

NEW YORK--( [BUSINESS WIRE](#) )--Fitch Ratings expects to rate Edsouth Indenture No. 7, LLC, series 2014-3 (ESA 2014-3) as follows:

--\$202,100,000 floating rate class A notes 'AAAsf(exp)'; Outlook Stable;

--\$4,200,000 floating rate class B notes 'Asf(exp)'; Outlook Stable.

The class B notes are subject to an interest cap. Fitch does not rate to any payment of the class B carryover amount.

#### KEY RATING DRIVERS

**High Collateral Quality:** The trust collateral is comprised entirely of student loans originated under Federal Family Education Loan Program (FFELP). Although the trust consists of approximately 100% of Rehabilitated FFELP Loans, the credit quality of the trust collateral is high, in Fitch's opinion, based on the guarantees provided by the transaction's eligible guarantors and at least 97% reinsurance of principal and accrued interest provided by the U.S. Department of Education (ED). Fitch currently rates the U.S. 'AAA' with a Stable Outlook

**Sufficient Credit Enhancement:** Credit enhancement is provided by approximately \$3,221,452 of overcollateralization (OC) and excess spread. At closing, a senior parity of 103.67% and total parity of 101.56% is expected. Cash may be released to the issuer when the target OC, equal to the greater of 2.25% of the adjusted pool balance or \$300,000, has been reached. Fitch reviewed transaction cash flows that were stressed at a level commensurate with Fitch's 'AAAsf' rating categories for the senior notes and 'Asf' for the subordinate notes. The cash flow results were satisfactory under all stress scenarios for the senior and subordinate classes of notes.

**Adequate Liquidity Support:** Liquidity support for the ESA 2014-3 notes is provided by

a \$5.9 million capitalized interest fund, and a \$507,784 debt service reserve fund, with a debt service reserve fund requirement equal to the greater of 0.25% of the outstanding pool balance and 0.15% of the initial pool balance, each funded at closing with note proceeds.

The capitalized interest fund balance will be released on the July 2016 distribution date and will be disbursed as available funds. Fitch does not rate to the class B carry-over amount.

Satisfactory Servicing Capabilities: Educational Services of America, Inc. will be the master servicer. Pennsylvania Higher Education Assistance Agency (PHEAA; 32.2%), Great Lakes Education Loan Services, Inc. (GLELSI; 64.3%), Georgia Student Finance Authority (Georgia; 3.5%), as servicers, will be responsible for servicing the ESA 2014-3 portfolio. PHEAA will also be the backup servicer for Georgia. Fitch believes they are acceptable servicers of FFELP student loans.

## RATING SENSITIVITY

Since FFELP student loan ABS rely on the U.S. government to reimburse defaults, 'AAAsf' FFELP ABS ratings will likely move in tandem with the 'AAA' U.S. sovereign rating. Aside from the U.S. sovereign rating, defaults and basis risk account for the majority of the risk embedded in FFELP student loan transactions. Additional defaults and basis shock beyond Fitch's published stresses could result in future downgrades. Likewise, a buildup of credit enhancement driven by positive excess spread given favorable basis factor conditions could lead to future upgrades.

Key Rating Drivers and Rating Sensitivities are further described in the pre-sale report titled 'Edsouth Indenture No. 7, LLC, Series 2014-3', dated July 1, 2014, available on [www.fitchratings.com](http://www.fitchratings.com), or by clicking on the link.

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

Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (May 2014);

--'Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria' (June 2014).

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[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=751479](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=751479)

Global Structured Finance Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=748821](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821)

Rating U.S. Federal Family Education Loan Program Student Loan ABS Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708795](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708795)

Additional Disclosure

Solicitation Status

[http://www.fitchratings.com/gws/en/disclosure/solicitation?pr\\_id=837728](http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=837728)

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