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COMMENTARY

DBRS Student Loan ABS Update -
2017 Review. 2018 Outlook. Performance Trends.

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Executive Summary

This is the fifth publication of the *DBRS Student Loan ABS Update* and is structured as a quarterly performance update for Q4 2017, in addition to a 2017 review and 2018 outlook. The report covers three sectors of the student loan market: student loan refinancings (Refi), traditional private student loans and Federal Family Education Loan Program (FFELP) student loans. It tracks the performance of 549 securitizations issued from 1988 through Q4 2017, representing total new issuance volume of approximately $519 billion. DBRS produced the underlying data and charts in this report with the assistance of MeasureOne, an established aggregator of student loan performance data.

Overall SLABS Market – 2017 Review and 2018 Outlook

2017 Review

In 2017, total student loan asset-backed security (SLABS) new issuance volume was $16.7 billion, a 10% increase from the $15.2 billion issued in 2016. The contribution from the student loan refinance (Refi) sector increased to 31% of total SLABS volume from 26% in 2016 (and 18% in 2015). Within the overall private student loan market, the share of SLABS issuance from Refi issuers rose to approximately 60% from 46% in 2016 (and 30% in 2015). FFELP SLABS new issuance volume increased 22% in 2017 as concerns about extension risk in existing transactions subsided and spreads tightened sharply. Traditional private student loan issuance decreased 14% year-over-year as deal count declined.

Exhibit 1: 2017 Student Loan U.S. ABS Issuance

	Total SLABS Issuance by Note Balance				Total SLABS Issuance by Deal Count			
	2017	2016	2015	YoY Change	2017	2016	2015	YoY Change
FFELP	$8.1	$6.6	$5.7	22%	11	9	11	2
Refinance	$5.2	$4.0	$2.7	31%	12	15	9	-3
Private	$2.5	$2.9	$3.8	-14%	6	8	6	-2
State/Nonprofit	$1.0	$1.8	$2.2	-46%	6	7	10	-1
Total Issuance	**$16.7**	**$15.2**	**$14.4**	**10%**	**35**	**39**	**36**	**-4**

2018 Outlook

In 2018, DBRS expects the SLABS market to grow at a modest pace, with Refi SLABS continuing to make up a growing proportion of the overall SLABS market. DBRS expects strong demand and favorable market conditions to remain intact with bond spreads potentially tightening further, thus bolstering new issuance volumes. That being said, there has been some indication that certain sponsors with diversified funding sources may be less reliant on securitization, increasing their focus on whole loan sales or, if a bank sponsor, funding loans with deposits.

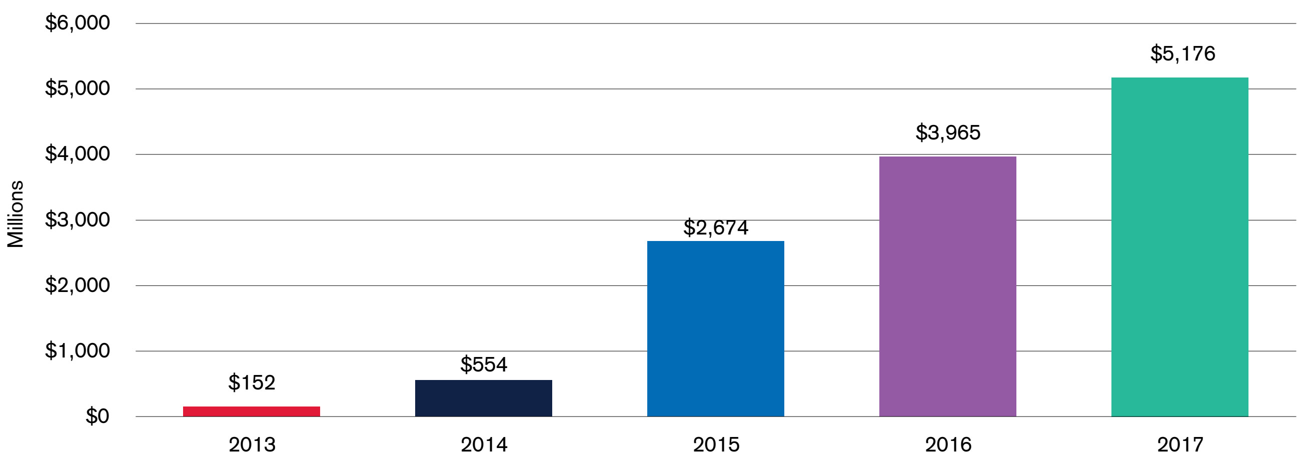
Positive credit fundamentals and market sentiment are expected to continue through 2018. Unemployment, the number one driver of student loan defaults, is expected to trend lower; therefore, collateral performance and transaction liquidity should continue to see improvement. The biggest risk to SLABS in 2018 are potential macroeconomic factors, events that are idiosyncratic in nature or a large swing in sentiment amongst market participants. However, DBRS believes existing SLABS it rates are well protected though sufficient credit enhancement and liquidity support.

Refi SLABS – 2017 Review and 2018 Outlook

2017 Review

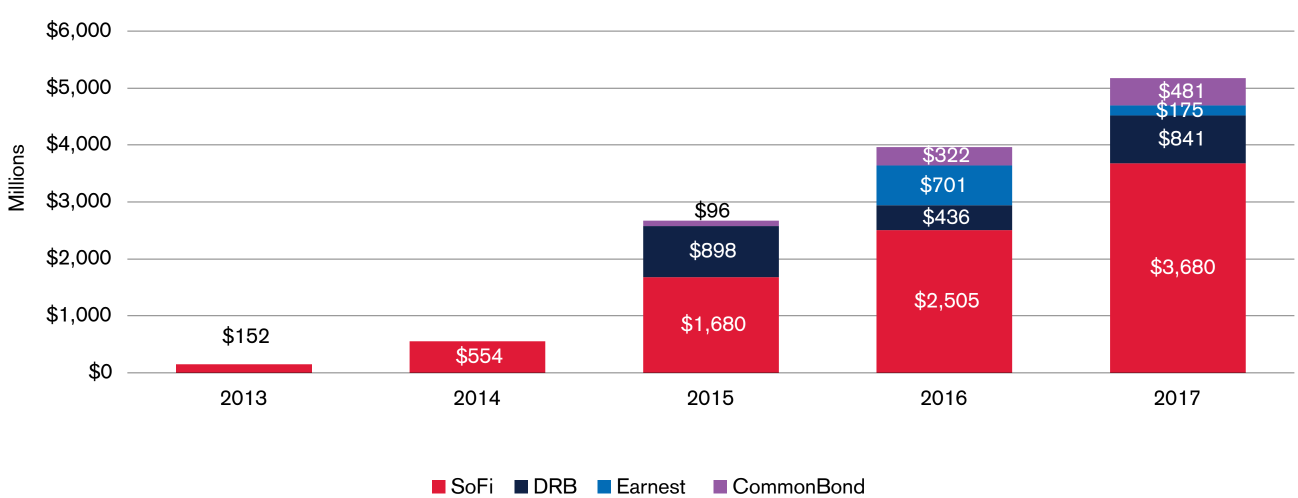
Refi SLABS new issuance volume totaled $5.2 billion in 2017, an increase of more than 30% from the $4.0 billion issued in 2016. SoFi Lending Corp. (SoFi), which continues to be the largest issuer in the space, issued six transactions totaling approximately $3.7 billion. Overall, DBRS has provided ratings on 40 of the 41 Refi securitizations since SoFi issued the first transaction in the sector in December 2013.

Exhibit 2: Student Loan Refinance U.S. ABS Issuance



The 2017 increase in Refi SLABS issuance is attributable to a number of factors, including cheaper funding costs and increased loan origination volume from SoFi, which resulted in the company issuing $1.2 billion more of notes in 2017 than it did in 2016. DBRS attributes the improved funding costs to favorable sentiment within the broader ABS market, which has contributed to high demand for ABS bonds from all asset classes, in addition to increased interest from the SLABS investor community as the Refi sector has continued to gain attention. As Refi loan performance has continued to exceed expectations, and investors have become more comfortable with this relatively new but maturing asset class, demand for student loan Refi SLABS has increased significantly. 2017 saw continued momentum of the spread tightening that began in 2016, with certain student loan issuers pricing transactions at historically low levels.

Exhibit 3: Student Loan Refinance U.S. ABS Issuance by Issuer



While dollar volume increased significantly in 2017, year-over-year Refi SLABS deal count declined from 15 to 12. This is primarily attributable to a larger average deal size in 2017. The year-over-year average deal size increased from $267 million to $433 million, driven by increased loan originations, strong investor demand, and favorable cost of funds available to issuers (SoFi's average deal size increased from $418 million in 2016 to $613 million in 2017). The decrease in Refi SLABS deal count can also be attributable to a decrease in issuance from Earnest Operations LLC (Earnest). Earnest, which issued four transactions in 2016 (totaling approximately $700 million), only issued one transaction in 2017, as the company transitioned ownership to Navient Corp. (Navient).

