

Feb. 21, 2025

This report does not constitute a rating action.

### Key Takeaways

- Default rates for private student loan (PSL) in-school (post-2009) transactions increased in 2024 as borrowers continued to be affected by inflation, higher interest rates and higher overall debt repayment obligations. However, we believe that the ratings on the transactions we rate--which are primarily backed by co-signed loans and are high investment-grade rated--will remain stable.
- Delinquencies and defaults in PSL refinancing transactions also increased during 2024 due to slower prepayments, higher inflation and higher overall debt repayment obligations. While there may be further deterioration in 2025, we believe that refinancing transactions' default rates will remain within our base cases, with no impact on ratings.
- Most of the PSL state authority (and state-affiliated) lenders have been making student loans for many years and have diligently maintained strong underwriting guidelines, leading to consistent loan performance. During 2024, we slightly adjusted our base-case default rate for some of these issuers to reflect the loan composition of the programs and additional performance data.
- Federal Family Education Loan Program prepayment speeds peaked in mid-2024 and have since shown significant decline. Lower prepayments rates are expected as borrowers have fewer options for refinancing out of their FFELP loans. We do not believe that ratings on bonds with longer legal maturity dates will be affected by lower prepayments. However, we expect that FFELP transactions with shorter-maturing classes may experience liquidity pressures depending on prepayment levels, which could result in rating deterioration.

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### Recent Articles

[Structured Finance U.S. And Canada ABS: First-Half 2024 Round-Up, Aug. 20, 2024](#)

[Global Structured Finance 2025 Outlook, Dec. 13, 2024](#)

## U.S. student loan ABS at a glance

### Upgrades and downgrades | Full year 2024

**129** Upgrades      **13** Downgrades

**396**

Total rated transactions

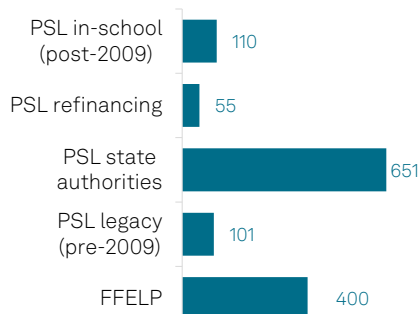
**\$57.32 bil.**

Total rated note balance

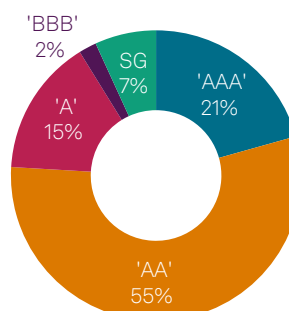
**1,317**

Total rated classes

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



### Ratings category distribution



ABS--Asset-backed securities. PSL--Private student loan. FFELP--Federal Family Education Loan Program. SG--Speculative grade. Outstanding bond data as of Jan. 27, 2025, and rating action data as of Dec. 31, 2024. Source: S&P Global Ratings.

U.S. student loan asset-backed securities (ABS) ratings performance in 2024 was stable. However, loan performance in the private student loan (PSL) segment did deteriorate, and could deteriorate further in 2025 due to persistent inflation and higher interest rates. We believe that most high-investment-grade ABS ratings remain supported by adequate credit enhancement to cover mild deterioration and should remain stable. Speculative-grade ratings in the PSL legacy (pre-2009) segment will remain under pressure. Federal Family Education Loan Program (FFELP) loan performance has been, and we believe will remain, stable from a credit perspective due to the U.S. government's guarantee on the underlying collateral. Prepayment rates peaked in 2024, but have since declined significantly as refinancing options have declined. Slower payment rates will likely continue in 2025, but most of the FFELP classes rated by S&P Global Ratings have long-dated legal final maturities, which helps to mitigate this risk. Transactions with shorter-maturing classes may experience liquidity pressures depending on prepayment levels, which could result in rating deterioration.

The majority of student loan rating upgrades to 'AAA (sf)' were on state agency-issued municipal serial bonds maturing within the upcoming year in transactions with principal set-aside provisions, which had sufficient amounts available to pay off the maturing bonds.

All outstanding student loan classes in this sector rated by S&P Global Ratings were formally reviewed in 2024 through our surveillance process.

