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COMMENTARY

DBRS Student Loan ABS Update – Q1 2018 Performance

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Executive Summary

This is the sixth publication of the *DBRS Student Loan ABS Update* and is structured as a quarterly performance update for Q1 2018. 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 563 securitizations issued from 1988 through Q1 2018, representing total new issuance volume of close to $526 billion. DBRS produced the underlying data and charts in this report with the assistance of MeasureOne, an established aggregator of student loan performance data.

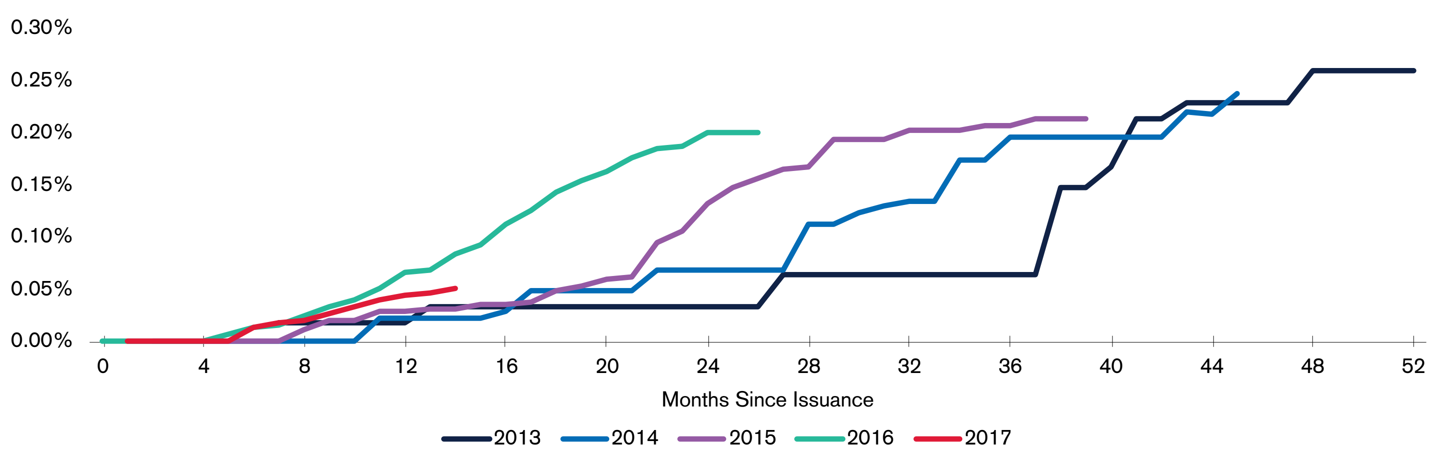
Refi SLABS Performance in Q1 2018

The DBRS Refi SLABS Index comprises performance data provided by the following student loan Refi lenders: CommonBond, Inc., Earnest Operations LLC (a subsidiary of Navient Corporation), Laurel Road Bank and SoFi Lending Corp. This index generally tracks the performance of all Refi student loan asset-backed securities (SLABS) transactions issued from 2013 through Q1 2018. To date, total new issuance volume in this sector stands at 46 transactions representing approximately $16.8 billion of underlying collateral. DBRS has rated all but one of these transactions.

Refi SLABS Performance — Charge-Offs

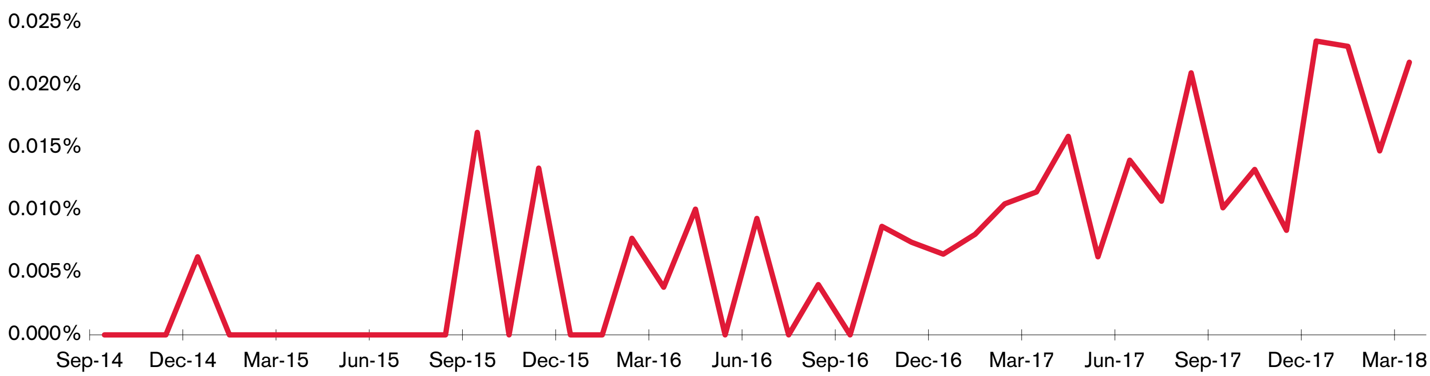
Charge-offs in the student loan Refi sector continue to be extremely low, primarily reflecting high-quality borrower characteristics, strong underwriting guidelines and a benign economic environment. Cumulative charge-offs for all vintages remain well below DBRS expectations. As of the end of Q1 2018, cumulative charge-offs for the oldest vintages — 2013 and 2014 — were 0.26% and 0.24% of initial balance after 52 and 45 months of seasoning, respectively. The 2015 vintage experienced cumulative charge-offs of 0.21% after 39 months of seasoning, while the 2016 vintage experienced cumulative charge-offs of 0.20% after 26 months of seasoning. The 2017 vintage has had cumulative charge-offs of 0.05% after 14 months of seasoning.

Exhibit 1: Cumulative Charge-Offs by Vintage (as a % of initial balance)



Monthly charge-offs for all Refi deals on an aggregated basis averaged 0.02% of outstanding principal balance in Q1 2018, higher-than-average monthly charge-offs of 0.01% in Q4 2018 and 0.01% in Q1 2017.

Exhibit 2: 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) over time, 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 very low and stable to date.

Average monthly 30+ day delinquencies for Q1 2018 stood at 0.19% of total outstanding principal balance. This represents no change from the 0.19% 30+ day delinquencies experienced in Q4 2017 and an increase from the 0.11% 30+ day delinquencies experienced in Q1 2017.