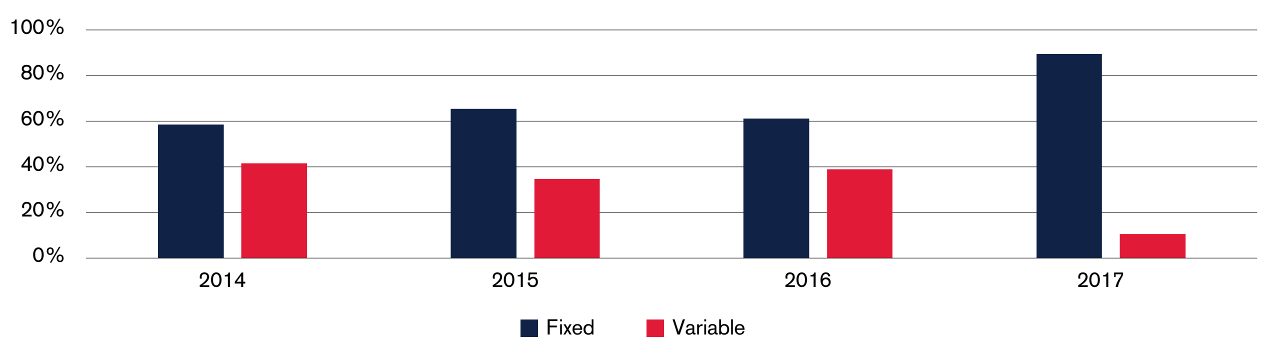
Exhibit 4: 2017 and 2018 YTD Refi SLABS Transactions

	Amount (millions)	Date	DBRS Rated
SoFi 2017-A	$561	Feb-17	Yes
SoFi 2017-B	$461	Mar-17	Yes
Darien Rowayton Bank 2017-A	$307	Apr-17	Yes
SoFi 2017-C	$561	May-17	Yes
Earnest 2017-A	$175	May-17	Yes
CommonBond 2017-A-GS	$232	Jun-17	Yes
SoFi 2017-D	$551	Jul-17	Yes
Laurel Road 2017-B	$233	Aug-17	Yes
SoFi 2017-E	$777	Oct-17	Yes
CommonBond 2017-B-GS	$249	Oct-17	Yes
Laurel Road 2017-C	$300	Nov-17	Yes
SoFi 2017-F	$769	Dec-17	Yes
SoFi 2018-A	$960	Jan-18	Yes
Navient 2018-A[1]	$507	Feb-18	Yes

It should be noted that, while there were no new sponsors of Refi SLABS in 2017, one relatively new lender found its Refi loans being sold into a rated securitization trust for the first time. Close to $400 million of Refi loans that were originated through College Avenue Student Loans LLC (College Ave) were sold into the Navient 2017-A trust. College Ave, founded in August 2014 by former Sallie Mae executives, is an online lending platform focused on offering both in-school private student loans and Refi loans.

The interest rate environment drove demand for fixed-rate loans in 2017. Close to 90% of the total dollar amount of securitized Refi loans possessed a fixed rate, which is significantly higher than the approximately 60% of fixed-rate loans underlying 2016 issuance. Prepayment speeds during 2017 for fixed-rate loans averaged approximately 13-14%, with variable-rate loan prepayments approaching close to 20% as many borrowers refinanced into fixed-rate loans or fully prepaid loans.

Exhibit 5: Refi SLABS Fixed-Rate vs. Variable-Rate Composition

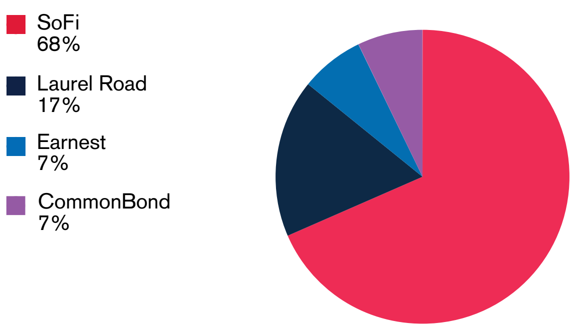


1. Comprised entirely of Earnest collateral.

Refi SLABS Issuer Comparison

Refi SLABS issuance continues to be led by SoFi, which has accounted for approximately 68% of total dollar volume new issuance, having completed 20 term securitizations since its inaugural transaction in December 2013. Laurel Road Bank (formerly known as Darien Rowayton Bank or DRB), another consistent issuer in the sector, has issued ten transactions accounting for approximately 17% of total Refi SLABS issuance. CommonBond, Inc. (CommonBond) has accounted for 7% of total Refi SLABS issuance, with its inaugural term securitization in 2015 followed by two transactions in 2016 and two transactions in 2017. Earnest, which has accounted for 7% of total dollar volume, issued four term securitizations in 2016 followed by one term securitization in 2017 before being purchased by Navient.

Exhibit 6: Refi SLABS Issuer Market Share through 2017
(based on total dollar amount issued)



2018 Outlook

In 2018, DBRS expects much of the same for the student loan Refi sector. A historically low, albeit rising, interest rate environment should continue to allow for a Refi product with attractive rates, resulting in strong origination and securitization volumes.[2] A large addressable market should allow lenders to continue to access borrowers with strong credit profiles, thus not prompting a downward migration in credit quality. Impressive performance will continue due to strong borrower characteristics, conservative underwriting and the favorable economic environment.

Since the majority of outstanding Refi loans have been made to employed borrowers with established payment histories and above-average disposable incomes, prepayments are expected to remain significantly higher than other types of student loans. If the Federal Reserve continues to raise interest rates throughout 2018 as anticipated (multiple interest rate hikes are projected in 2018), variable-rate loan pools will continue to experience prepayment speeds that are significantly faster than fixed-rate loans. Additionally, variable-rate student loans will likely see higher monthly payments, although the high quality of Refi borrowers, coupled with a strong economy, would outweigh the effect of increased monthly payments.

Given Navient's recent acquisition of Earnest, DBRS expects a much larger contribution in 2018 from a total of only $175 million issued by Earnest in 2017. New issuers to the Refi SLABS market are likely to emerge, taking advantage of securitization as a funding source.

Refi SLABS Performance

The DBRS Refi SLABS Index comprises performance data provided by DBRS and the following student loan Refi lenders: CommonBond, Earnest, Laurel Road Bank and SoFi. This index generally tracks the performance of all Refi student loan asset-backed securities (SLABS) transactions issued from 2013 through 2017.

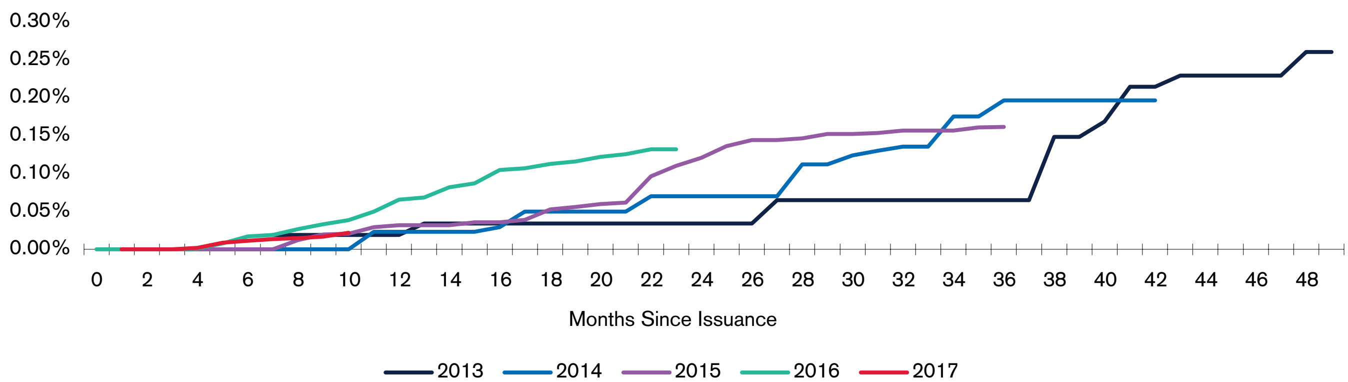
Refi SLABS Performance — Charge-Offs

Charge-offs in the student loan Refi sector continue to be extremely low and well below DBRS expectations, primarily reflecting high-quality borrower characteristics, strong underwriting guidelines and a benign economic environment. Cumulative charge-offs for the oldest Refi SLABS vintages, 2013 and 2014, were 0.26% and 0.20% of initial balance after 49 and 42 months of seasoning, respectively. For the 2013 vintage, this is a small increase from 0.23% at the end of Q3 2017 and 0.06% at the end of Q4 2016. For the 2014 vintage, Q4 2017 showed zero charge-offs from Q3 2017 and a 0.08% increase from Q4 2016. The 2015 vintage experienced cumulative charge-offs of 0.16% at the end of Q4 2017 after 36 months of seasoning, no change from the end of Q3 2017, and slightly higher than 0.12% at the end of Q4 2016. The 2016 vintage experienced cumulative charge-offs of 0.13% at the end of Q4 2017

2. It should be noted that it will become less attractive for certain borrowers to refinance their student loans as rates increase; therefore, an unexpectedly aggressive Federal Reserve could slow origination volumes.

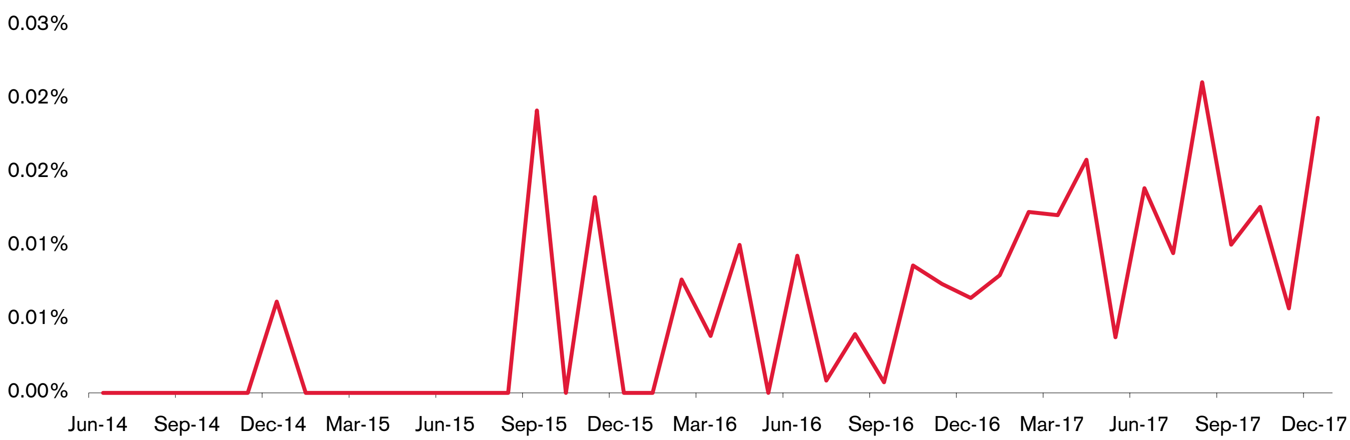
after 23 months of seasoning, a slight increase from 0.12% at the end of Q3 2017 and 0.05% at the end of Q4 2016. The 2017 vintage experienced cumulative charge-offs of 0.02% at the end of Q4 2017 after ten months of seasoning, slightly higher than 0.01% at the end of Q3 2017.