## PSL In-School (Post-2009) Transactions

The default rate for PSL in-school (post-2009) transactions increased in 2024 (see chart 3), as borrowers continued to face higher inflation and interest rates. Additionally, many borrowers faced higher overall debt repayment requirements due to the increase in interest rates and the resumption of payments on certain federal loans. More recent student loan vintages originated from 2020-2022 are experiencing an increased pace of default as loans enter into repayment, although we believe default rates for these transactions will remain within our current base-case default rate levels. As well, because most of these bonds are backed by higher FICO, co-signed collateral, and strong structural features, we expect that the already-high investment-grade ratings in this segment will remain stable.

There were seven classes upgraded in this sector during 2024 as a result of current-pay senior note classes approaching their final maturity dates with improved enhancement due to better collateral performance and strong structural features.

Charts 1 and 2 detail ratings performance for PSL in-school (post-2009) transactions.

Chart 1

PSL in-school (post-2009) transactions – upgrades and downgrades | Full-year 2024

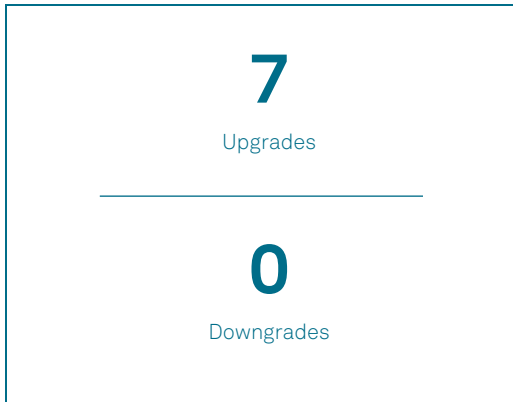
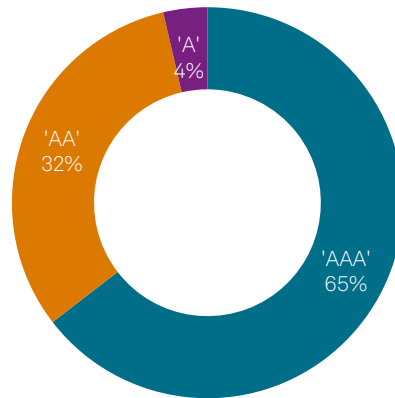


Chart 2

PSL in-school (post-2009) transactions - rating category distribution

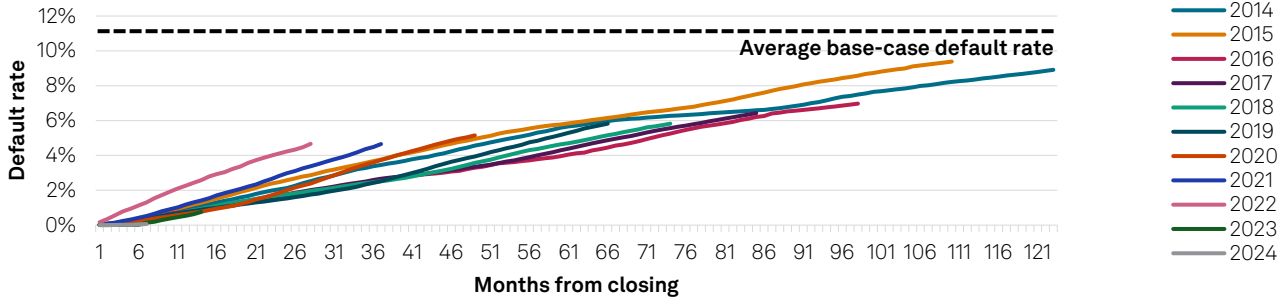


Rating category data as of Jan 27, 2025, and rating action data as of Dec. 31, 2024. Source: S&P Global Ratings.

Chart 3 details the average cumulative defaults by origination vintage for PSL in-school (post-2009) transactions.

Chart 3

Average cumulative defaults by vintage\*



\*Cumulative default data included from three major issuers/trusts: College Avenue Student Loan, Navient Private Education Loan Trust, and SMB Private Education Loan Trust. S&P Global Ratings weighted average base-case default rate for transactions closed in 2021-2024. Data as of Dec. 31, 2024. Source: S&P Global Ratings.

