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NorthStar Education Finance Inc.'s Series 2011-A-L 'A (sf)' Rating Placed On CreditWatch Positive

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OVERVIEW

- NorthStar Education Finance Inc.'s term credit facility series 2011-A-L is backed by a pool of private student loans originated under NorthStar's Total Higher Education Loan Program.
- We placed the 'A (sf)' rating on CreditWatch positive to reflect our view that the expected collateral performance and growing credit enhancement might be sufficient to support a higher rating.

NEW YORK (Standard & Poor's) Sept. 3, 2015--Standard & Poor's Ratings Services today placed its 'A (sf)' rating on NorthStar Education Finance Inc.'s term credit facility series 2011-A-L on CreditWatch with positive implications. The term credit facility is backed by seasoned student loans issued by NorthStar Education Finance Inc.

The rating action reflects the strong credit profile of the student loan pool and its continued performance as well as our view that the growth in the credit enhancement available to support the credit facility could be sufficient for a higher rating. Our analysis also incorporated secondary credit factors, such as credit stability, structural features, and sector- and issuer-specific analysis.

CURRENT CAPITAL STRUCTURE

As of June 2015

Class	Current balance	Note factor	Coupon	Maturity date
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2011-A-L \$12,212,018 65.1% 1 mo LIBOR + 4.0% Oct. 2034

KEY STRUCTURAL FEATURES

The transaction has a full turbo feature. After the payment of fees, expenses, and interest as well as restoring the balance of the reserve fund if necessary, it then pays any remaining amounts as principal on the credit facility's balance until it is paid in full.

COLLATERAL SUMMARY

As of June	2015	2014	2013	2012
Repayment (Current)%	88.4	83.3	79.0	72.5
Repayment (30+ Delinquent)%	2.2	1.9	2.2	2.7
Deferment%	8.7	13.0	14.3	12.2
Forbearance%	0.5	0.7	0.6	1.3
In School/Grace	0.3	1.0	3.9	11.3
Cumulative net loss	2.0	1.8	1.5	1.0

The loan pool has a relatively strong credit profile, as the low percentages of non-paying loans and low cumulative net losses demonstrate. NorthStar marketed the loans in this pool primarily to borrowers seeking graduate professional degrees at schools with low student borrower loan default rates and a history of high starting salaries relative to the average student debt load. As of the June 2015 servicer report, 92% of the loans were to graduate students, and 76% of the loans were to obligors in medical programs, which typically have lower expected default rates. In addition, 84% of the obligors have FICO scores above 680.

CREDIT ENHANCEMENT

As of June	2015	2014	2013	2012
Parity%	158.4	151.7	147.3	145.0

The credit facility benefits from a reserve fund that must be maintained at 0.5% of the initial pool. Credit enhancement has grown since inception due to the transaction's full turbo feature and the high initial overcollateralization yielding positive excess spread despite the transaction's relative high cost of funds.

We will continue our review of the performance of the underlying loan collateral backing this facility to assess the available credit enhancement relative to remaining net loss expectations. We will then take whatever rating actions that we consider appropriate.

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

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- Methodology And Assumptions For U.S. Private Student Loan ABS Credit Analysis, Feb. 13, 2013
- 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

Related Research

- Economic Research: U.S. Economic Forecast: The Terrible Twos, June 26, 2015
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- 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.

RATING PLACED ON CREDITWATCH POSITIVE

NorthStar Education Finance Inc.

US\$18.75 mil term credit facility series 2011-A-L
Rating

Series	To	From
2011-A-L	A (sf)/Watch Pos	A (sf)

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