Exhibit 7: Cumulative Charge-Offs by Vintage (as a % of initial balance)



Monthly charge-offs for all Refi SLABS on an aggregated basis averaged 0.01% of outstanding principal balance in Q4 2017. This is equal to average monthly charge-offs of 0.01% in Q3 2017 and 0.01% in Q4 2017.

Exhibit 8: Monthly Gross Charge-Offs (as a % of previous outstanding balance)



Refi SLABS Performance — Delinquencies

The factors driving low charge-offs in the student loan Refi sector are also responsible for very low delinquency rates. While there has been some momentum in the increase of early-stage delinquencies (30+ days past due), this is not a concern as delinquencies remain extremely low and are well below DBRS expectations. Further, the more critical late-stage delinquencies (60+ and 90+ days past due) have remained low and stable to date.

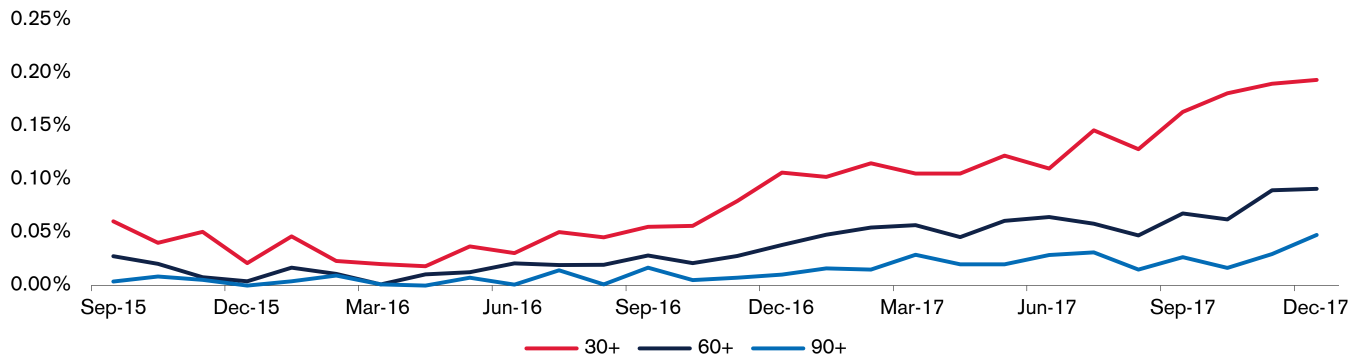
Average monthly 30+ day delinquencies for Q4 2017 stood at 0.19% of total outstanding principal balance. This represents an increase from the 0.15% 30+ day delinquencies experienced in Q3 2017 and an increase from the 0.08% 30+ day delinquencies experienced in Q4 2016.

Average monthly 60+ day delinquencies for Q4 2017 stood at 0.08% of total outstanding principal balance. This is higher than the 0.06% 60+ day delinquencies experienced in Q3 2017 and an increase from the 0.03% 60+ day delinquencies experienced in Q4 2016.

Average monthly 90+ day delinquencies for Q4 2017 were 0.03% of total outstanding principal balance. This is an increase from the 0.02% 90+ day delinquencies experienced in Q3 2017 and an increase from the 0.01% 90+ day delinquencies experienced in Q4 2016.

It should be noted that Refi delinquencies are significantly lower than delinquencies on traditional private student loans and federally funded student loans. For example, 60+ delinquencies for private and FFELP student loans currently stand at 2.84% and 6.69%, respectively.

Exhibit 9: Delinquencies (as a % of outstanding balance)



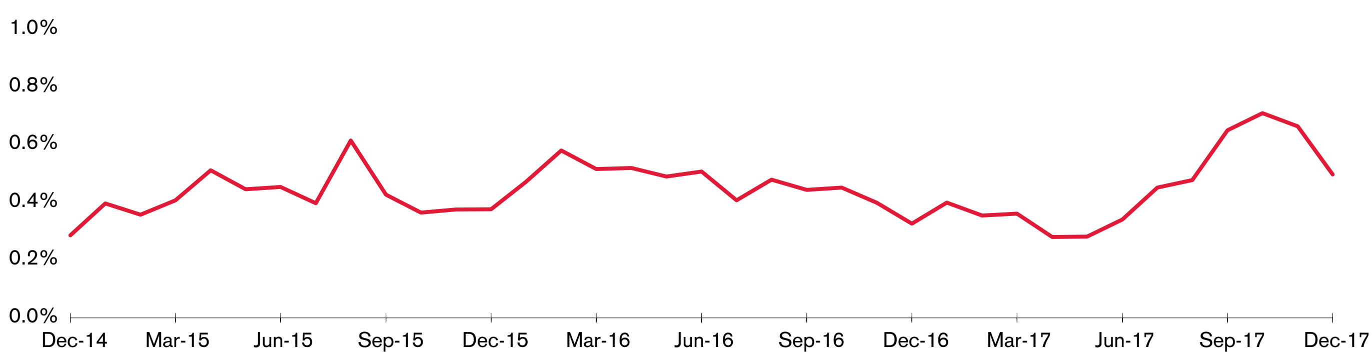
Refi SLABS Performance — Forbearances

The average monthly forbearance utilization rate for Q4 2017 stood at 0.62% of total outstanding principal balance. This is higher than the 0.53% average monthly forbearance utilization rate experienced in Q3 2017 and the 0.39% average monthly forbearance utilization rate experienced in Q4 2016.

Although still very low by historical performance standards, an increase in forbearance utilization can be a leading indicator of performance deterioration, so this metric will continue to be closely monitored by DBRS. There was a sharp increase in Q3 2017 forbearance utilization on account of borrowers receiving temporary payment relief following hurricanes Harvey and Irma which impacted large parts of Texas and Florida, but it was followed by a reversal at the end of 2017.

It is expected that forbearance utilization will remain low in the student loan Refi sector because, unlike with traditional student loans, Refi lenders generally require borrowers to be employed with significant income and free cash flow before approving a loan. Further, approximately 80% of all securitized Refi loans have been made to borrowers with graduate degrees. Borrowers with advanced degrees have historically experienced a lower unemployment rate and have stronger earning potential versus borrowers with undergraduate degrees, and thus are less likely to seek forbearances.

Exhibit 10: Forbearances (as a % of total outstanding balance)

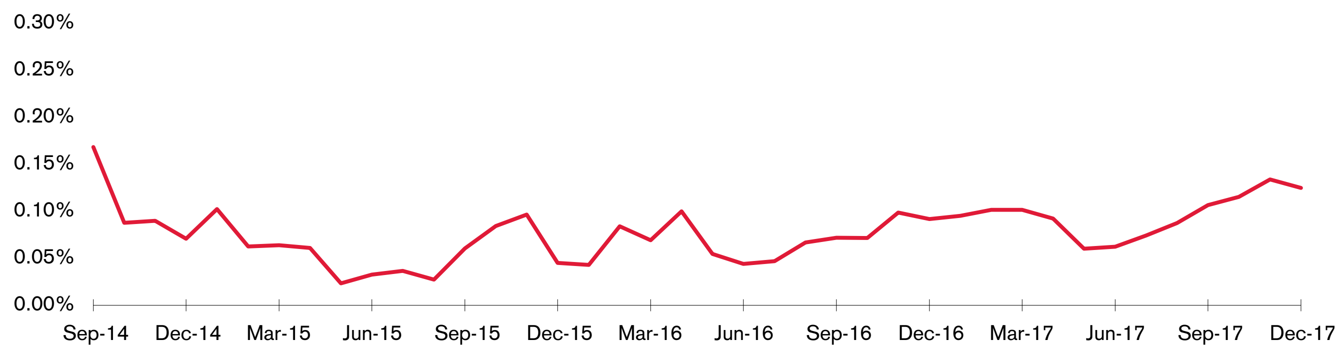


Refi SLABS Performance — Deferments

The average monthly deferment utilization rate for Q4 2017 stood at 0.12% of outstanding principal balance, higher than the 0.09% average monthly deferment utilization rate experienced both in Q3 2017 and Q4 2016.

Deferment utilization in the Refi sector tends to be low by design, as existing student loan Refi borrowers, who generally have advanced degrees and high-paying jobs, usually have little motive to pursue additional education. Deferments are expected to increase somewhat over time as lenders originate more loans to borrowers with only undergraduate degrees.

Exhibit 11: Deferments (as a % of total outstanding balance)



Traditional Private SLABS – 2017 Review and 2018 Outlook

2017 Review

Traditional private SLABS new issuance totaled $2.5 billion in 2017, a decrease from $2.9 billion issued in 2016 and $3.8 billion issued in 2015. DBRS rated four of the six transactions issued in this sector, including a securitization for new entrant College Ave, which came to market with its first rated transaction consisting of loans originated through an in-school private student loan program. Established sponsors Navient and Sallie Mae Bank issued three securitizations totaling $2.1 billion of rated notes. Education Loans Inc. (a subsidiary of Reunion Student Loan Finance Corporation, formerly Student Loan Finance Corporation), issued its first rated SLABS transaction since 2012. The $124 million issuance primarily consists of seasoned student loans that were originated from 1997 to 2008.