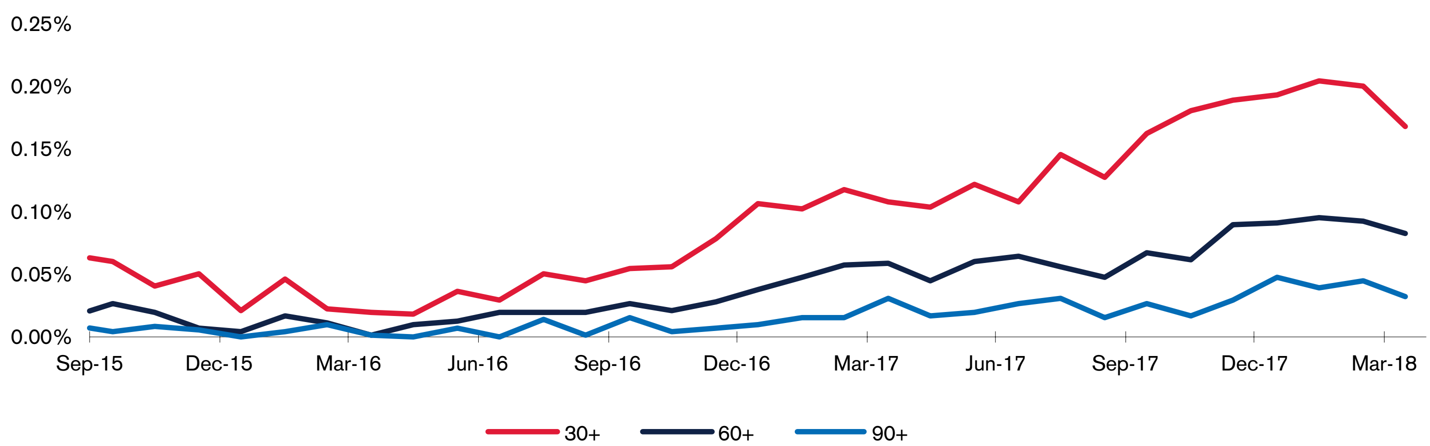
Average monthly 60+ day delinquencies for Q1 2018 stood at 0.09% of total outstanding principal balance, which is higher than the 0.08% 60+ day delinquencies experienced in Q4 2017 and an increase from the 0.05% 60+ day delinquencies experienced in Q1 2017.

Average monthly 90+ day delinquencies for Q1 2018 stood at 0.04% of total outstanding principal balance, which is higher than the 0.03% 90+ day delinquencies experienced in Q4 2017 and an increase from the 0.02% 90+ day delinquencies experienced in Q1 2017.

It should be noted that, while overall average delinquencies increased slightly during Q1 2018, delinquencies decreased during the month of March. In March, 30+ day delinquencies decreased to 0.17% from 0.20%, 60+ day delinquencies decreased to 0.08% from 0.09% and 90+ day delinquencies decreased to 0.03% from 0.05%.

Refi delinquencies are significantly lower than delinquencies on traditional private student loans and federally funded student loans. For example, 60+ day delinquencies for private and FFELP student loans currently stand at 2.85% and 7.09%, respectively.

Exhibit 3: Delinquencies (as a % of outstanding balance)



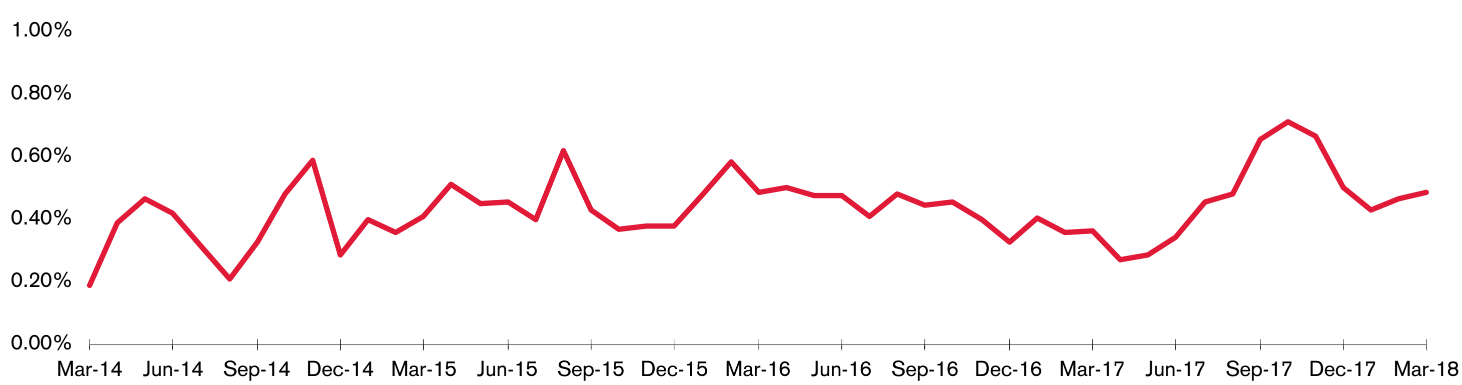
Refi SLABS Performance — Forbearances

The average monthly forbearance utilization rate for Q1 2018 stood at 0.46% of total outstanding principal balance, having fallen from the 0.62% average monthly forbearance utilization rate experienced in Q4 2017, but is higher than the 0.37% average rate experienced in Q1 2017.

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. As can be seen in Exhibit 4, the sharp increase in forbearance utilization observed in Q3 and Q4 of 2017 is partially attributable to borrowers' receiving temporary payment relief following hurricanes Harvey and Irma, which affected large parts of Texas and Florida, respectively.

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 disposable income before approving a loan. Further, most securitized Refi loans have been made to borrowers with graduate degrees. Borrowers with graduate degrees are less likely to seek forbearance because they have historically experienced a lower unemployment rate and have a stronger earnings profile versus borrowers with only undergraduate degrees.

Exhibit 4: Forbearance (as a % of outstanding balance)

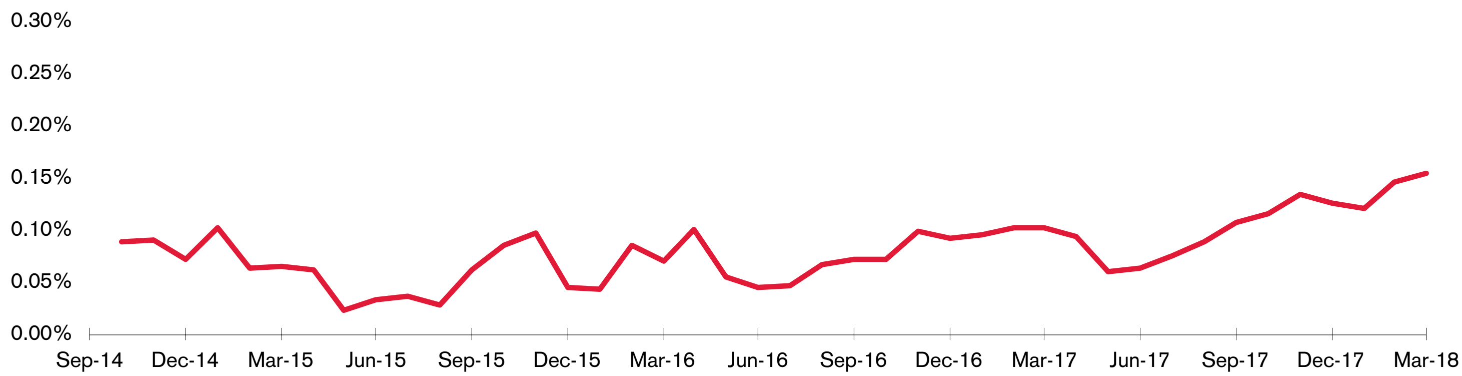


Refi SLABS Performance — Deferments

The average monthly deferment utilization rate for Q1 2018 stood at 0.14% of outstanding principal balance. This is higher than the 0.12% average monthly deferment utilization rate experienced in Q4 2017 and the 0.10% average monthly deferment utilization rate experienced in Q1 2017.