## PSL Refinancing Transactions

After many years of quite low default rate performance, PSL refinancing transaction defaults increased during 2024, likely due to the effects of slower prepayments and higher inflation reaching even higher credit quality refi obligors. These borrowers have also been impacted by higher overall debt obligations due to the resumption of payments on certain federal loans. Although further deterioration could occur in 2025, we believe these transactions' default rates will remain within our base cases, with no impact on existing ratings. The majority of the collateral in these transactions have fixed interest rates and have been in repayment since origination. As such, we believe performance is less sensitive to fluctuations in interest rates.

There were six upgrades in this sector during 2024 to senior notes approaching their final maturity dates in light of better collateral performance than our original base case default rate.

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

Chart 4

PSL refinancing transactions – upgrades and downgrades | Full-year 2024

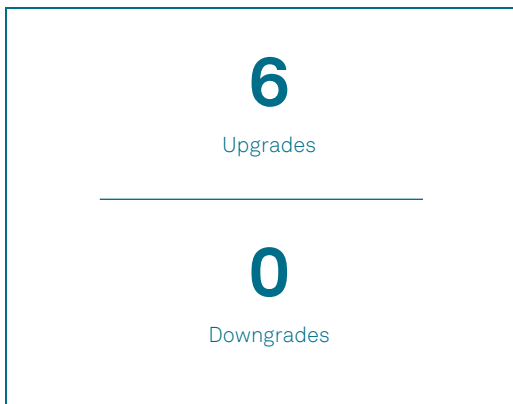
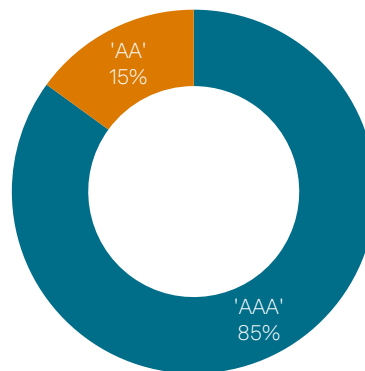


Chart 5

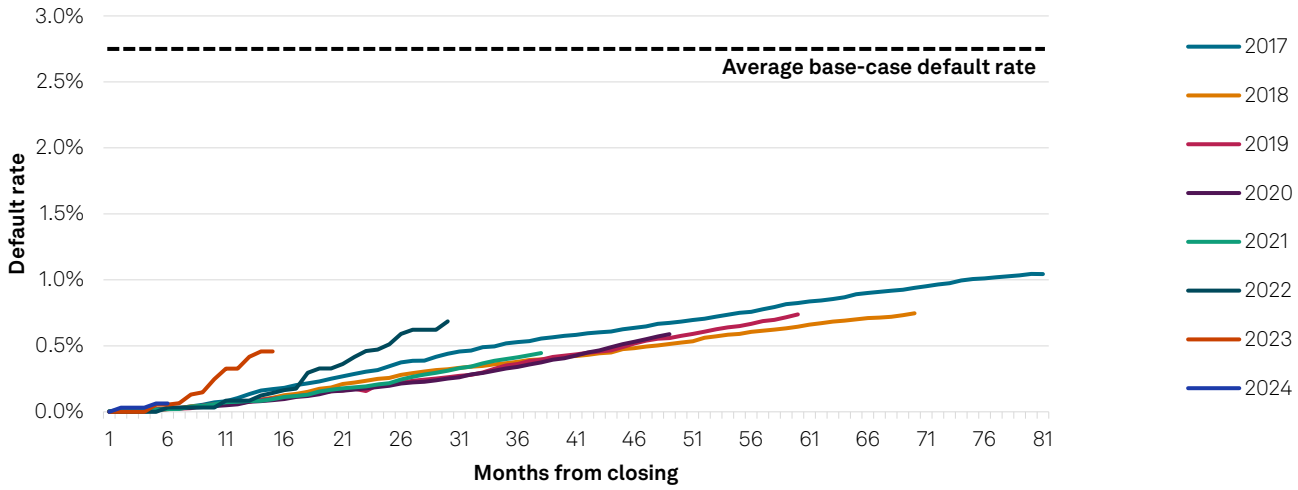
PSL refinancing transactions – rating category distribution



Rating category data as of Jan 27, 2025, and rating action data as of Dec. 31, 2024. Source: S&P Global Ratings.