Traditional private SLABS performance improved in 2017, with most vintages experiencing a continued trend of gross default improvement. This can be attributed to the continued decline in unemployment in addition to the further seasoning of pre-crisis (i.e. deals issued before and including 2008) transaction vintages and a greater proportion of new originations to stronger credits.

Exhibit 12: 2017 Private SLABS Transactions

	Amount (millions)	Date	DBRS Rated
Sallie Mae Bank 2017-A	$772	Jan-17	
Goal Structured Solutions 2017-A	$60	Jul-17	Yes
College Ave 2017-A	$161	Jul-17	Yes
Navient 2017-A	$662	Oct-17	Yes
Sallie Mae Bank 2017-B	$676	Oct-17	
EdLinc 2017-A	$124	Dec-17	Yes

2018 Outlook

In 2018, DBRS expects traditional private SLABS issuance to remain flat. DBRS expects the characteristics of securitizations to remain consistent with those in 2017, with newly originated loans exhibiting high underwriting quality with high credit scores and a large percentage of co-signers. Further, new originations will include a high percentage of loans where borrowers have elected to make a minimum student loan payment while in school. It is expected that loans with these payment terms will generally perform better than loans that do not require any payments while the student is enrolled in school because there is less payment shock upon repayment and generally lower outstanding student debt balances.

Seasoned loan pools with characteristics that have historically exhibited high cumulative defaults, such as direct-to-consumer loans, or loans made to borrowers who have attended for-profit schools, are expected to be included in private SLABS. However, because the underlying borrowers are likely to be in active repayment for a significant period of time, default risk is anticipated to be largely mitigated, particularly given that historical default timing curves are very front-loaded for these riskier loan types.

Prepayment activity may be positively influenced if the Federal Reserve continues to raise interest rates and variable-rate borrowers continue to seek to refinance into fixed-rate loans. However, because traditional lenders have generally implemented much stricter underwriting criteria since the financial crisis, and Refi lenders typically require borrowers to have significant employment history, high credit scores and significant disposable incomes, refinancing may not increase too significantly.

Traditional Private SLABS Performance

The DBRS Private SLABS Index tracks the performance of 115 private SLABS transactions issued from 2001 through Q4 2017. At the end of Q4 2017, total securitized collateral volume reached $92.6 billion, representing a year-over-year increase of 1.8% and a quarter-over-quarter increase of 0.1%. Notwithstanding the growth in initial balance, the overall outstanding balance continues to decline as it has since 2011, as prepayments and regular amortization outpace the growth in collateral volumes. The year-over-year run-off on the portfolio (reduction in the outstanding balance) as of Q4 2017 was 14.8%. Exhibit 13 highlights the composition of the loans in the DBRS Private SLABS Index.

Exhibit 13: Private SLABS Index Composition (millions, as of quarter-end)

	Q4 2017	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012	Q4 2011	Q4 2010
Initial Balance (Net) *	$78,398	$77,087	$72,820	$69,595	$67,907	$66,033	$61,696	$58,866
Initial Balance (Gross) *	$92,647	$91,056	$86,744	$82,001	$78,866	$74,666	$68,216	$58,866
Outstanding Balance	$33,855	$38,143	$39,410	$40,764	$42,659	$45,030	$44,536	$45,327
Pool Factor	43%	49%	54%	59%	63%	68%	72%	77%
Active Repayment	$29,892	$33,443	$34,843	$36,651	$37,611	$38,865	$36,416	$34,696
% Active Repayment	88%	88%	88%	90%	88%	86%	82%	76%

	Q4 2009	Q4 2008	Q4 2007	Q4 2006	Q4 2005	Q4 2004	Q4 2003	Q4 2002	Q4 2001
Initial Balance (Net) *	$52,245	$40,318	$39,903	$28,286	$18,458	$12,234	$6,824	$1,673	$678
Initial Balance (Gross) *	$52,245	$40,318	$39,903	$28,286	$18,458	$12,234	$6,824	$1,673	$678
Outstanding Balance	$41,894	$32,691	$34,360	$25,356	$16,882	$11,350	$6,417	$1,560	$605
Pool Factor	80%	81%	86%	90%	91%	93%	94%	93%	89%
Active Repayment	$29,749	$21,888	$18,895	$12,896	$8,263	$5,630	$3,160	$738	$214
% Active Repayment	71%	67%	55%	51%	49%	49%	49%	47%	35%

* Net Initial Balance = Gross Initial Balance excluding deals which have been paid off. Both Net and Gross Initial Balances shown here include balances of master trusts.

Private SLABS Performance — Gross Defaults

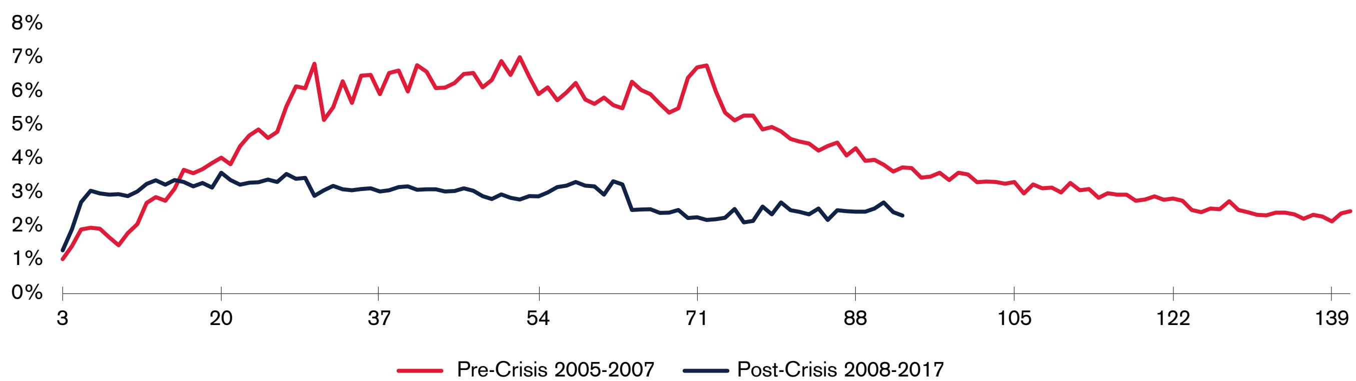
At the end of Q4 2017, annualized gross defaults were 2.5% of repayment balance, an increase of 7.6% from Q3 2017, and a decrease of 14.4% as compared to Q4 2016. Gross defaults at the end of Q3 2017 were 56.0% lower than the peak annualized Q4 gross defaults of 5.7% experienced in Q4 2009. Since 2009, annualized gross defaults have decreased every year.

Exhibit 14: Annualized Gross Defaults (as a % of previous repayment balance)

	Q4 2017	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012	Q4 2011	Q4 2010	Q4 2009	Q4 2008	Q4 2007
Annualized Default Rate	2.50%	2.86%	3.02%	3.26%	3.72%	4.52%	5.11%	5.12%	5.70%	4.49%	3.52%
Year-over-Year Change	-14.40%	-5.59%	-7.95%	-14.11%	-21.51%	-13.05%	-0.20%	-11.33%	21.23%	21.60%	32.33%
Quarter-Over-Quarter Change	7.76%	10.42%	21.77%	19.41%	-1.06%	2.26%	6.90%	25.18%	-13.77%	7.16%	12.10%
Change From 2009 Peak	-56.14%	-49.82%	-47.02%	-42.81%	-34.74%	-20.70%	-10.35%	-10.18%	NA	NA	NA
Cumulative Gross Defaults	29.90%	28.88%	27.68%	26.24%	24.58%	22.32%	19.63%	16.56%	13.69%	10.33%	7.97%

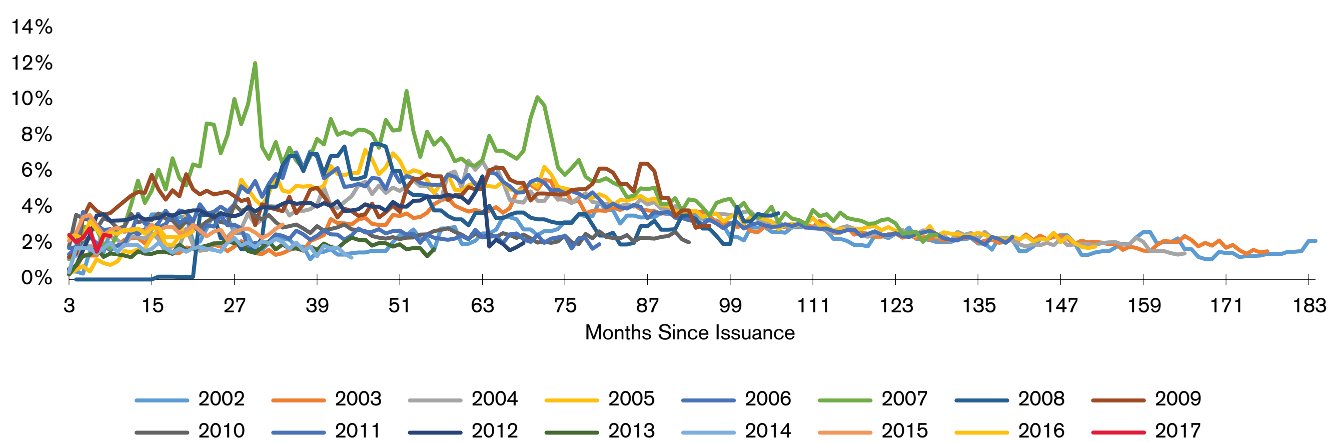
Post-crisis vintages (i.e., deals issued since 2008) have exhibited stable performance, with defaults being significantly lower than pre-crisis deals. In addition to macroeconomic crisis impacts, this is also the result of loans in the 2008–2017 securitizations being made to stronger borrowers than those in pre-crisis years. Further, post-crisis deals generally have a higher percentage of co-signers, fewer direct-to-consumer disbursements and fewer loans to students attending proprietary institutions.