While deferments in the Refi sector remain very low, the increase over time is likely attributable to lenders' originating a larger percentage of loans to borrowers with only undergraduate degrees. Borrowers with only undergraduate degrees are more likely to request a deferment in order to pursue additional education than those with graduate degrees. DBRS expects deferment utilization to remain low because Refi borrowers, including those with only undergraduate degrees, are generally well established in their careers and have significant disposable incomes and therefore have little motive to pursue additional education.

Exhibit 5: Deferment (as a % of outstanding balance)



Traditional Private SLABS Performance in Q1 2018

The DBRS Private SLABS Index tracks the performance of 120 private SLABS transactions issued from 2001 through Q1 2018. At the end of Q1 2018, total securitized collateral volume stood at $94.5 billion, representing a year-over-year increase of 2.4% and a quarter-over-quarter increase of 2.0%. Notwithstanding the growth in initial balance, the overall outstanding balance continues to decline as it has since 2011, as prepayments and regular loan amortization outpace the growth in securitized collateral volumes. The year-over-year run-off on the portfolio (reduction in the outstanding balance) as of Q1 2018 was 15.5%.

Exhibit 6: Private SLABS Index Composition (millions, as of quarter-end)

	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012	Q1 2011	Q1 2010
Initial Balance (Net)*	$79,440	$78,351	$74,222	$70,562	$68,811	$66,250	$61,060	$61,421	$56,611
Initial Balance (Gross)*	$94,534	$92,321	$88,146	$82,969	$79,770	$74,883	$69,089	$64,341	$56,611
Outstanding Balance	$33,888	$37,872	$39,480	$40,497	$42,443	$44,121	$43,098	$46,808	$45,368
Pool Factor	43%	48%	53%	57%	62%	67%	71%	76%	80%
Active Repayment	$29,683	$32,811	$34,973	$36,410	$37,294	$38,301	$35,558	$35,925	$31,051
% Active Repayment	88%	87%	89%	90%	88%	87%	83%	77%	68%

	Q1 2009	Q1 2008	Q1 2007	Q1 2006	Q1 2005	Q1 2004	Q1 2003	Q1 2002
Initial Balance (Net)*	$40,498	$40,008	$33,456	$19,127	$13,005	$6,853	$2,308	$707
Initial Balance (Gross)*	$40,498	$40,008	$33,456	$19,127	$13,005	$6,853	$2,308	$707
Outstanding Balance	$32,429	$33,751	$29,677	$17,343	$12,019	$6,382	$2,177	$633
Pool Factor	80%	84%	89%	91%	92%	93%	94%	90%
Active Repayment	$21,856	$18,618	$15,865	$9,097	$6,341	$3,505	$1,201	$249
% Active Repayment	67%	55%	53%	52%	53%	55%	55%	39%

* 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

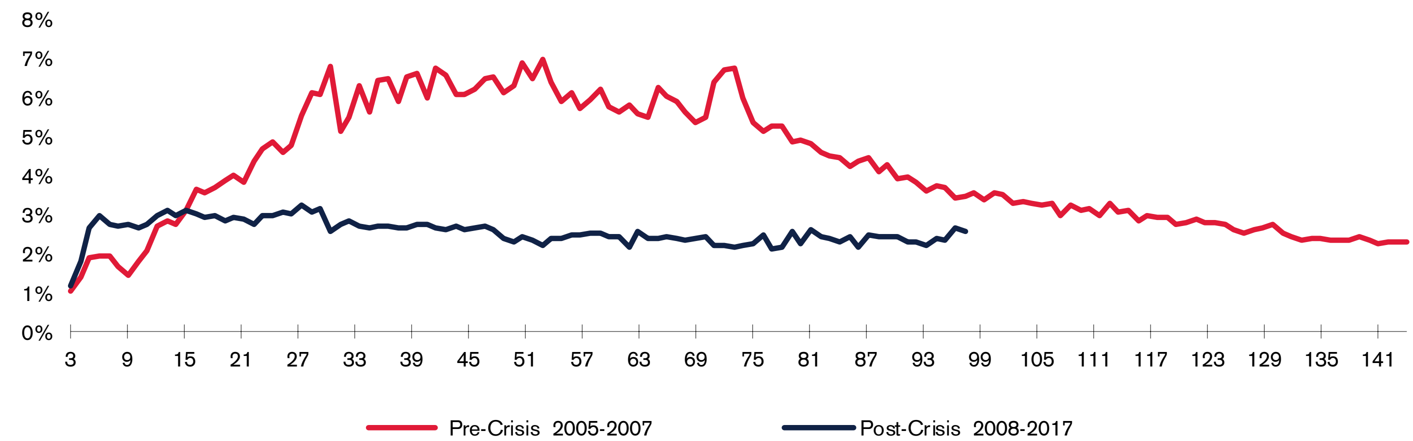
Q1 2018 annualized gross defaults were 2.2% of repayment balance, which is a decrease of 10.1% from Q1 2017 and a 2.3% contraction from Q4 2017. Gross defaults at the end of Q1 2018 were approximately 65% lower than peak annualized gross defaults of 6.3% experienced in Q2 2009. Cumulative gross defaults at the end of Q1 2018 stood at 29.1%.

Exhibit 7: Gross Defaults (as a % of previous repayment balance)

	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012	Q1 2011	Q1 2010	Q1 2009	Q1 2008
Annualized Default Rate	2.2%	2.4%	2.3%	2.9%	3.0%	3.9%	4.1%	4.7%	6.0%	6.2%	4.0%
Year-over-Year Change	-10.0%	6.6%	-21.3%	-5.3%	-21.7%	-5.1%	-13.0%	-22.1%	-3.2%	53.7%	26.5%
Quarter-over-Quarter Change	-2.3%	-9.4%	-19.3%	-5.9%	-8.2%	-8.9%	-14.8%	-8.4%	5.4%	38.3%	14.8%
Change from 2009 Peak	-65.1%	-61.2%	-63.6%	-53.8%	-51.2%	-37.7%	-34.3%	-24.5%	-3.2%	NA	NA
Cumulative Gross Defaults	29.1%	28.2%	27.2%	25.9%	24.5%	22.5%	20.1%	17.3%	14.4%	11.1%	8.5%

