

Primary Credit Analyst: Ronald Burt, New York (1) 212-438-4011;
ronald_burt@standardandpoors.com

Analytical Manager - U.S. ABS Term Surveillance: Gary Kochubka, New York (1) 212-438-2514; gary_kochubka@standardandpoors.com

Research Contributor: Sangeetha Jagadisan, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

VENDOR HEADLINE: S&P Afms Rtg On NorthStar Ed Fin 2011-A-L Term Credit Facility

RD HEADLINE: NorthStar Education Finance Inc. 'A (sf)' Rating Affirmed On Series 2011-A-L Term Credit Facility

OVERVIEW

- We reviewed the rating on the series 2011-A-L term credit facility issued by NorthStar Education Finance Inc. The facility is backed by a pool of private student loan collateral.
- We affirmed the 'A (sf)' rating on the credit facility due to stable performance of the underlying loan pool and credit enhancement that we believe is sufficient for the current rating.

Standard & Poor's Ratings Services today affirmed its 'A (sf)' rating on the \$18.75 million series 2011-A-L term credit facility backed by student loans issued by NorthStar Education Finance Inc.

The affirmed rating on the credit facility reflects our view of the collateral performance, which remains in line with our expected cumulative default assumptions. Additionally, the collateral pool currently has relatively low delinquencies, and parity (i.e., the ratio of the pool balance plus the reserve account to the credit facility balance) has increased since closing. We believe the credit enhancement available is sufficient to support the credit facility at its current rating. The rating affirmation also reflects our view of the future collateral performance as well as the credit facility's structure.

The loans in the collateral pool are all seasoned private student loans originated by NorthStar Education Finance Inc. As of the July 31, 2012, servicer report, the percentage of borrowers who were repaying principal and interest was 76.8%, and the weighted average time in repayment for the loan portfolio was 28 months. However, we still believe this collateral pool is at the beginning of establishing its default curve. As of the same reporting period, cumulative gross defaults were 1.1% of the original balance of the loan pool, and loans that were 30-plus-days past due represent 3.8% of the current balance of loans in repayment. At this early stage in the transaction's life, our cumulative default expectation remains in line with our initial lifetime expectation of 6.5% to 7.0%.

Credit enhancement, as measured by parity, has increased slightly since closing and stood at 144.9% as of July 31, 2012. Initial parity at closing for the transaction was relatively high at 143.6%, which was necessary to offset the high cost of funds in relation to the yield on the collateral pool. With some exception, the yield on the loans in the pool is 1.75% to 4.00% above three-month LIBOR, and the monthly

interest rate on the credit facility is 4.00% above one-month LIBOR. The increase in parity since closing is largely due to the structure's initial overcollateralization and the full turbo feature whereby all available funds remaining after the payment of fees, expenses, interest payments, and any necessary reserve account deposits are used to make principal payments until the credit facility is paid in full.

Standard & Poor's will continue to monitor the performance of the student loans in the collateral pool relative to its cumulative default expectations and its assessment of the credit enhancement available to the term credit facility.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Reports included in this credit rating report are available at <http://standardandpoorsdisclosure-17g7.com>

RELATED CRITERIA AND RESEARCH

- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011.
- Principles Of Credit Ratings, published Feb. 16, 2011.
- Presale: NorthStar Education Finance Inc. - Series 2001-A-L, May 17, 2011
- Methodology: Credit Stability Criteria, published May 3, 2010. Student Loan Criteria: Rating Methodology For Student Loan Transactions, Oct. 1, 2004.
- Student Loan Criteria: Structural Elements In Student Loan Transactions, Oct. 1, 2004.
- Student Loan Criteria: Student Loan Programs, Oct. 1, 2004.
- Student Loan Criteria: The Rating Process For Student Loan Transactions, Oct. 1, 2004.