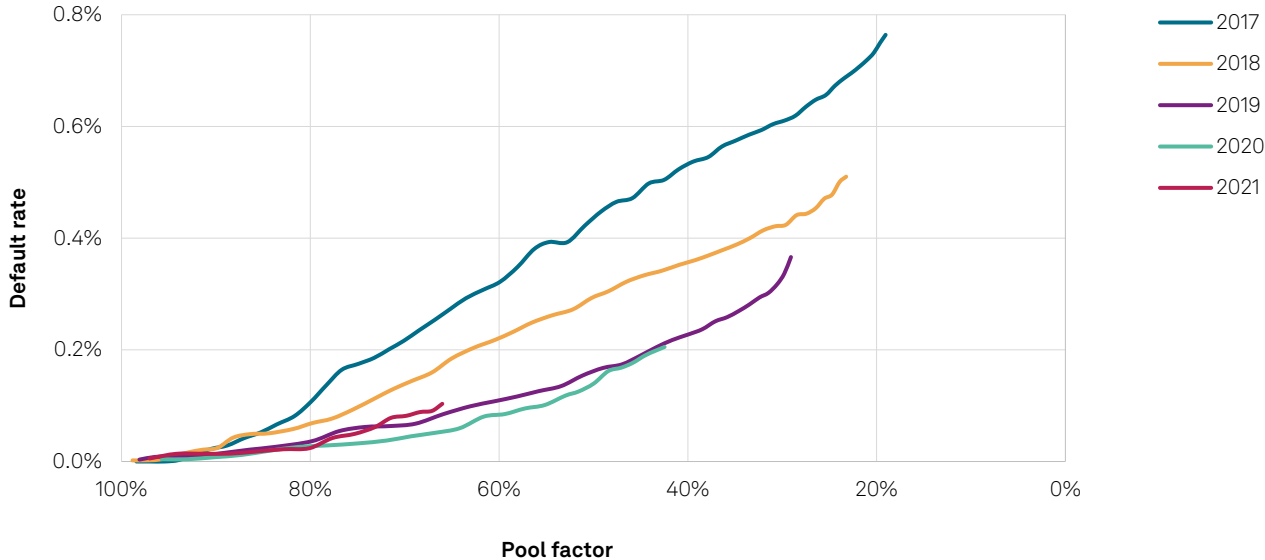
PSL Refinancing Transactions - Cumulative Defaults By Vintage(i)



(i) Average S&P Global Ratings base-case default rate of transactions closed in 2021. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Chart 7

PSL Refinancing Transactions - Default Rate Analysis By Pool Factor(i)



(i) Cumulative default data included from the three major issuers: Laurel Road Prime Student Loan Trust, Navient Private Education Refi Loan Trust, and SoFi Professional Loan Program. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

## PSL State Authorities

Most of the PSL state authority (and state-affiliated) lenders have been making student loans for many years and have diligently maintained their underwriting guidelines, leading to consistent loan performance. Additionally, many of these entities issue from master trust structures, which we believe partially insulate the bonds from deterioration in macroeconomic factors because of the issuers' ability to adjust credit profiles, capital structures, and credit enhancement with annual issuances.

Charts 8 and 9 detail ratings performance for PSL state authority transactions.

Chart 8

PSL State Authorities - Rating Actions | Full-Year 2022

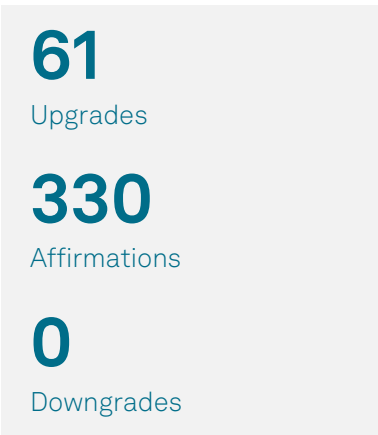
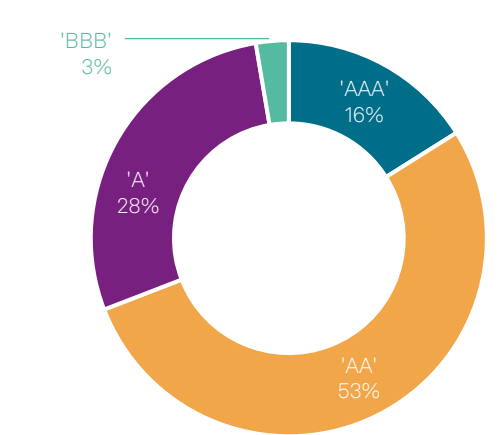


Chart 9

PSL State Authorities - Ratings Distribution


















Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Chart 10 details S&P Global Ratings' base-case default assumptions for issuers in the PSL state authorities segment.