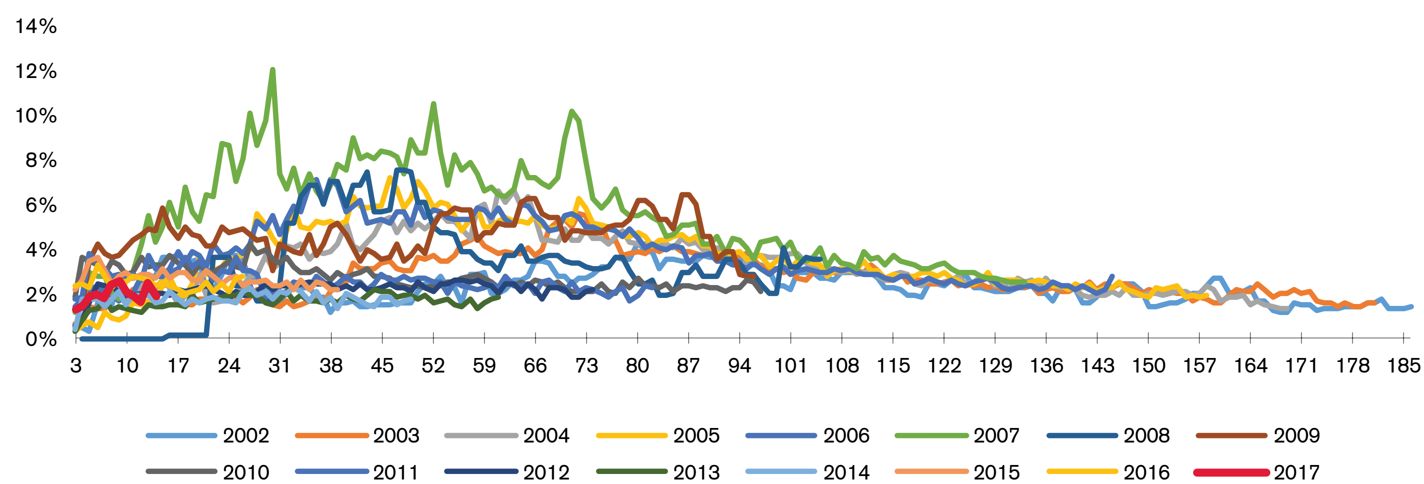
Post-crisis vintages (deals issued since 2008) have exhibited very stable performance, with historical defaults being significantly lower and less volatile than pre-crisis deals (see Exhibit 8). In addition to macro-economic crisis impacts, this is also the result of loans in post-2008 securitizations being made to stronger borrowers than those in pre-crisis vintages. 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 8: Annualized Gross Defaults — Pre-Crisis and Post-Crisis (as a % of previous repayment balance)



As can be seen in Exhibit 9, most vintages have experienced a continued trend of gross default improvement over the past several years.

Exhibit 9: Annualized Gross Defaults by Issuance Vintage (as a % of previous repayment balance)

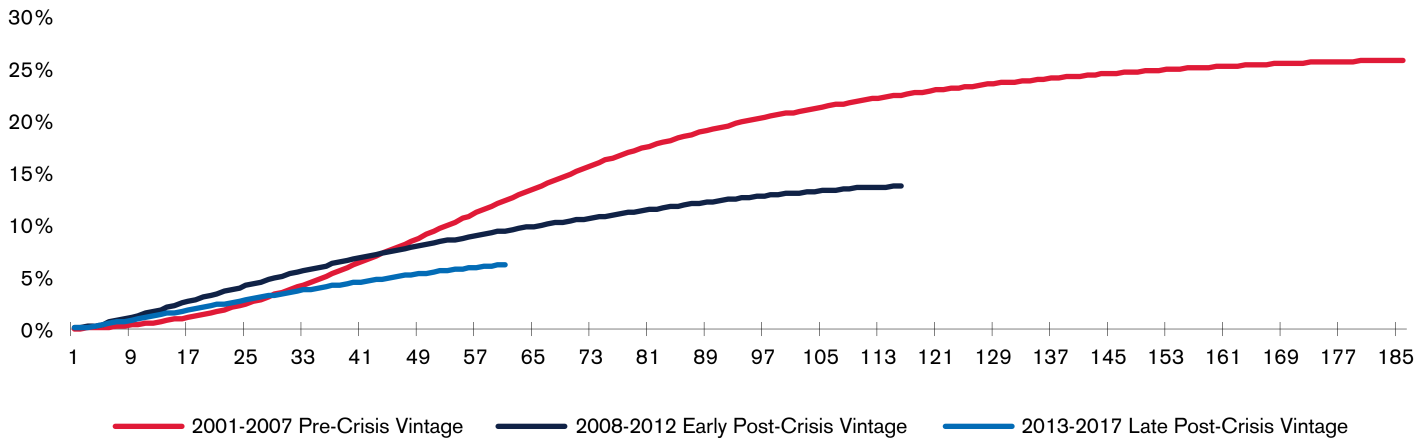


Private SLABS Performance Metrics — Cumulative Defaults

While pre-crisis (2001–2007, red line in Exhibit 10) transactions exhibit the highest cumulative defaults relative to the other vintages, cumulative default rates for such vintages have stabilized. This can be attributed to the strong economic environment and the continued in-repayment seasoning of outstanding transactions (historically, the default curve for student loans flattens as loans season).

Default rates for early and late post-crisis vintages remain low and continue to show signs of flattening. 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, remained steady at 4.1% from October 2017 through March 2018 (4.5% in March 2017) and is below pre-crisis levels (the average unemployment rate in 2007 was 4.6%). As of the date of this report, the unemployment rate was 3.9%.

Exhibit 10: Cumulative Defaults (as a % of initial balance)



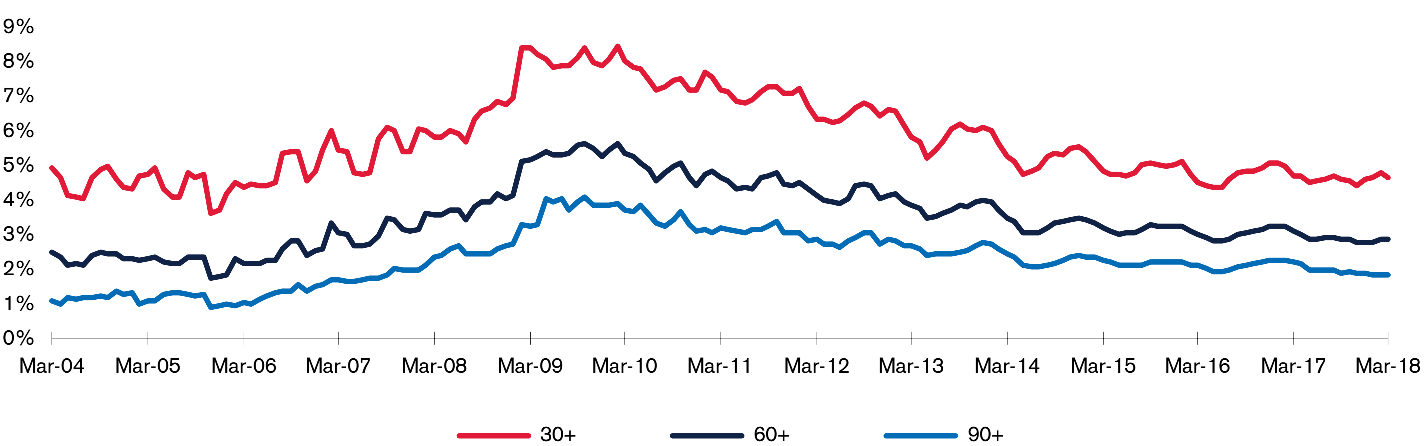
Private SLABS Performance — Delinquencies

At the end of Q1 2018, 90+ day delinquencies stood at 1.8% of repayment balance, a year-over-year decrease of 16.5% from 2.2% at the end of Q1 2017 and a quarter-over-quarter decrease of 5.3% from 1.9% at the end of Q4 2017. Meanwhile, 60+ day delinquencies at the end of Q1 2018 were 2.9% of repayment balance, which is a year-over-year decrease of 7.5% from 3.1% at the end of Q1 2017 and a quarter-over-quarter increase of 3.6% from 2.8% at the end of Q4 2017. Going forward, DBRS expects the long-term delinquency trend to continue to improve because the unemployment rate is at an 18-year low. Also contributing to lower delinquencies will be further seasoning of existing private SLABS transactions and new transactions adding a growing proportion of stronger collateral.