Chart 6

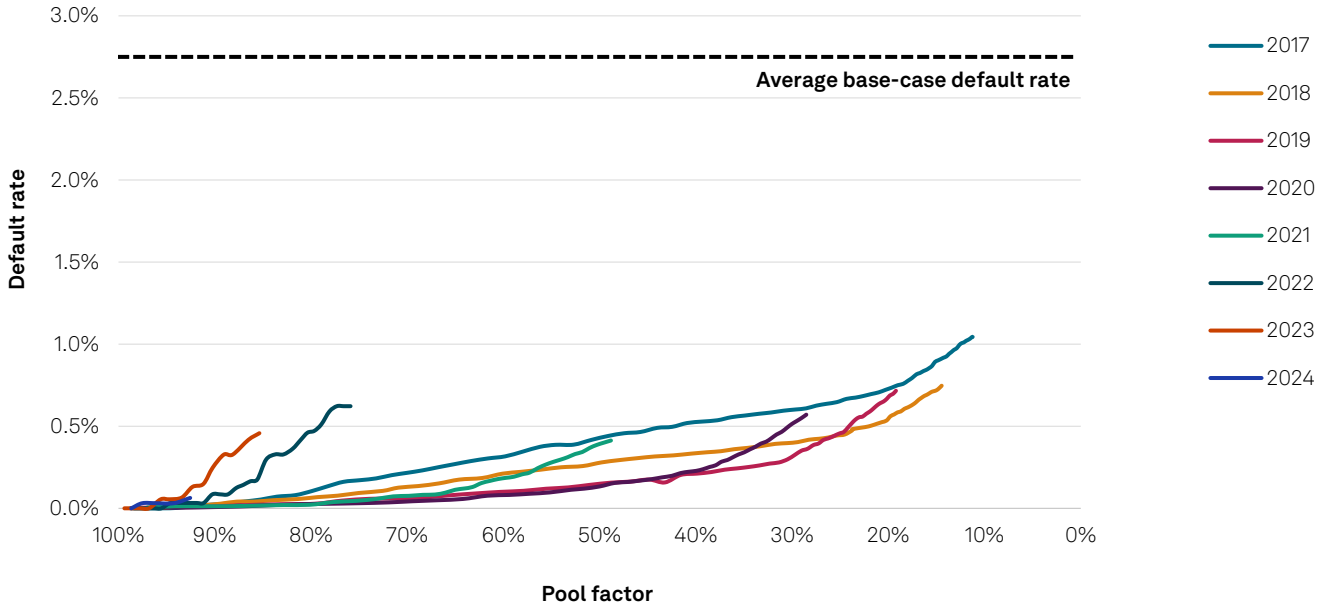
Average cumulative defaults by vintage\*



\*S&P Global Ratings weighted average initial base-case default rate of transactions closed in 2021-2024. Data as of Dec. 31, 2024. Source: S&P Global Ratings.

Chart 7

Average cumulative defaults by pool factor\*



\*Cumulative default data included from the four major issuers/trusts: Laurel Road Prime Student Loan Trust, Navient Private Education Refi Loan Trust, SoFi Professional Loan Program, and ELFI Graduate Loan Program. Data as of Dec. 31, 2024. Source: S&P Global Ratings.

## PSL State Authorities

Most of the PSL state authority (and state-affiliated) lenders have originated student loans for many years and have maintained strong underwriting guidelines, leading to consistent loan performance over time. Additionally, many of these entities issue bonds from master trust issuance structures, which we believe can partially insulate the bond ratings from deterioration in macroeconomic factors because issuers have the ability to adjust the collateral credit profile, transaction capital structure, and credit enhancement of the master trust, at the time of annual issuance. In 2024, we slightly adjusted our base-case default rate for some of these issuers to reflect the particular loan composition of collateral pools. Our base-case default rate can also be impacted by an originator’s underwriting guidelines and the availability of additional performance data.

