



## Fitch Rates Vermont Student Assistance Corporation Series 2017

Fitch Ratings-New York-15 June 2017: Fitch Ratings assigns the following ratings to the Vermont Student Assistance Corporation education loan revenue bonds series 2017 under the 2012 master trust:

--\$2,400,000 2017A 2022 'Asf'; Outlook Stable;  
--\$3,150,000 2017A 2023 'Asf'; Outlook Stable;  
--\$3,350,000 2017A 2024 'Asf'; Outlook Stable;  
--\$3,450,000 2017A 2025 'Asf'; Outlook Stable;  
--\$3,700,000 2017A 2026 'Asf'; Outlook Stable;  
--\$3,900,000 2017A 2027 'Asf'; Outlook Stable;  
--\$4,200,000 2017A 2028 'Asf'; Outlook Stable;  
--\$4,200,000 2017A 2029 'Asf'; Outlook Stable;  
--\$4,200,000 2017A 2030 'Asf'; Outlook Stable;  
--\$3,800,000 2017A 2031 'Asf'; Outlook Stable;  
--\$3,300,000 2017A 2032 'Asf'; Outlook Stable;  
--\$2,655,000 2017A 2033 'Asf'; Outlook Stable;  
--\$8,100,000 2017B 2045 'BBBsf'; Outlook Stable.

Fitch has also affirmed the ratings of the existing bonds: senior series 2012A, senior series 2013A, and senior series 2016A issued under the 2012 master trust indenture at 'Asf'; Outlook Stable.

### KEY RATING DRIVERS

**Collateral Quality:** The master trust will be collateralized by approximately \$69.8 million of existing and \$52.4 million of new fixed-rate private student loans to be originated from deal closing through June 15, 2018. The private student loans have been or will be originated under VSAC's Student Advantage and Parent Advantage Loan Programs. All loans under both programs require a minimum FICO of 680, and the all loans under the

Student Advantage Loan program require a co-signer.

Fitch assumed base case default rates of 6.0%, 9.0%, and 15.5% for the immediate repayment, interest only, and deferred repayment loans, respectively. Fitch applied a stress multiple of approximately 2.7x and 1.8x at the 'Asf' and 'BBBsf' stress levels, respectively, reflecting mainly the limited historical data available, the geographic concentration and the absolute level of the base case defaults. A recovery rate of 20% is assumed based on VSAC's recovery history on its variable and fixed-rate private student loan programs.

Credit Enhancement (CE): Transaction cash flows were satisfactory under all stressed scenarios at Fitch's 'Asf' rating category for the class A bonds and 'BBBsf' rating category for the class B bonds. CE is provided by overcollateralization (OC; the excess of trust's total assets over total liabilities), excess spread, and for the class A bonds, the subordination of the class B bonds. The interest payment to the class B bonds will be suspended if the senior parity ratio drops below 90%.

At closing, the senior parity ratio (total assets to senior liabilities) will be 133.97%, and the total parity ratio (total assets to total liabilities) will be 123.51%. Cash can be released to the issuer when the senior parity ratio reaches 136% and the total parity reaches 130%.

Liquidity Support: At closing, liquidity support will be provided by a \$2.9 million capitalized interest fund and a \$2.2 million reserve fund, covering at least six months of note interest and senior fees. The capitalized interest fund will step down gradually to \$0 on Dec. 15, 2020. The reserve fund will be maintained at the greater of 2% of the outstanding note balance and \$300,000.

Servicing Capabilities: VSAC will service the entire trust portfolio. VSAC has been originating and servicing its private student loans since 1998 and, as a not-for-profit, quasi-state agency, VSAC has more collection tools at its disposal than the for-profit issuers. Fitch believes VSAC is an acceptable servicer for the trust portfolio.

## RATING SENSITIVITIES

As Fitch's base case default proxy is derived primarily from historical collateral performance, actual performance may differ from the expected performance, resulting in higher loss levels than the base case. This will result in a decline in available CE and the remaining loss coverage levels available to the notes. Therefore, note ratings may be susceptible to potential negative rating actions depending on the extent of the decline in the coverage.

## DUE DILIGENCE USAGE

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

## REPRESENTATIONS, WARRANTIES AND ENFORCEMENT MECHANISMS

A description of the transaction's representations, warranties and enforcement mechanisms (RW&Es) that are disclosed in the offering document and which relate to the underlying asset pool is available by accessing the appendix referenced under 'Related Research' below. The appendix also contains a comparison of these RW&Es to those Fitch considers typical for the asset class as detailed in the Special Report titled 'Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions,' dated May 31, 2016.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

Global Structured Finance Rating Criteria (pub. 03 May 2017)

(<https://www.fitchratings.com/site/re/897411>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898537>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/893890>)

U.S. Private Student Loan ABS Criteria (pub. 31 Jul 2015)  
(<https://www.fitchratings.com/site/re/868836>)

### **Related Research**

Vermont Student Assistance Corporation, Series 2017 -- Appendix  
(<https://www.fitchratings.com/site/re/897802>)

### **Additional Disclosures**

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