Exhibit 11: Delinquencies (as a % of repayment balance)

	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012	Q1 2011	Q1 2010	Q1 2009	Q1 2008
Delinquency 60+	2.9%	3.1%	3.0%	3.2%	3.5%	3.8%	4.1%	4.6%	5.4%	5.2%	3.6%
Year-over-Year Change	-7.5%	3.0%	-6.0%	-8.9%	-9.4%	-6.8%	-10.2%	-14.2%	3.3%	45.5%	17.5%
Quarter-over-Quarter Change	-2.5%	5.0%	7.5%	8.1%	12.3%	6.3%	6.2%	-3.8%	-1.5%	-28.9%	-14.8%
Delinquency 90+	1.8%	2.2%	2.1%	2.2%	2.4%	2.7%	2.8%	3.2%	3.7%	3.2%	2.3%
Year-over-Year Change	-16.5%	4.3%	-7.1%	-8.2%	-7.9%	-6.4%	-10.2%	-15.3%	15.5%	38.2%	37.9%
Quarter-over-Quarter Change	2.2%	4.0%	6.3%	5.1%	10.9%	7.3%	6.6%	-1.9%	3.1%	-20.6%	-19.5%

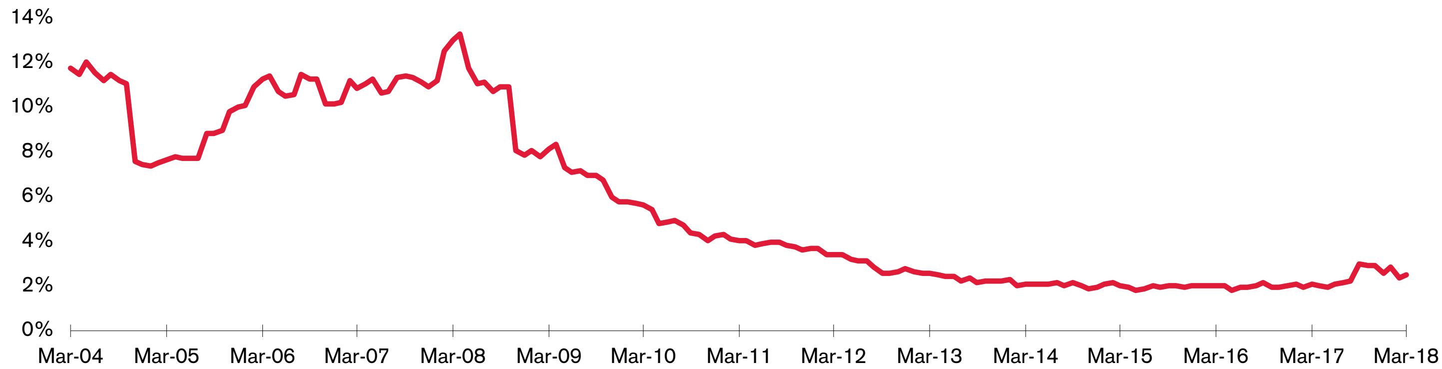
Exhibit 12: Delinquencies (as a % of repayment balance)



Private SLABS Performance — Forbearance

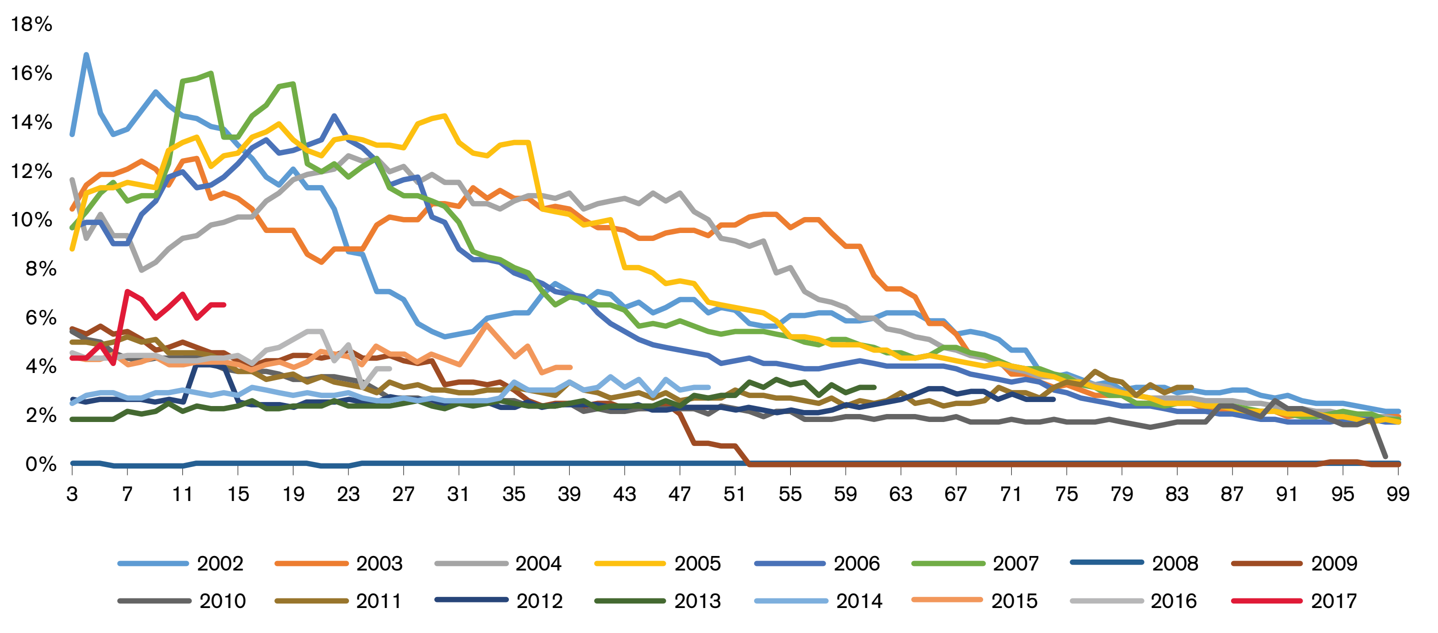
The percentage of loans in forbearance averaged 2.5% of repayment balance in Q1 2018, a year-over-year increase from the average forbearance rate of 2.0% in Q1 2017 and a quarter-over-quarter decrease from the 2.8% average forbearance rate in Q4 2017. Forbearances in the previous quarter were higher, as borrowers temporarily postponed student loan payments through administrative forbearances as a result of hurricanes Harvey and Irma, which affected large parts of Texas and Florida in the second half of 2017. The long-term improvement in forbearance utilization has primarily been driven by the low unemployment rate, loan seasoning, borrowers who have exhausted their forbearance allowance and more stringent forbearance policies for loans in recent securitization vintages.

Exhibit 13: Forbearance (as a % of repayment balance)



As reflected in Exhibit 14, pool age is a key factor contributing to the stability in forbearances, as more seasoned vintages have fewer borrowers who remain eligible for forbearances.