Exhibit 15: Annualized Gross Defaults — Pre-Crisis and Post-Crisis (as a % of previous repayment balance)



As can be seen in Exhibit 16, most vintages have experienced a continued trend of gross default improvement over the past several years.

Exhibit 16: Annual Gross Defaults by Issuance Vintage (as a % of previous repayment balance)

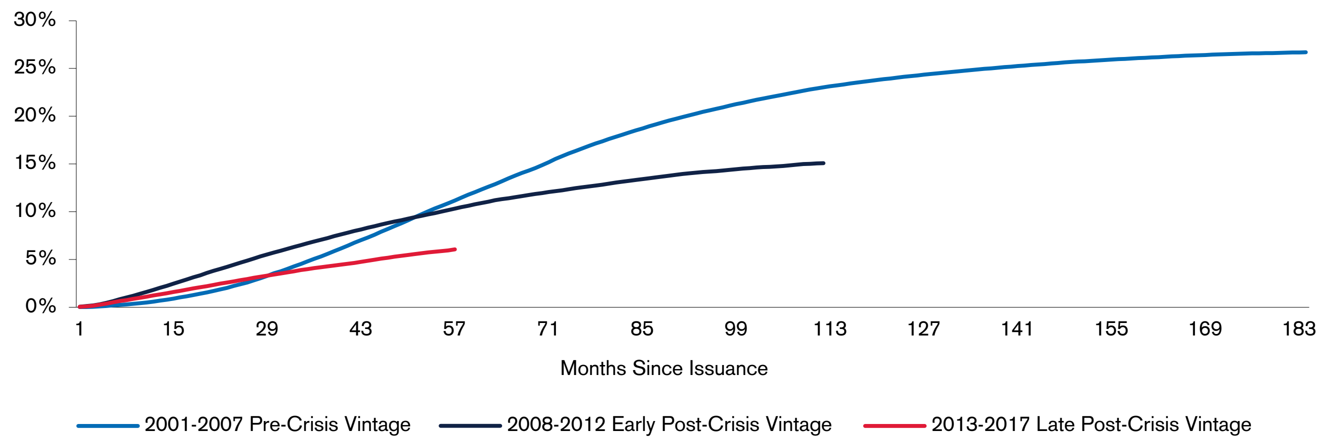


Private SLABS Performance Metrics — Cumulative Defaults

While pre-crisis (2001–2007, light blue line in Exhibit 17) transactions exhibit the highest cumulative defaults relative to the other vintages, cumulative default rates have stabilized. This can be attributed to the improved economic environment and the continued seasoning of outstanding transactions (historically, the default curve for student loans flattens as loans season).

Default rates for both early and late post-crisis vintages remain relatively low and continue to show signs of flattening (cumulative defaults for early post-crisis vintages stand at 15.1% of initial balance after 112 months of seasoning since the earliest vintage, and for late post-crisis vintages stand at 6.1% after 57 months of seasoning since the earliest vintage). This can be attributed to the favorable economic environment, more stringent underwriting standards and borrowers with higher credit scores, as well as recent transactions that contain a large percentage of seasoned loans. Unemployment, the key driver of student loan defaults, dropped to 4.1% at the end of Q4 2017 (compared to 4.2% at the end of Q3 2017 and 4.7% at the end of Q4 2016) and is now well below pre-crisis levels (the average unemployment rate in 2007 was 4.6%).

Exhibit 17: Cumulative Defaults (as a % of initial balance)



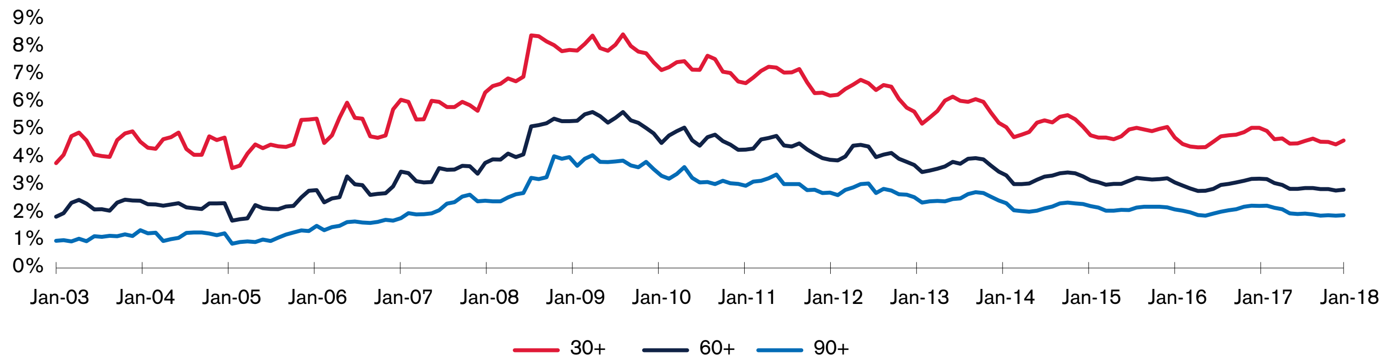
Private SLABS Performance – Delinquencies

At the end of Q4 2017, 90+ delinquencies stood at 1.9% of repayment balance, a decrease of 15.5% from Q4 2016 and a decrease of 0.5% from Q3 2017. Meanwhile, 60+ delinquencies at the end of Q4 2017 were 2.8% of repayment balance, representing a 12.1% decrease from delinquencies in Q4 2016, and a 0.7% decrease from Q3 2017. From a long-term trend point of view, DBRS expects delinquencies to continue improving as unemployment remains low and underlying transactions continue to season.

Exhibit 18: Delinquencies (as a % of repayment balance)

	Q4 2017	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012	Q4 2011	Q4 2010	Q4 2009	Q4 2008	Q4 2007
Delinquency 60+	2.84%	3.23%	3.22%	3.46%	3.98%	4.11%	4.40%	4.43%	5.27%	4.02%	3.10%
Year-over-Year Change	-12.07%	0.31%	-6.94%	-13.07%	-3.16%	-6.59%	-0.68%	-15.94%	31.09%	29.68%	23.02%
Quarter-over-Quarter Change	-0.70%	5.90%	-1.53%	4.53%	3.38%	-7.85%	-6.58%	-10.69%	-5.39%	2.03%	-11.17%
Delinquency 90+	1.91%	2.26%	2.22%	2.37%	2.75%	2.87%	3.04%	3.10%	3.84%	2.67%	1.95%
Year-over-Year Change	-15.49%	1.80%	-6.33%	-13.82%	-4.18%	-5.59%	-1.94%	-19.27%	43.82%	36.92%	31.76%
Quarter-over-Quarter Change	0.53%	8.13%	1.37%	9.72%	10.00%	-5.59%	-6.46%	-9.09%	-3.03%	10.33%	7.73%

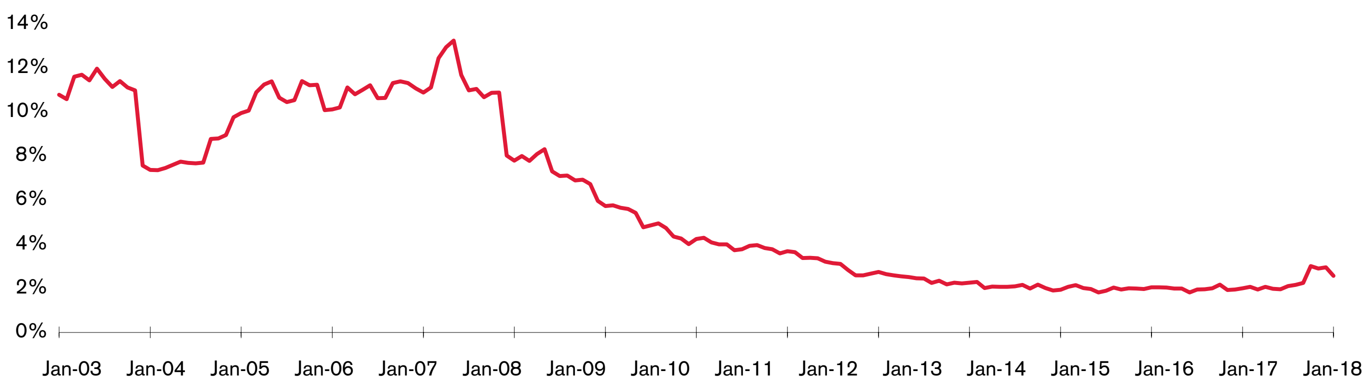
Exhibit 19: Delinquencies (as a % of repayment balance)



Private SLABS Performance — Forbearances

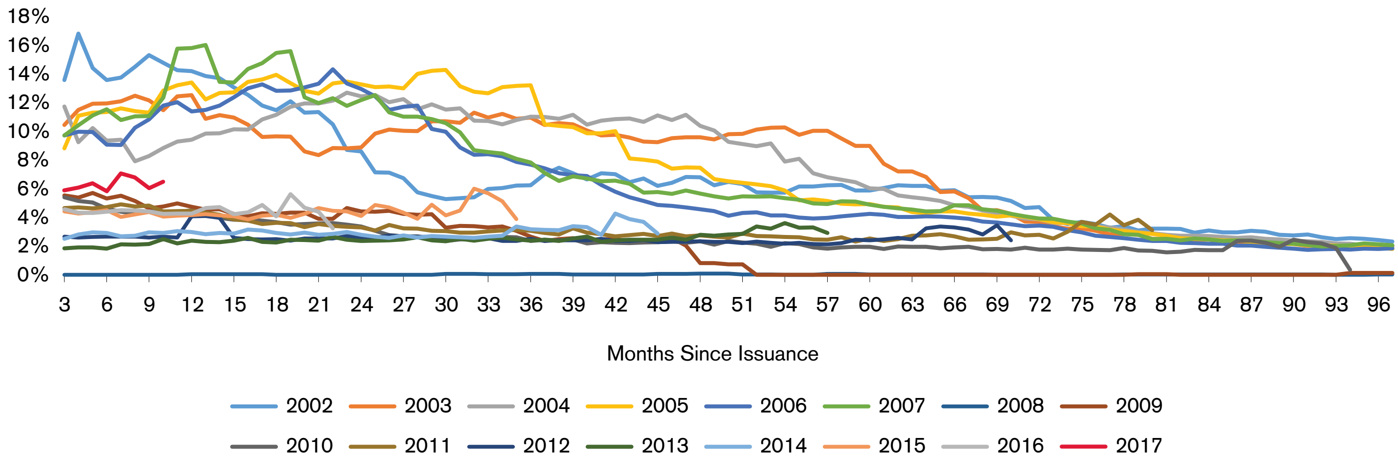
The percentage of loans in forbearance stood at 2.8% of repayment balance in Q4 2017. DBRS has noted in the previous quarter's student loan report that the recent sharp increase in forbearance was mainly attributable to borrowers seeking to temporarily postpone student loan payments through administrative forbearances as a result of hurricanes Harvey and Irma, which impacted large parts of Texas and Florida during Q3 2017. The longer-term improvement in forbearance has primarily been driven by the low unemployment rate, borrowers who have exhausted their forbearance allowance and more stringent forbearance policies for loans in recent securitization vintages.

