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NorthStar Education Finance Inc. Series 2006-A Ratings Affirmed

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OVERVIEW

- NorthStar Education Finance Inc.'s series 2006-A transaction is backed by a pool of private student loans originated under NorthStar's Total Higher Education Loan Program.
- We affirmed our ratings on three notes from this transaction.
- The affirmations reflect our view that the available credit enhancement is sufficient to support the notes at the current rating levels under our stressed scenarios.

NEW YORK (Standard & Poor's) June 24, 2015--Standard & Poor's Ratings Services today affirmed the ratings on three classes issued by NorthStar Education Finance Inc.'s series 2006-A (see list). This transaction is backed by a pool of private student loans originated under NorthStar's Total Higher Education Loan Program.

We affirmed the ratings on the notes to reflect our view that the available credit enhancement is sufficient to support the notes at the current rating levels in our stressed scenarios. Our analysis also incorporated secondary credit factors, such as credit stability, payment priority, and sector- and issuer-specific analysis.

CAPITAL STRUCTURE

(As of April 2015)

Class	Current balance	Note factor	Coupon	Maturity date
A-3	\$13,118,352	11.6%	3 mo. LIBOR + 0.21%	May 2026

A-4	\$208,056,000	100.0%	3 mo. LIBOR + 0.35%	Aug 2035
B	\$42,161,452	64.6%	3 mo. LIBOR + 0.55%	Nov 2035

KEY STRUCTURAL FEATURES

The trust allocated principal payments sequentially until it reached its step-down date in February 2012. Since that time, the class B notes receive principal payments pro rata with the class A notes based on the current note balance, provided that total parity is at least 100%. If total parity falls below 100%, the class B notes will not receive a principal distribution until total parity rises to at least 100%.

The transaction pays interest payments quarterly and in sequential order (it pays the class A notes before the class B notes). If senior parity falls below 100%, the class B notes will not receive an interest distribution until senior parity rises to at least 100%.

The transaction may distribute any amounts remaining in the collection fund to the issuer at the bottom of the transaction waterfall as long as total parity remains above 103% and the net assets of the trust are greater than 2.25% of the trust's initial asset value. Net assets are broadly defined as the total trust assets excluding accrued interest and fees payable minus the amount of the notes outstanding.

COLLATERAL SUMMARY

As of April	2015	2014	2013	2012
Repayment (current) %	91.3	88.3	85.4	80.6
Repayment (30+ delinquent) %	3.8	4.2	3.8	3.7
Deferment %	4.1	6.1	9.0	9.6
Forbearance %	0.5	0.8	0.8	1.2
In school/grace	0.3	0.6	1.4	4.9
Cumulative defaults	5.8	5.5	4.9	4.4
Cumulative net losses	4.9	4.8	4.4	4.1

The loan pool has a strong credit profile, as indicated by the low percentages of nonpaying loans and low cumulative net losses. NorthStar marketed the loans in this pool primarily to borrowers seeking graduate professional degrees at schools with low loan default rates and that have a history of high starting salaries relative to the average student debt load. As of the April 2015 servicer report, 88% of the loans were to graduate students and 60% of the loans were to obligors in medical programs. Additionally, 81% of the obligors have FICO scores above 680.

CREDIT ENHANCEMENT

As of April	2015	2014	2013	2012
Senior parity %	126.4	125.3	123.8	124.2
Total parity %	106.2	105.2	103.9	103.7

All of the notes benefit from a reserve fund that must be maintained at 1% of the current pool balance and has a floor of 0.50% of the initial pool balance to provide additional credit support as the pool amortizes. The notes also

benefit from excess spread, and the class A notes benefit from the subordination of the class B notes. The transaction also has a credit enhancement floor that requires the greater of total parity of 103% and net assets of the trust to be greater than 2.25% of the trust's initial asset value before any releases are allowed to the issuer.

CASH FLOW MODELING ASSUMPTIONS

Based on our view of the current and projected performance of the pool of private student loans, we lowered our lifetime cumulative default expectation for the trust to 8.5% to 9.0% of the original pool balance plus any prefunding. We assumed a base-case recovery rate of 25% of the dollar amount of cumulative defaults, which results in our expectation for remaining cumulative net losses of 4.4% to 5.3% of the current pool balance.

We ran break-even cash flows at various stress assumptions to test the ability of the notes to receive timely interest and principal no later than legal final maturity. The following are some of the major stress assumptions we modeled:

- Five-year straight-line default curves and eight-year moderately front-loaded default curves;
- Recovery rates in the 10.0%-15.0% range received over six years;
- Prepayment speeds starting at approximately 3% CPR (constant prepayment rate--an annualized prepayment speed stated as a percentage of the current loan balance) and ramping up 1% per year to a maximum rate of 8% CPR. We held the 8% CPR constant for the remainder of the life of the deal;
- Forbearance rates of 1.5% for six months;
- Deferment rates of 7.5% for 36 months; and
- Stressed interest rate vectors at the 'AAA', 'AA', and 'A' rating categories.

RATING ACTION RATIONALE

Based on our cash flow runs, the class A notes could absorb remaining cumulative net losses of 18.3% to 20.4% before a payment default would occur in our 'AAA' stress scenarios. The class B notes could absorb remaining cumulative net losses of 13.3% to 13.7% before a payment default would occur in our 'A' stress scenarios. After considering the aforementioned break-evens and remaining expected net losses of 4.4% to 6.1%, we affirmed the 'AAA (sf)' ratings on the class A notes and the 'A+ (sf)' rating on the class B notes to reflect our view of the trust's current and future expected collateral performance, the improvement in hard credit enhancement since our last review, and the resulting break-even analysis multiples. While the trust performance since our last review has resulted in a lower lifetime cumulative default estimate and an increase in the credit enhancement available to absorb remaining net losses, we are affirming the ratings, as the coverage multiples resulting from our break-even cash flow analysis are consistent with those specified in our criteria.

We will continue to monitor the performance of the student loan receivables backing these transactions relative to our ratings and the trust's available

credit enhancement.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction, May 29, 2015
- Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Methodology And Assumptions For U.S. Private Student Loan ABS Credit Analysis, Feb. 13, 2013
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- U.S. Interest Rate Assumptions Revised For May 2012 And Thereafter, April 30, 2012
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009
- Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Asset-Backed Securities, Oct. 1, 2006
- Student Loan Criteria: Evaluating Risk In Student Loan Transactions, Oct. 1, 2004
- Student Loan Criteria: Structural Elements In Student Loan Transactions, Oct. 1, 2004
- Student Loan Criteria: Rating Methodology For Student Loan Transactions, Oct. 1, 2004
- Student Loan Criteria: Student Loan Programs, Oct. 1, 2004

Related Research

- Economic Research: U.S. Economic Forecast: The Emperor's New Groove, March 27, 2015
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- NorthStar Education Finance Inc. Series 2006-A Ratings Raised And Affirmed , June 29, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- The Rating Process For Student Loan Transactions, Oct. 1, 2004

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?", March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments:

Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; " Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; " Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.

RATINGS AFFIRMED

NorthStar Education Finance Inc.
Private student loan asset-backed notes, series 2006-A

Class	Rating
A-3	AAA (sf)
A-4	AAA (sf)
B	A+ (sf)

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