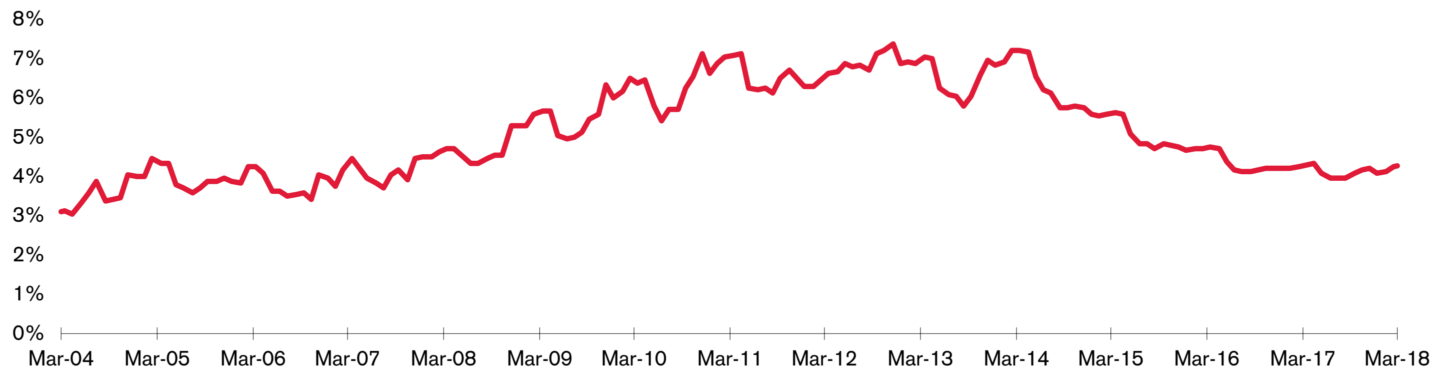
Exhibit 14: Forbearances by Vintage (as a % of repayment balance)



Private SLABS Performance — Deferments

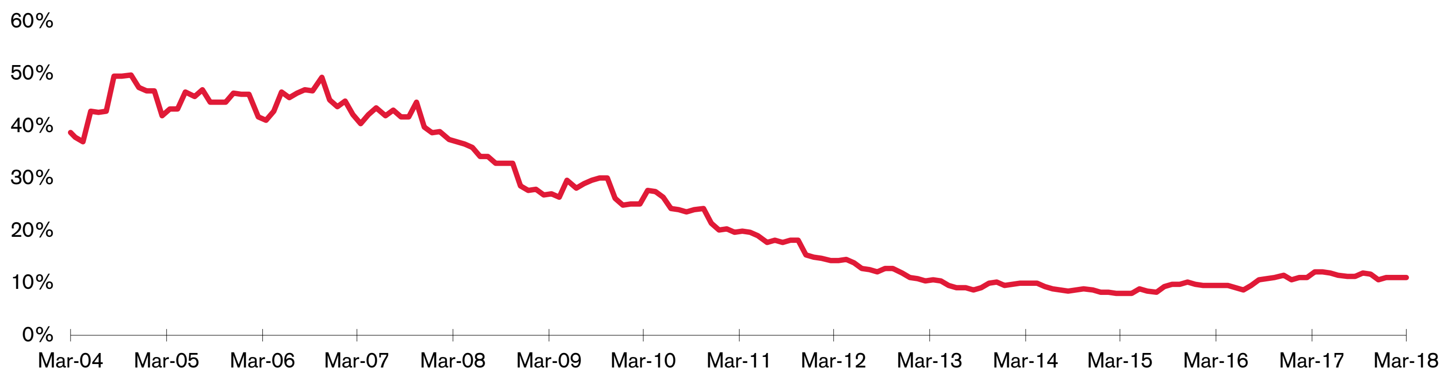
The percentage of private student loans in deferment has generally been on the decline since Q1 2014 when 7.1% of repayment balance was in deferment status. In Q1 2018, loans in deferment accounted for 4.2% of repayment balance on average, similar to the 4.2% deferment rate in Q4 2017 and a slight drop from the 4.3% deferment rate experienced in Q1 2017. This metric has been stable over the past two years, with an average rate of 4.2% over such period.

Exhibit 15: Deferment (as a % of outstanding balance)



Total Deferments tracks the share of underlying Private SLABS borrowers who are in deferment status, in addition to being in school or in a grace period. As can be seen in Exhibit 16, this metric has gradually declined from a peak of approximately 50% in Q3 2006. This metric stood at 10.9% in Q1 2018 and has remained relatively stable, averaging 10.8% over the past two years.

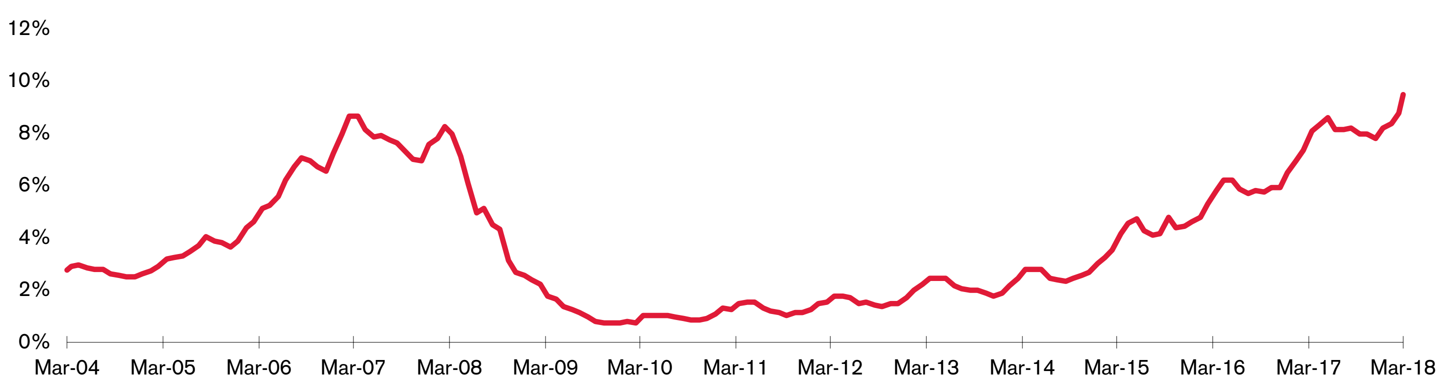
Exhibit 16: Total Deferments (as a % of outstanding balance)



Private SLABS Performance — Prepayments

Private SLABS prepayment speeds averaged 9.1% during Q1 2018, which is significantly higher than the 8.0% prepayment rate in Q4 2017 and the 7.4% prepayment rate in Q1 2017. Q1 2018 prepayments represent a 22% year-over-year increase and reflect a continuation of a long-term growing trend in private SLABS. The increase in prepayments coincides with the strengthening economy, low unemployment rate (including an ongoing recovery in the job market for recent graduates), tightening monetary policy and the growth of the Refi sector.

Exhibit 17: Constant Prepayment Rate



FFELP SLABS Performance in Q1 2018

The DBRS FFELP SLABS Index tracks the performance of 399 FFELP SLABS transactions issued from 1998 through Q1 2018. Exhibit 18 highlights the composition of the loans in this index. As of the end of Q1 2018, total securitized FFELP loan volume was approximately $439 billion, a year-over-year increase of 1.8% and a quarter-over-quarter increase of 0.9%. The outstanding balance continues to shrink on account of prepayments, regular amortization and defaults, with a 12% year-over-year run-off on the portfolio through Q1 2018.