Exhibit 20: Forbearances (as a % of repayment balance)



As reflected in Exhibit 21, pool age is a key factor contributing to the stability in forbearances, as more seasoned vintages have fewer borrowers who remain eligible for forbearances.

Exhibit 21: Forbearances by Vintage (as a % of repayment balance)



Private SLABS Performance — Deferments

The percentage of private student loans in deferment has been on a generally continuous decline since Q1 2014, when 7.1% of repayment balances were in deferment status. In Q4 2017, loans in deferment accounted for 4.2% of outstanding balance on average. This is a slight increase from the Q3 2017 average of 4.0%, and similar to the Q4 2016 average of 4.2%.

Total Deferments (i.e. deferments as above plus in-school deferments plus loans in the grace period) helps track the share of loans that are not in repayment by design. This metric has gradually decreased over time, from almost 50% of outstanding balance in Q3 2006 to 10.4% on average during Q4 2017. Q4 2017 Total Deferments were lower than the Q3 2017 average of 11.1% and the Q4 2016 average of 10.7%.

Exhibit 22: Deferments (as a % of outstanding balance)

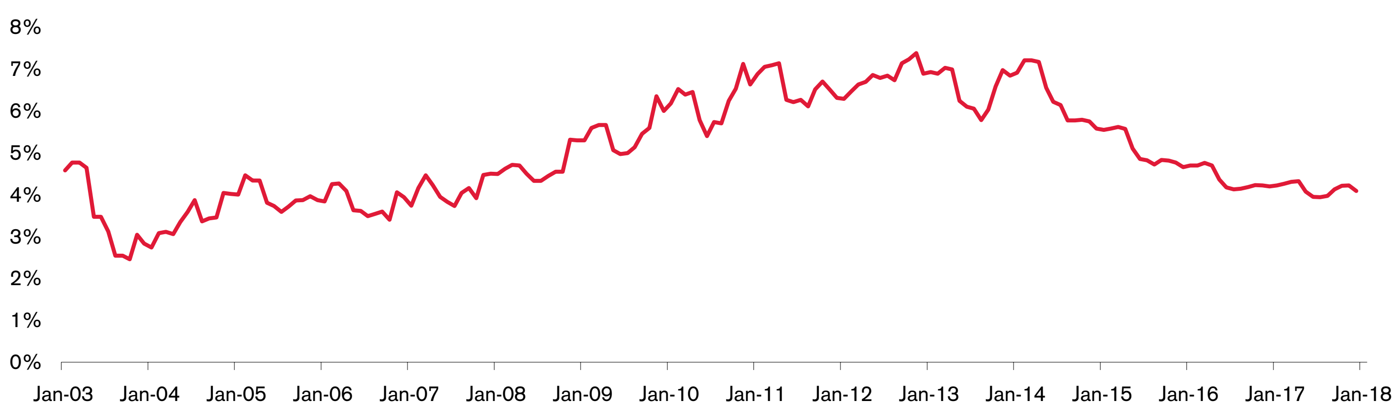
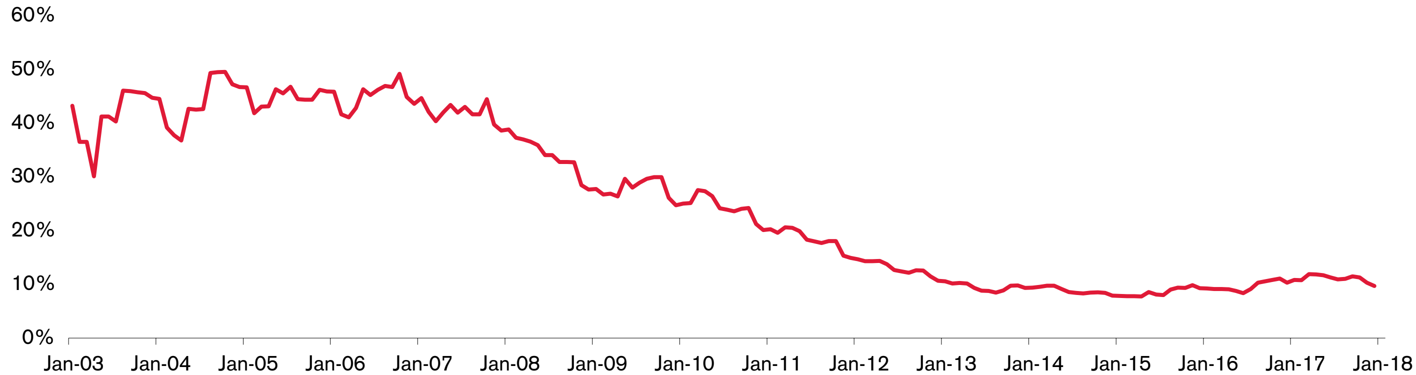


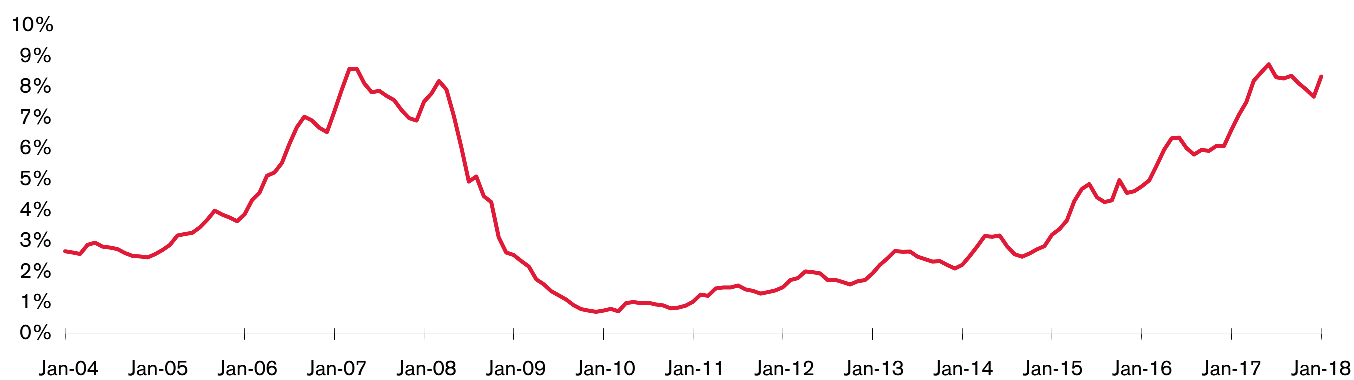
Exhibit 23: Total Deferments (as a % of outstanding balance)



Private SLABS Performance — Prepayments

Private SLABS prepayments averaged 8.0% during Q4 2017, lower than the 8.3% average for Q3 2017 and significantly higher than the Q4 2016 average of 6.3%. The Q4 2017 average is a 27.4% year-over-year increase over the Q4 2016 average and represents a continuation of a long-term growing trend in private SLABS prepayments. The increase in prepayments coincides with an improving economy, lower unemployment rate, tightening monetary policy and the growth of the Refi sector.

Exhibit 24: Constant Prepayment Rate



Private SLABS Performance Expectations

DBRS expects performance to continue to improve for a number of reasons:

- Improved Economic Conditions
  - If the economy continues on its path, existing deals should exhibit lower defaults and forbearance rates, in addition to a further acceleration of prepayment speeds. The unemployment rate, a primary driver of student loan defaults, is at a 17-year low and will continue to benefit private SLABS.
- Quality of Collateral
  - The continued improvement in private student loan repayment performance based on more stringent post-crisis underwriting practices with a stronger focus on ability-to-repay, in addition to a higher percentage of co-signers and school-certified loans within newer securitization trusts.
  - Sallie Mae Bank is expected to originate the majority of private student loans that collateralize SLABS going forward. Sallie Mae Bank securitization trusts are now exclusively backed by Smart Option loans, which generally are of higher credit quality

and have a higher percentage of co-signers than the Signature loans Sallie Mae Bank previously originated.