Upgrades in this sector were mainly on serial bonds maturing within a year issued from transactions with document set-aside provisions. Some upgrades were based in part on our understanding that an issuer intended to stop issuing additional bonds from a master trust, which cessation could positively impact the available credit enhancement to the transaction going forward.

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

Chart 8

### PSL state authorities – upgrades and downgrades | Full-year 2024

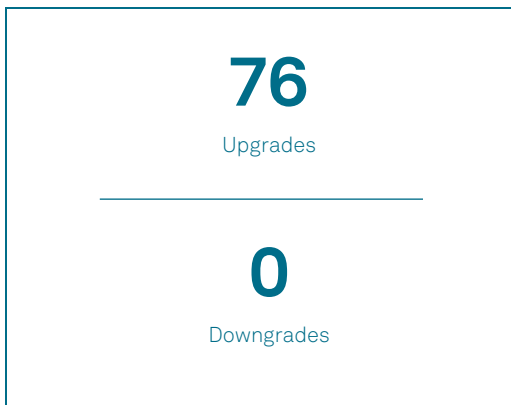
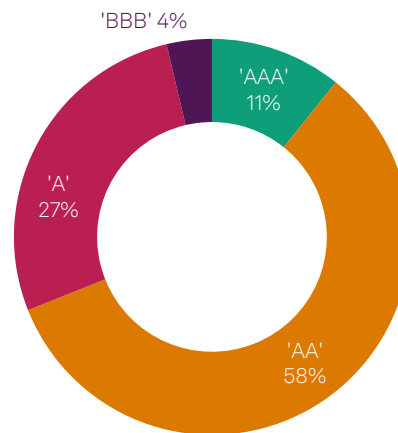


Chart 9

### PSL state authorities – rating category distribution

















\*The S&P Global Ratings base-case default rates are from the last transaction for each of the issuers. PSL--Private student loan. Rating category data as of Jan 27, 2025, and rating action data Dec. 31, 2024. 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 (%)\*

 <b>2.3</b> Glendale Industrial Development Authority	 <b>7.5</b> Brazos Higher Education Authority Inc
<b>2.3</b> Illinois Finance Authority	<b>9.8</b> North Texas Higher Education Authority Inc
 <b>11.7</b> Minnesota Office of Higher Education	 <b>7.5</b> New Hampshire Health and Education Facilities Authority
 <b>11.5</b> Indiana Secondary Market for Education Loans Inc.	 <b>8.0</b> Iowa Student Loan Liquidity Corp.
 <b>12.5</b> North Carolina State Education Assistance Authority	 <b>11.5</b> Kentucky Higher Education Student Loan Corp.
 <b>12.5</b> Pennsylvania Higher Education Assistance Agency	 <b>16.5</b> South Carolina Student Loan Corp.
 <b>6.5</b> Vermont Student Assistance Corp.	 <b>6.5</b> New Jersey Higher Education Student Assistance Authority
 <b>5.7</b> Massachusetts Educational Financing Authority	 <b>5.5</b> Rhode Island Student Loan Authority

\*The S&P Global Ratings base-case default rates reflect the issuer's last transaction that we rated. PSL--Private student loan. Data as of Dec. 31, 2024. Source: S&P Global Ratings.

## PSL Legacy (Pre-2009) Transactions

Our ratings on PSL legacy (pre-2009) transactions are reflective of poorer loan performance early in the transactions' life cycles, along with relatively weaker structural features, lower credit enhancement levels, and relatively weaker structural features. Upgrades during 2024 typically occurred as seasoned collateral performance improved leading to increased credit enhancement levels, supporting higher ratings. Despite some improvement in ratings, speculative-grade ratings continue to dominate this segment as higher-rated, current-paying classes amortize.