Exhibit 18: FFELP SLABS Index Composition (millions, as of quarter-end)

	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012	Q1 2011	Q1 2010
Initial Balance (Net)*	$364,650	$356,932	$353,072	$367,795	$368,986	$362,590	$352,455	$342,636	$325,815
Initial Balance (Gross)*	$439,346	$431,628	$422,852	$413,260	$401,059	$386,478	$358,297	$344,109	$325,815
Outstanding Balance	$134,262	$144,852	$156,863	$171,911	$183,149	$192,195	$196,221	$203,957	$206,790
Pool Factor	37%	41%	44%	47%	50%	53%	56%	60%	63%
Active Repayment	$112,486	$119,616	$126,557	$134,004	$136,854	$142,784	$141,081	$141,713	$138,917
% Active Repayment	84%	83%	81%	78%	75%	74%	72%	69%	67%

	Q1 2009	Q1 2008	Q1 2007	Q1 2006	Q1 2005	Q1 2004	Q1 2003	Q1 2002
Initial Balance (Net)*	$309,924	$280,396	$237,646	$181,611	$121,515	$72,902	$26,831	$12,016
Initial Balance (Gross)*	$309,924	$280,396	$237,646	$181,611	$121,515	$72,902	$26,831	$12,016
Outstanding Balance	$205,889	$191,259	$166,597	$135,864	$97,776	$61,209	$21,833	$10,181
Pool Factor	66%	68%	70%	75%	80%	84%	81%	85%
Active Repayment	$133,681	$126,067	$110,717	$88,742	$60,460	$36,333	$10,671	$4,789
% Active Repayment	65%	66%	66%	65%	62%	61%	49%	47%

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

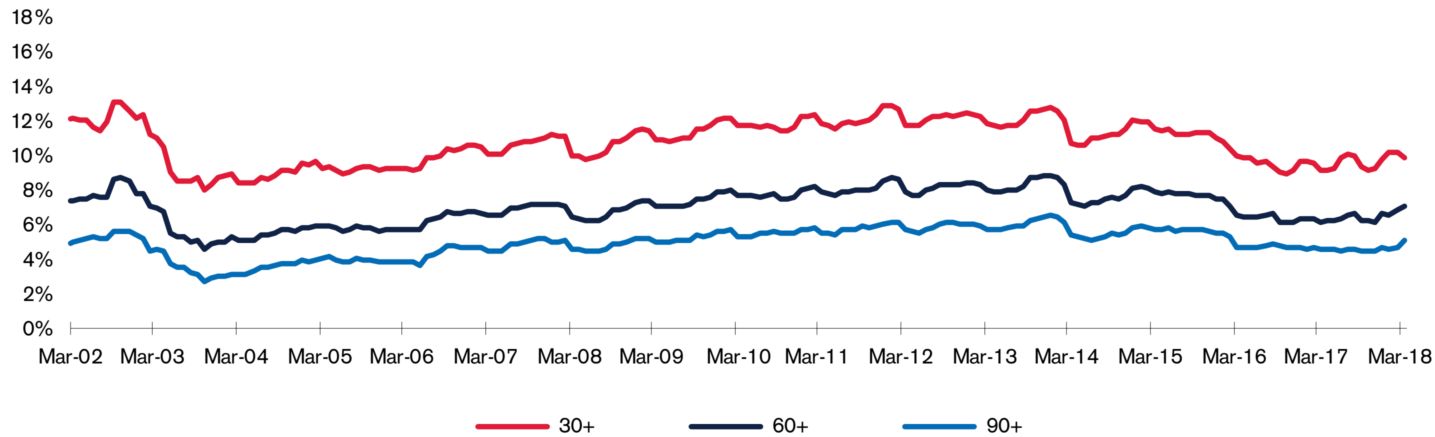
FFELP SLABS Performance — Delinquencies

The proportion of repayment balance that was delinquent on average during Q1 2018 was 9.9% for 30+ day delinquencies, 7.1% for 60+ day delinquencies and 5.1% for 90+ day delinquencies. During Q1 2018, average 30+ day delinquencies were up by 8.3% year over year and 0.9% quarter over quarter. Average 60+ day delinquencies increased by 14.0% year over year and 6.1% quarter over quarter. Average 90+ day delinquencies increased by 12.2% year over year and by 9.1% quarter over quarter.

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

	Q1 2018	Q1 2017	Year-over-Year Change	Q4 2017	Quarter-over-Quarter Change	Average 2002-2007	Peak	% Change from Peak
Delinquency 30+	9.9%	9.1%	8.3%	9.8%	0.9%	10.1%	15.4%	-35.5%
Delinquency 60+	7.1%	6.2%	14.0%	6.7%	6.1%	6.3%	9.9%	-28.5%
Delinquency 90+	5.1%	4.6%	12.2%	4.7%	9.1%	4.3%	6.9%	-25.8%

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



FFELP SLABS Performance — Forbearance, Deferment and Income-Based Repayment (IBR)

During Q1 2018, average deferments and forbearances were 5.8% and 9.9% of outstanding balance, respectively. Deferments fell 13.7% year over year and 3.1% quarter over quarter, while forbearances fell 4.7% year over year and 9.1% quarter over quarter.

IBR utilization yet again climbed past the previous quarter's record high, averaging 18.5% in Q1 2018. The average Q1 2018 IBR utilization rate was up by 12.5% year over year and 2.1% quarter over quarter. IBR, which was introduced in 2009, provides borrowers of FFELP loans 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.

DBRS continues to expect the combined utilization of deferment, forbearance and IBR to remain elevated in 2018, with IBR continuing to make up a growing percentage.

Exhibit 21: Forbearance, Deferment and Income-Based Repayment (as a % of outstanding balance)

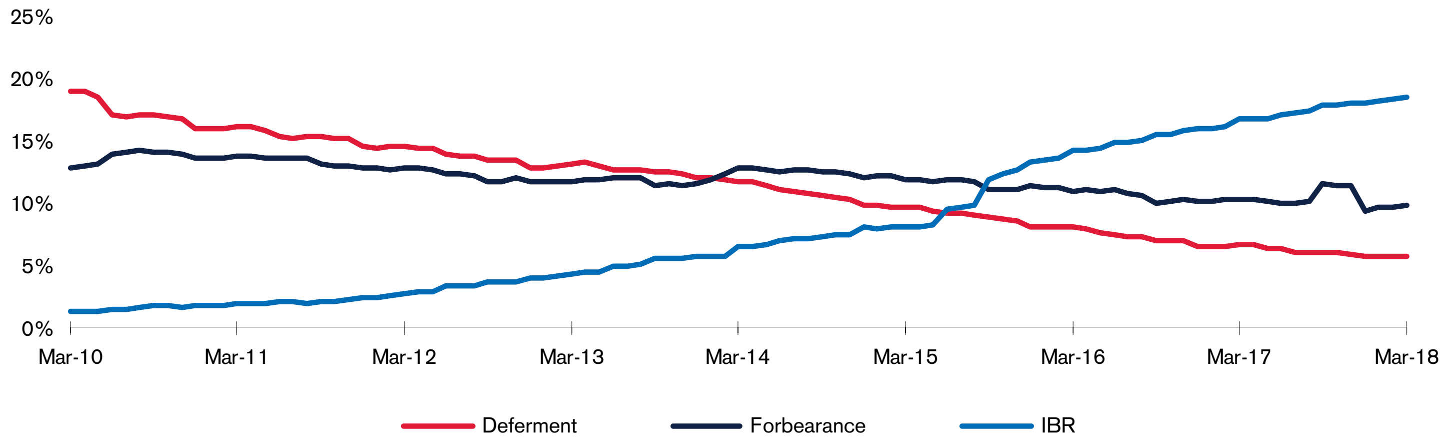


Exhibit 22: Combined Forbearance, Deferment and Income-Based Repayment (as a % of outstanding balance)