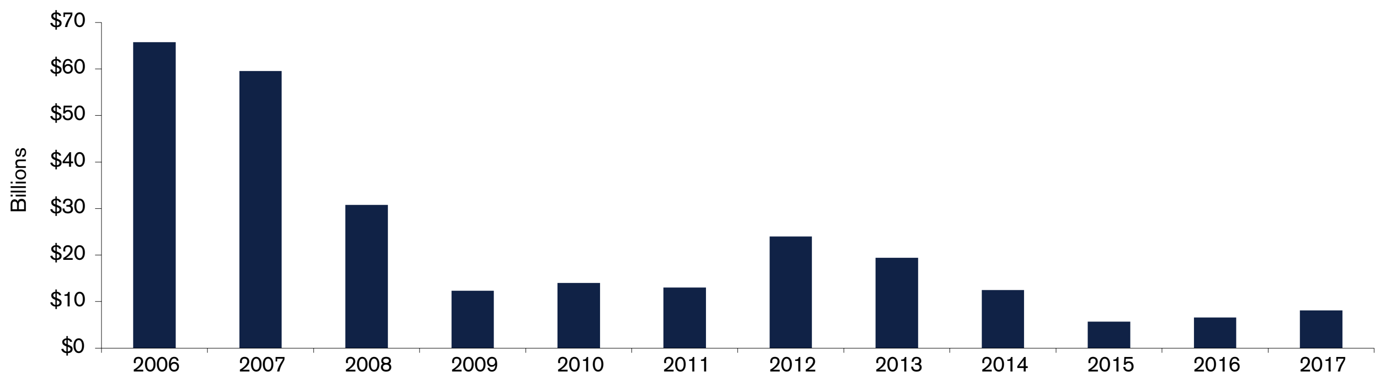
- Existing Private SLABS Transaction Seasoning
  - Transactions issued from 2006 to 2008 contain borrowers with weaker credit characteristics as compared with post-crisis transactions. However, over 95% of existing borrowers from these vintages have already entered repayment and have been exposed to a weak labor market. Therefore, these vintages have experienced their peak defaults, leaving better quality loans in outstanding pools.
- Interest Rate Fluctuations
  - Rising interest rates affect consumer credit, including existing variable-rate private student loans. If interest rates rise gradually as the Federal Reserve has implied, variable-rate borrowers in existing transactions should have the opportunity to better acclimate to higher payments.
  - It should be noted, however, that U.S. inflation came in at 2.1% in January 2018. The rise in consumer prices was higher than many economists expected. Faster inflation makes it more likely that the Federal Reserve will raise interest rates more quickly this year.
  - Borrowers may seek to refinance into fixed-rate loans. However, because traditional lenders generally have implemented stricter underwriting criteria since the financial crisis, and because Refi lenders typically require borrowers to have significant employment history, strong credit scores and high disposable incomes, only the highest quality borrowers may be able refinance.

FFELP SLABS Market – 2017 Review and 2018 Outlook

2017 Review

In 2017, total new issuance FFELP SLABS volume increased by 22% to $8.1 billion. Concerns that arose in 2015 related to extension risk in existing FFELP SLABS have generally been addressed, with market participants becoming increasingly comfortable and returning to the sector. 2017 marked the second consecutive year of double digit growth in the sector, with FFELP SLABS issuance increasing more than 40% since 2015. However, FFELP new issuance has declined significantly since the financial crisis and after new originations under the program were discontinued in 2010. At its peak in 2006, FFELP SLABS new issuance exceeded $60 billion.[3]

Exhibit 25: FFELP SLABS New Issuance Volume



Navient issued nearly $5.7 billion of FFELP SLABS across six new offerings in 2017, all of which were rated by DBRS. Nelnet, Inc. completed three FFELP securitizations totaling close to $1.5 billion with ECMC Group, Inc. issuing the remaining two.

Exhibit 26: 2017 and 2018 YTD FFELP SLABS Transactions

	Amount (millions)	Date	DBRS Rated
Navient 2017-1	$1,003	Jan-17	Yes
ECMC 2017-1	$403	Mar-17	
Navient 2017-2	$921	Mar-17	Yes
Navient 2017-3	$1,001	Apr-17	Yes
Nelnet 2017-1	$535	May-17	
Navient 2017-4	$1,015	Jul-17	Yes
Nelnet 2017-2	$399	Jul-17	
ECMC 2017-2	$501	Aug-17	
Navient 2017-5	$1,028	Sep-17	Yes
Navient 2017-6	$751	Nov-17	Yes
Nelnet 2017-3	$539	Dec-17	
Navient 2018-1	$1,002	Jan-18	Yes

3. During 2006 and 2007, significant loan consolidation was driving issuance volumes.

Four of the FFELP SLABS transactions issued in 2017 consist of 100% rehabilitated FFELP loans (Rehab loans). Rehab loans are FFELP loans that previously defaulted and have become rehabilitated after the borrower makes nine on-time payments within a ten-month period. While Rehab loans have historically exhibited much higher cumulative defaults and default quicker than non-Rehab loans, Rehab loans benefit from the same guarantee as non-Rehab loans. Additionally, Rehab loans are less likely to experience guarantor rejection of default claims, which could result in full principal loss to the issuer.

2018 Outlook

In 2018, DBRS expects FFELP ABS issuance to remain stable at 2017's volume of approximately $8 billion. While FFELP collateral available for securitization has become increasingly scarce (as FFELP loan origination was discontinued in 2010), deal volumes will be supported by sponsors taking advantage of improved spreads in addition to exploring opportunistic acquisitions of portfolios to securitize.

The key risk to FFELP transactions will continue to be the fiscal outlook and strength of the US government because the US government supports default reimbursements. With the recent budget deal and Tax Cuts and Jobs Act of 2017, it is arguable whether the long-term net impact to the US sovereign will be a positive or a negative. However, the tax legislation could be deemed a short-term positive for FFELP borrowers, with lower taxes translating into lower default risk in 2018.

Performance within FFELP pools should improve in 2018 as outstanding transactions will have a higher percentage of borrowers with established payment behavior, and therefore a lower risk of default. Better employment opportunities for young adults, coupled with the increased utilization of income-based repayment plans, will also help mitigate default risk. It should be noted, however, that defaults generally do not have a material negative impact on the credit performance of FFELP SLABS, primarily because of the government guarantee. In certain cases, an increase in defaults may be beneficial to FFELP SLABS because the guarantee payments provide additional liquidity support to the transaction.

While FFELP repayment rates have improved and maturity concerns have been addressed, DBRS continues to monitor liquidity and extension risk within FFELP transactions. It should be noted that FFELP loans generally have long terms during which borrowers will most likely experience multiple economic cycles that influence repayment speeds.

FFELP SLABS Performance

The DBRS FFELP SLABS Index tracks the performance of 394 FFELP SLABS transactions issued from 1998 through Q4 2017. Exhibit 27 highlights the composition of the loans in this index. As of the end of Q4 2017, total securitized FFELP loan volume was $435.6 billion, representing a year-over-year increase of 1.4%. The outstanding balance continues to shrink due to prepayments, regular amortization and defaults, with a 12.3% year-over-year run-off on the portfolio as of Q4 2017.

Exhibit 27: FFELP SLABS Index Composition (millions, as of quarter-end)

	Q4 2017	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012	Q4 2011	Q4 2010
Initial Balance (Net) *	$362,286	$356,481	$353,119	$371,037	$370,251	$357,881	$350,105	$339,842
Initial Balance (Gross) *	$435,602	$429,797	$421,519	$411,155	$397,967	$379,098	$355,947	$339,842
Outstanding Balance	$134,869	$148,039	$160,801	$175,578	$186,158	$191,354	$198,841	$205,356
Pool Factor	37%	42%	46%	47%	50%	53%	57%	60%
Active Repayment	$113,967	$122,665	$128,642	$136,351	$141,108	$143,013	$143,064	$142,422
% Active Repayment	85%	83%	80%	78%	76%	75%	72%	42%

	Q4 2009	Q4 2008	Q4 2007	Q4 2006	Q4 2005	Q4 2004	Q4 2003	Q4 2002
Initial Balance (Net) *	$320,473	$309,556	$271,040	$223,633	$161,832	$111,380	$56,678	$21,841
Initial Balance (Gross) *	$320,473	$309,556	$271,040	$223,633	$161,832	$111,380	$56,678	$21,841
Outstanding Balance	$206,228	$208,963	$185,403	$157,709	$121,181	$91,304	$47,277	$17,963
Pool Factor	64%	68%	68%	71%	75%	82%	83%	82%
Active Repayment	$138,982	$137,480	$125,742	$108,050	$79,270	$57,335	$27,431	$7,985
% Active Repayment	67%	66%	68%	68%	65%	63%	59%	44%

* Net Initial Balance = Gross Initial Balance excluding deals which have been paid off. Both Net and Gross Initial Balances shown here include balances of master trusts.

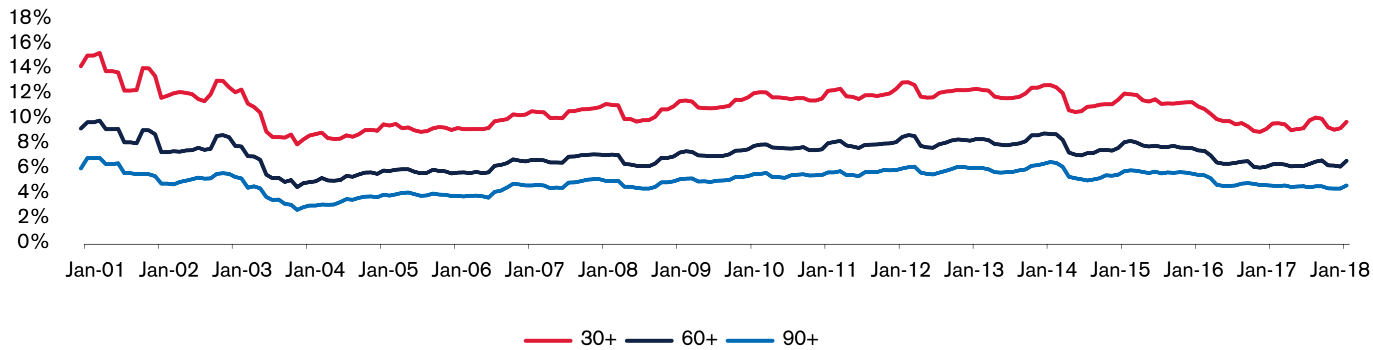
FFELP SLABS Performance — Delinquencies

The proportion of repayment volume that was delinquent on average during Q4 2017 was 9.8% for 30+ day delinquencies, 6.7% for 60+ day delinquencies and 4.7% for 90+ day delinquencies. Q4 2017 30+ day delinquencies grew by 1.2% year-over-year and 4.5% quarter-over-quarter, Q4 2017 60+ day delinquencies grew by 4.4% year-over-year and 5.7% quarter-over-quarter, and 90+ day delinquencies grew by 0.6% year-over-year and 5.1% quarter-over-quarter.