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

Chart 11

PSL legacy (pre-2009) transactions – upgrades and downgrades | Full-year 2024

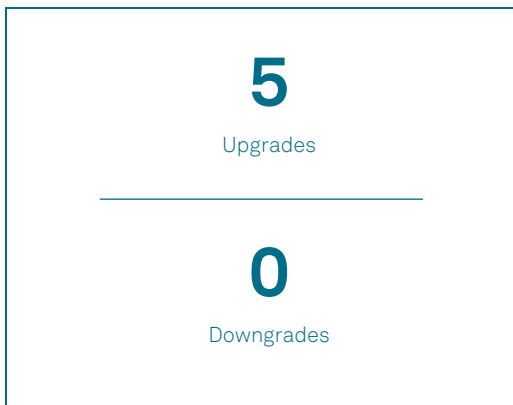
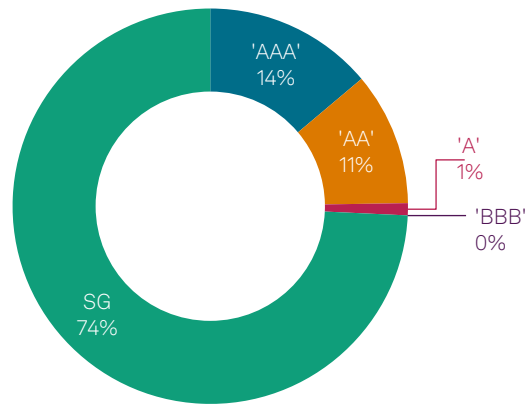


Chart 12

PSL legacy (pre-2009) transactions - rating category distribution

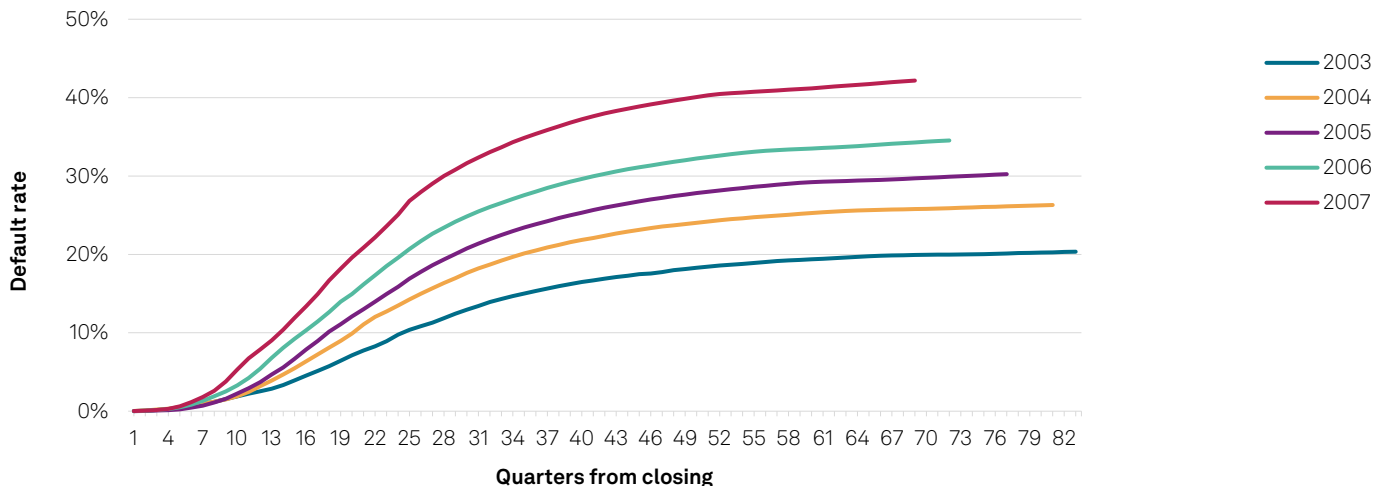


PSL--Private student loan. SG--Speculative grade. Rating category data as of Jan 27, 2025, and rating action data Dec. 31, 2024. Source: S&P Global Ratings.

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

Chart 13

PSL legacy (pre-2009) transactions - cumulative defaults by vintage\*



\*Cumulative default data included from the two major issuers: National Collegiate Student Loan Trust and SLM Private Credit Student Loan Trust. Data as of Dec. 31, 2024. Source: S&P Global Ratings.