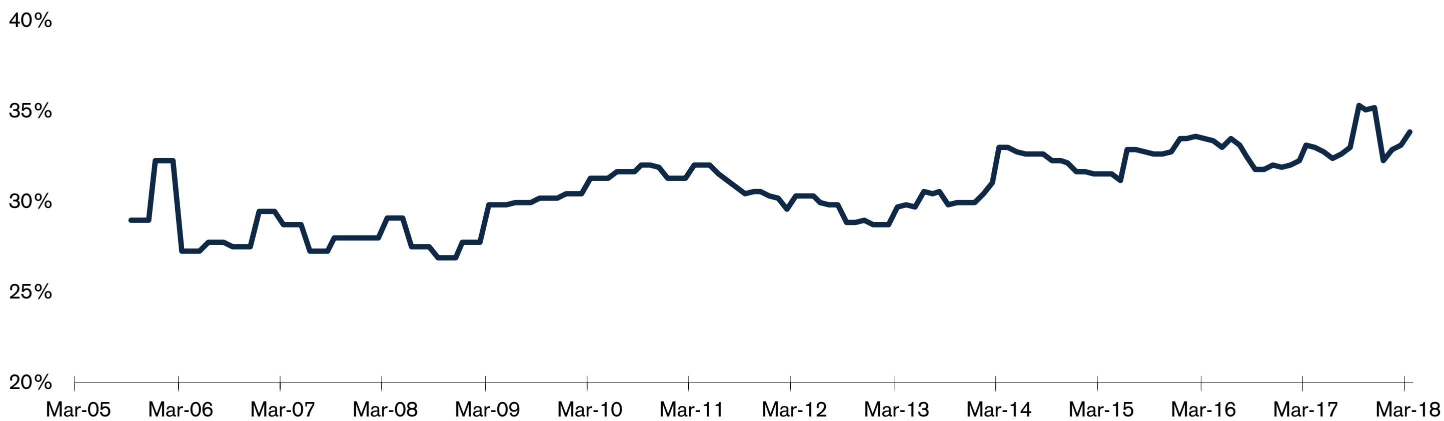
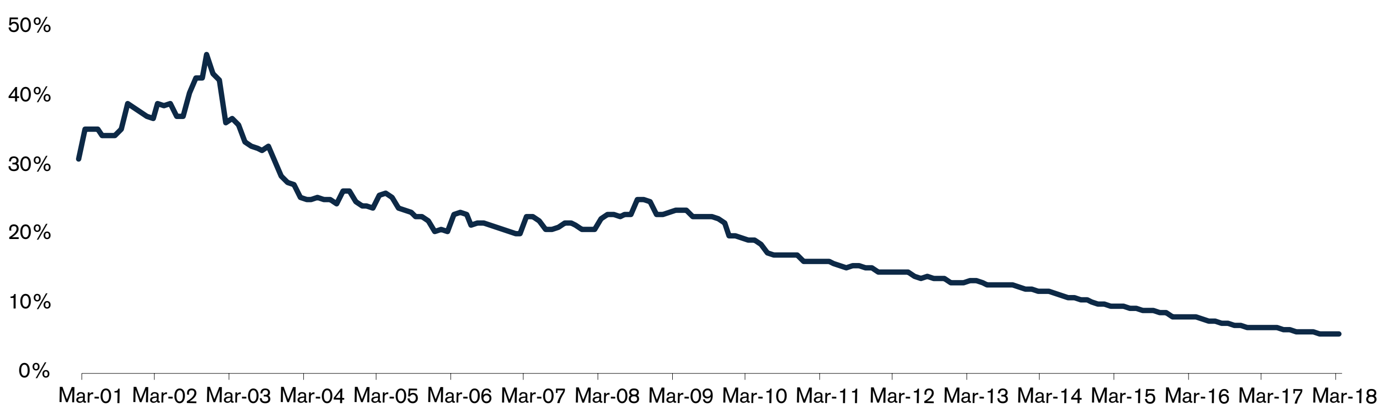


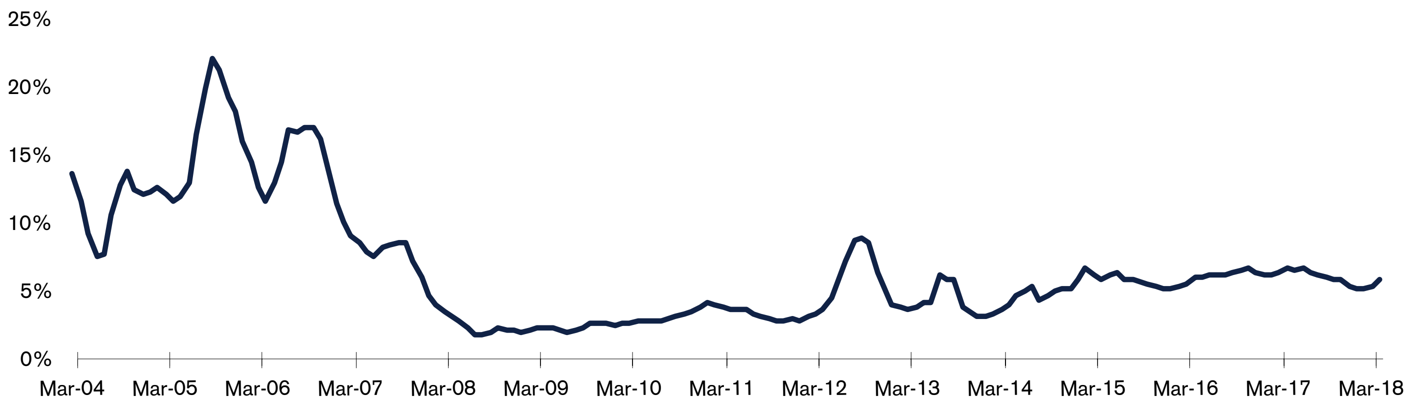
Exhibit 23: Total Deferments (as a % of outstanding balance)



FFELP SLABS Performance — Prepayments

FFELP prepayments have been relatively stable since 2015, staying within a range of 5.2% to 6.8%. In Q1 2018, average FFELP prepayments were 5.5%, which is slightly lower than the 5.6% average prepayment rate in Q4 2017 and lower than the 6.5% average prepayment rate in Q1 2017 (-14.8% year-over-year change).

Exhibit 24: Constant Prepayment Rate



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