Exhibit 28: Delinquencies (as a % of repayment balance)

	Q4 2017	Q4 2016	% Change	Q3 2017	% Change	Avg 2002-2007	Peak	% Change from Peak
Delinquency 30+	9.81%	9.69%	1.24%	9.39%	4.47%	10.06%	15.35%	-36.09%
Delinquency 60+	6.69%	6.41%	4.37%	6.33%	5.69%	6.35%	9.92%	-32.56%
Delinquency 90+	4.72%	4.69%	0.64%	4.49%	5.12%	4.28%	6.93%	-31.89%

Exhibit 29: Delinquencies (as a % of repayment balance)

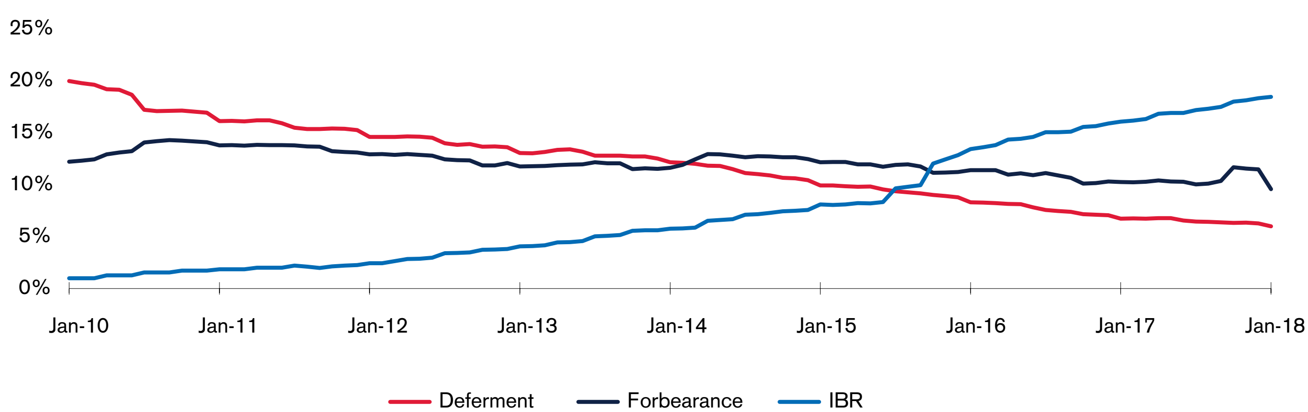


FFELP SLABS Performance — Forbearances, Deferments and Income-Based Repayment (IBR)

During Q4 2017, average deferments and forbearances were 6.2% and 10.9% of outstanding balance, respectively. Deferments fell 11.1% year-over-year and 2.8% quarter-over-quarter, while forbearances increased 6.5% year-over-year and 1.9% quarter-over-quarter. The increase in forbearances can be attributable to borrowers seeking to temporarily postpone student loan payments as a result of hurricanes Harvey and Irma, which impacted large parts of Texas and Florida during the third quarter. However, as can be seen in Exhibit 30, the overall forbearance rate has reverted to its long-term declining trend since the hurricanes.

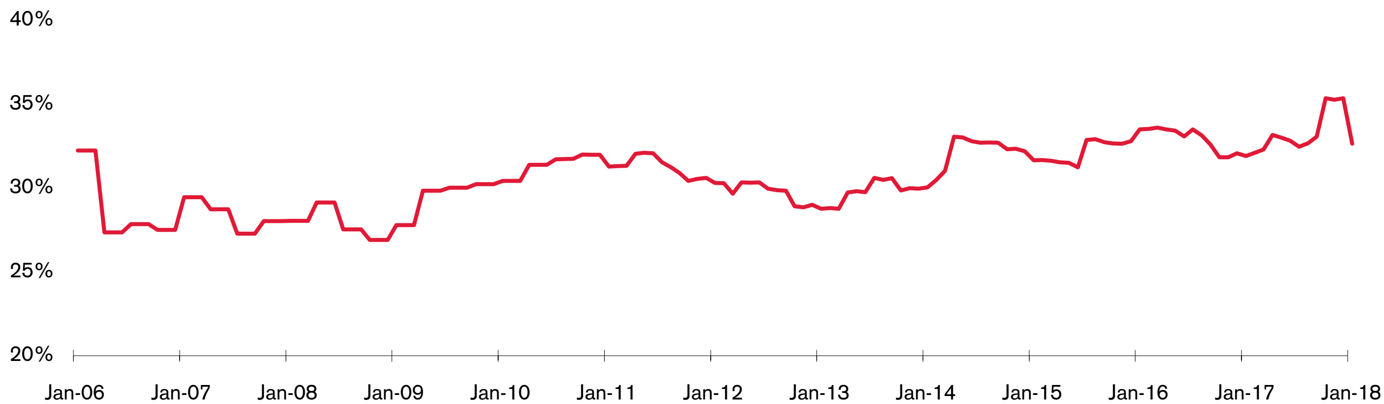
IBR utilization yet again climbed past last quarter's record high, averaging 18.3% of outstanding balance for Q4 2017. The average Q4 2017 IBR utilization rate grew by 15.4% year-over-year (from 15.9% in Q4 2016) and 4.0% quarter-over-quarter (from 17.6% in Q3 2017). IBR, which was introduced in 2009, provides FFELP borrowers with better options to manage their debt in difficult times and has proved more popular than forbearance and deferment among borrowers who can make at least partial payments.

Exhibit 30: Forbearances, Deferments and Income-Based Repayment (as a % of total outstanding balance)



While deferments and forbearances have declined, IBR utilization has increased significantly since the program was introduced in 2009. DBRS expects the combined utilization of deferment, forbearance and IBR to decline over time.

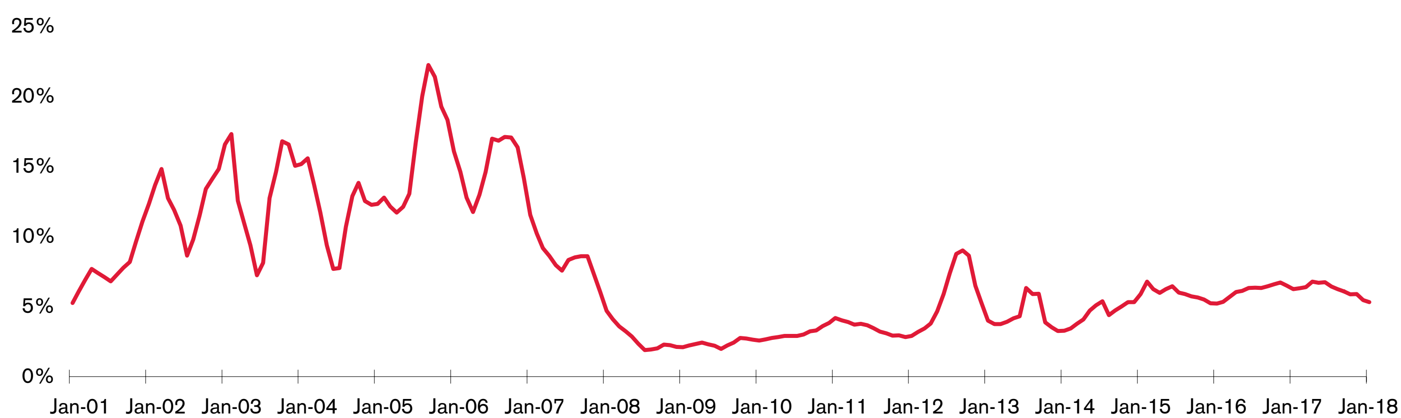
Exhibit 31: Combined Forbearance, Deferment and Income-Based Repayment (as a % of outstanding balance)



FFELP SLABS Performance — Prepayments

FFELP prepayments have generally been stable since 2015, staying within a range of 5.2% to 6.8%, and averaging 6.2% in 2017. In Q4 2017, average FFELP prepayments were 5.6%, compared to the 6.0% average rate for Q3 2017 and 6.5% average rate for Q4 2016.

Exhibit 32: Constant Prepayment Rate



FFELP SLABS Performance Expectations

DBRS expects performance to continue to improve for several reasons:

- Collateral Seasoning
  - Performance of existing FFELP transactions should continue to see improvement as transactions season further.
  - Because FFELP was discontinued in 2010, the vast majority of borrowers have now graduated from school and have been in active repayment for quite some time.
  - Because the majority of FFELP borrowers default within a few years of entering repayment, existing FFELP ABS transactions consist of loans that are well past the peak of their historic default timing curves, thus benefiting noteholders.
- Economic Environment
  - An improved unemployment rate for young adults and continued improvement in economic conditions should benefit FFELP ABS performance. Defaults should also improve as a result of an increase in the number of borrowers who take advantage of

IBR and other payment plans that help keep payments current.

  - A decrease in defaults may result in slower pool amortization as there may be less reimbursement from the government in the form of guarantee payments.

- Deferment, Forbearance and IBR
  - Deferment and forbearance use will continue to decline because of greater seasoning in existing transactions and as more borrowers opt to use IBR.
  - If the economy stays its course, the combined usage of deferment, forbearance and IBR should gradually decline.

Notes:
All figures are in U.S. dollars unless otherwise noted.

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