Chart 10

PSL State Authorities – Base-Case Default Rate (%)<sup>(i)</sup>

	2.3	Glendale Industrial Development Authority		3.8	Brazos Higher Education Authority Inc.
	2.3	Illinois Finance Authority			
	15.0	Minnesota Office of Higher Education		8.0	Iowa Student Loan Liquidity Corp.
	11.5	Indiana Secondary Market for Education Loans Inc.		11.5	Kentucky Higher Education Student Loan Corp.
	16.0	North Carolina State Education Assistance Authority		16.5	South Carolina Student Loan Corp.
	12.5	Pennsylvania Higher Education Assistance Agency		7.5	New Jersey Higher Education Student Assistance Authority
	7.1	Vermont Student Assistance Corp.		5.6	EDvestinU Private Education Loan LLC
	6.0	Massachusetts Educational Financing Authority		6.0	Rhode Island Student Loan Authority

<sup>(i)</sup>The S&P Global Ratings base-case default rates are from the last transaction for each of the issuers. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

## PSL Legacy (Pre-2009) Transactions

Ratings for PSL legacy (pre-2009) transactions are reflective of poor loan performance early in the transaction's life cycle. Upgrades during 2022 were typically current-pay senior note classes close to being paid off. Speculative grade ratings will continue to dominate this segment.

Charts 11 and 12 detail ratings performance for PSL legacy (pre-2009) transactions.

Chart 11

PSL Legacy (Pre-2009)  
Transactions - Rating  
Actions | Full-Year 2022

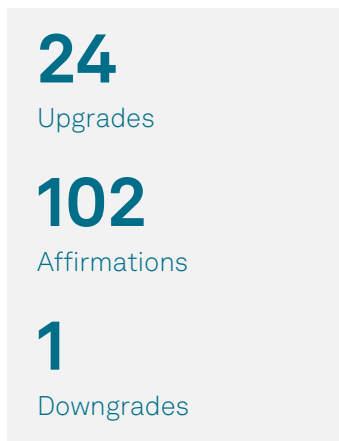
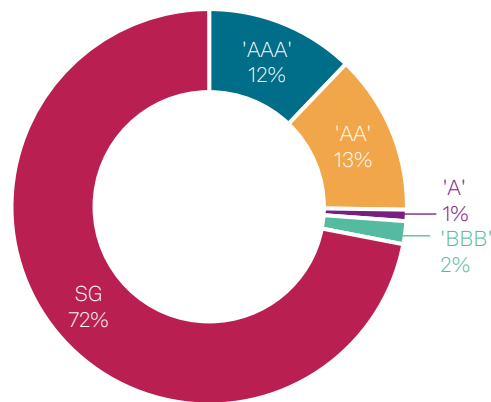


Chart 12

PSL Legacy (Pre-2009) Transactions -  
Ratings Distribution

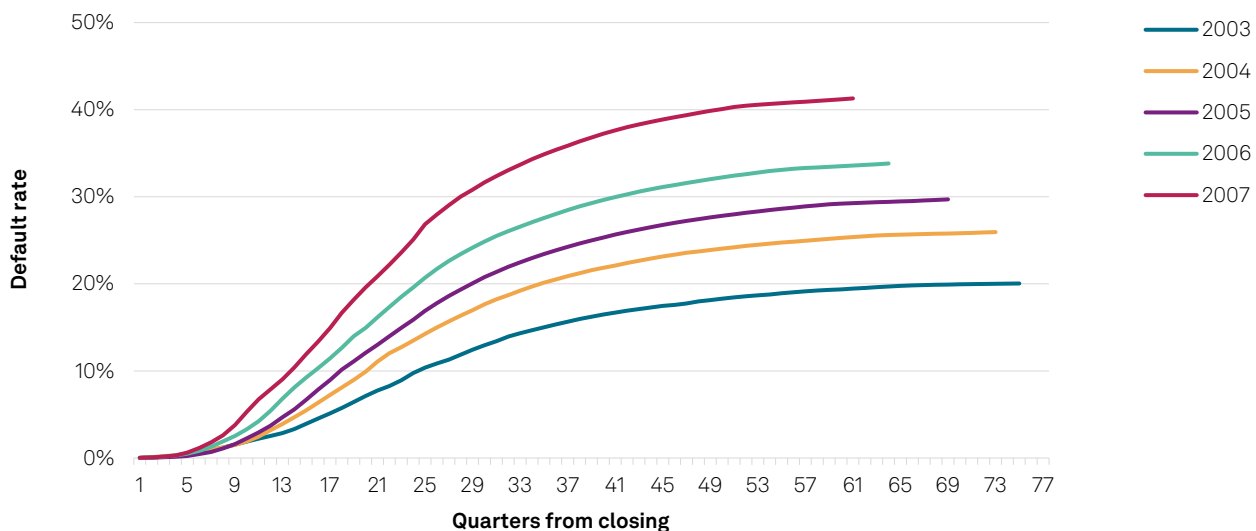


SG--Speculative grade. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Chart 13 details cumulative defaults by vintage for PSL legacy (pre-2009) transactions.