## FFELP Transactions

We continue to monitor our ratings on FFELP transactions, focusing on borrower payment rates. FFELP prepayment speeds increased early in 2024, driven by refinancing opportunities incentivized by forgiveness options in certain federal loan programs, peaking in mid-2024 before starting to decline. We expect FFELP student loan transactions will experience lower prepayment rates due to fewer refinancing incentives available to obligors. While the ratings on a small number of FFELP bonds with near-term maturities may be negatively impacted by slower principal payment, we believe the vast majority of FFELP bond ratings will remain stable, as the credit quality of FFELP student loan ABS relies on the U.S. government's guarantee on the underlying loans. Bonds with longer-dated maturities benefit the most as the FFELP loans continue to fully amortize. Shorter-maturing classes will continue to experience liquidity pressures depending on the levels of prepayments, which could lead to rating deterioration.

Additionally, credit in these transactions, which rely on a government guaranty of at least 97%, could be negatively impacted by changes in the U.S. sovereign rating or changes made to reimbursement levels under the FFELP guidelines.

Charts 14 and 15 detail ratings performance for FFELP transactions.

Chart 14

### FFELP transactions - upgrades and downgrades | Full-year 2024

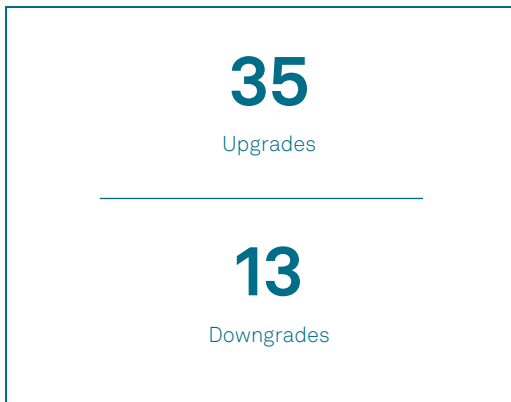
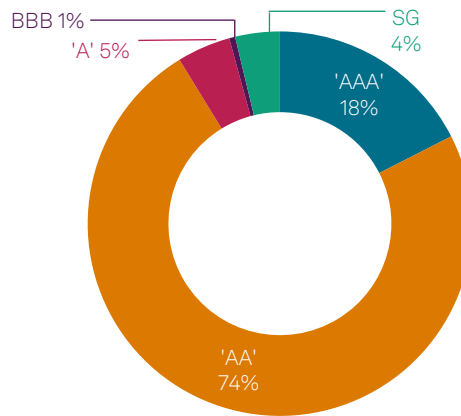


Chart 15

### FFELP transactions - rating category distribution



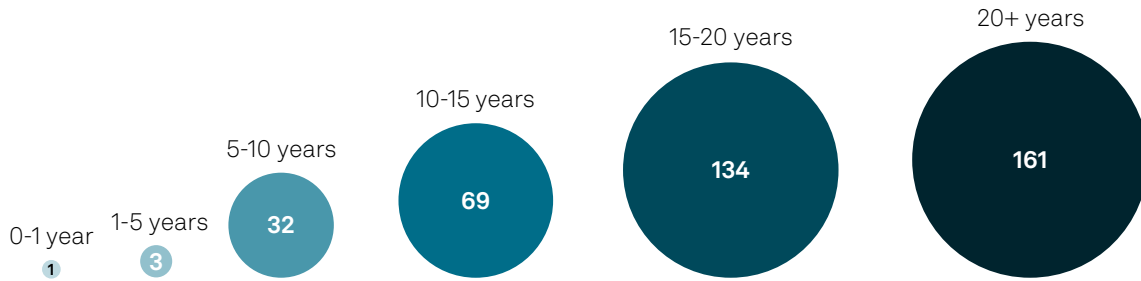
FFELP--Federal Family Education Loan Program. SG--Speculative grade. Rating category data as of Jan 27, 2025, and rating action data Dec. 31, 2024. Source: S&P Global Ratings.

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

Chart 16

**FFELP transactions - maturity profile (no. of bonds) \***

Of the total FFELP classes rated by S&P Global Ratings, 98% have maturities beyond seven years. While the usage of income-driven repayment plans has significantly increased over the last decade, leading to slower borrower repayment levels, these loans are expected to be fully reimbursed after 25-30 years in repayment. As such, ratings on bonds with later maturities are less impacted by borrower repayment levels.



\*The dataset shown above comprises all the FFELP classes that are rated by S&P Global Ratings. FFELP--Federal Family Education Loan Program. No.--Number. As of Dec. 31, 2024. Source: S&P Global Ratings.

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