Chart 13

PSL Legacy (Pre-2009) Transactions - Cumulative Defaults By Vintage(i)



(i) Cumulative default data included from the two major issuers: National Collegiate Student Loan Trust and SLM Private Credit Student Loan Trust. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

## FFELP Transactions

We continue to monitor our ratings on FFELP transactions, focusing on payment rates. We believe the credit quality of FFELP student loan ABS will remain stable due to the U.S. government's guarantee on the underlying loans. In 2022, prepayments due to borrower consolidation into the federal Direct Loan program have been high. Bonds with longer-dated maturities benefit most as the FFELP loans continue to move towards full amortization.

Charts 14 and 15 detail ratings performance for FFELP transactions.

Chart 14

FFELP Transactions - Rating Actions | Full-Year 2022

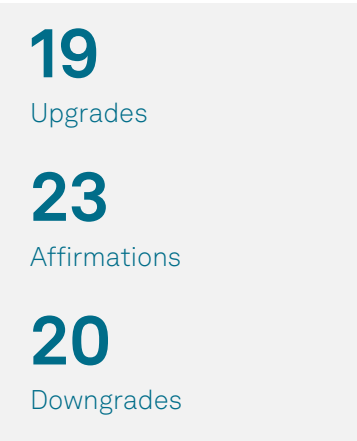
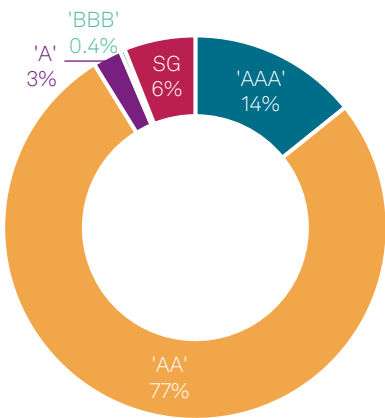


Chart 15

FFELP Transactions - Ratings Distribution



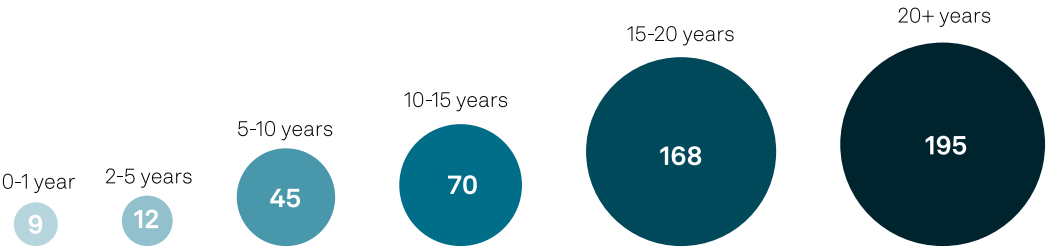
SG--Speculative grade. Data as of Jan. 31, 2023. Source: S&P Global Ratings.

Chart 16 shows the maturity profiles for FFELP classes rated by S&P Global Ratings.

Chart 16

FFELP Transactions - Maturity Profile (No. Of Bonds)(i)

Of the total FFELP classes rated by S&P Global Ratings, 94% have maturities beyond seven years.



(i)The dataset shown above comprises all of the FFELP transactions that are rated by S&P Global Ratings. No.--Number. As of Jan. 31, 2023. Source: S&P Global Ratings.

## Analytical Contacts

**Mark O'Neil**

New York  
mark.o'neil@spglobal.com

**John Anglim**

New York  
john.anglim@spglobal.com

**Shane Franciscovich**

New York  
shane.franciscovich@spglobal.com

## Research Contributors

**Aakansha Khandelwal**

Mumbai

**Rahul Joshi**

Mumbai

**Sushmita Murai**

Pune

**Amey Patale**

Mumbai

**Deegant Pandya**

New York

**Bushra Dawawala**

Mumbai

## Investor Contact

**Kieran McShane**

New York  
kieran.mcshane@spglobal.com

## Media Contact

**Jeff Sexton**

New York  
jeff.sexton@spglobal.com



Copyright 2023 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge) and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/ratings/usratingsfees](http://www.spglobal.com/ratings/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.