North Texas
HIGHER EDUCATION AUTHORITY

Higher Education
SERVICING CORPORATION

December 28, 2023

Manufacturers and Traders Trust Company
213 Market Street
Harrisburg, Pennsylvania 17101
Attention: Corporate Trust Services

Royal Bank of Canada
200 Vesey Street, 12th Floor
New York, New York 10281

RE: North Texas Higher Education Authority, Inc. Taxable Student Loan Asset-Backed Notes, Series 2023-1 – Credit Risk Retention

Ladies and Gentlemen:

The following is an update of the credit risk retention calculation as of the closing date for North Texas Higher Education Authority Series 2023-1. Cash flow assumptions and fair value calculations contained herein are updated as of the closing date.

CREDIT RISK RETENTION

Regulation RR was adopted jointly by the Securities and Exchange Commission ("SEC") and various federal banking and housing agencies in October 2014, pursuant to the requirements of the Dodd-Frank Act. Regulation RR applies to sponsors of virtually all asset-backed securitizations, whether the asset-backed securities are publicly or privately offered and requires the sponsor of a securitization transaction or a majority-owned affiliate of the sponsor to retain an economic interest in not less than five percent of the credit risk of securitized assets using specific methods prescribed by Regulation RR. The required interest may be retained in one of several forms, including vertical, horizontal, or a combined method. Retained credit risk exposure generally may not be transferred (other than to a sponsor's majority-owned affiliate), hedged, or financed by nonrecourse debt, though there are sunset timeframes under which most of these restrictions will expire.

Pursuant to Regulation RR (i) for a securitization transaction that is collateralized solely (excluding servicing assets as defined in Regulation RR) by FFELP Loans that are guaranteed as to 100% of defaulted principal and accrued interest, the risk retention requirement is 0%, (ii) for a securitization transaction that is collateralized solely (excluding servicing assets) by FFELP Loans that are guaranteed as to at least 98% but less than 100% of defaulted principal and accrued interest, the risk retention requirement is 2% and (iii) for any other securitization transaction that is collateralized solely (excluding servicing assets) by FFELP Loans, the risk retention requirement is 3%.

In no event shall the Trustee have any responsibility to monitor compliance with Regulation RR or any other rules or regulations regarding risk retention. The Trustee shall not be charged with knowledge of such rules, nor shall it be liable to any Noteholder or any other party or person for a violation of such rules and regulations now or hereinafter in effect.

Eligible Horizontal Residual Interest

The Issuer will satisfy the risk retention requirement of Regulation RR by retaining the Retained Interest, which Retained Interest has been structured to satisfy the requirements of an "eligible horizontal residual interest" under Regulation RR.

The fair value of the Retained Interest is anticipated to exceed three percent of the sum of the fair values of the Series 2023-1 Notes and the Retained Interest on the Closing Date. Unless the Issuer is no longer subject to the risk retention requirements of Section 15G of the Securities Exchange Act, and the regulations promulgated thereunder, the Indenture prohibits the transfer of the Retained Interest to any person or entity other than the Issuer, or a majority-owned affiliate of the Issuer, until the latest to occur of:

- the date which is two years after the Closing Date;
- the date the Value of the Financed Loans is reduced to 33 percent or less of the Value of the Financed Loans as of the Closing Date; and
- the date the principal amount of the Series 2023-1 Notes is reduced to 33 percent or less of the original principal amount of the Series 2023-1 Notes as of the Closing Date.

The Retained Interest will not bear interest and will not have a principal balance. Distributions, if any, on the Retained Interest will be made from amounts released from the Indenture. See the caption "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF TRUST INDENTURE—Creation and Operation of Accounts—Revenue Account; Payment Account" hereto. In addition, except as provided in Regulation RR, the Issuer, and any affiliate of the Issuer, is prohibited from directly or indirectly hedging or otherwise transferring the credit risk that the Issuer is required to retain pursuant to Regulation RR.

Fair Value

Pursuant to Regulation RR, the Issuer is required to determine the fair values of the Series 2023-1 Notes and the Retained Interest using a fair value measurement framework under U.S. generally accepted accounting principles. The amount of the eligible horizontal residual interest, expressed as a percentage, is equal to the fair value of the eligible horizontal residual interest divided by the fair value of all ABS interests issued in the securitization transaction, being the Series 2023-1 Notes and the Retained Interest. Under U.S. generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs, each as described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for identical or similar assets or liabilities and observable inputs such as interest rates and yield curves; and

- Level 3 inputs are unobservable inputs for the asset or liability, and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Fair Value of Series 2023-1 Notes. The fair values of the Series 2023-1 Notes are categorized within Level 1 of the hierarchy, reflecting the actual pricing of the Series 2023-1 Notes. Based upon the pricing of the Series 2023-1 Notes, the fair value of the Series 2023-1 Notes is assumed to equal 100% of the initial principal balance of the Series 2023-1 Notes, assuming the interest rate on the Series 2023-1 Notes will be 5.38%.

Fair Value of Retained Interest. The fair value of the Retained Interest is determined using the Issuer's key inputs and assumptions and its internal valuation models as the inputs are generally not observable (Level 3 inputs). The Issuer's model projects the anticipated collections and payments in respect of the Financed Loans, including interest and principal payments on the Financed Loans (including Special Allowance Payments and Interest Subsidy Payments), defaults and recovery payments of the Financed Loans, interest and principal payments on the Series 2023-1 Notes, required payments from the Reserve Account, transaction fees and expenses and servicing fees. The resulting cash flows to the Retained Interest are discounted to the present value based on a discount rate that reflects the credit exposure to these cash flows.

In making these calculations, the Issuer made the following assumptions:

- interest rate indexes are assumed to reset consistent with the forward curve as of November 7, 2023;

- principal and interest payments for the Financed Loans are calculated using the characteristics described under the caption "CHARACTERISTICS OF THE FINANCED LOANS" herein;

- the remaining cumulative default rate on the Financed Loans is 7.7%, applied to the principal balance and accrued interest capitalized on the Financed Loans (which, for the avoidance of doubt, does not include any interest that is not capitalized), determined as described below and allocated in accordance with the associated timing curve described below;

- the recovery rate on defaulted Financed Loans is 97.45% of the outstanding principal balance and accrued interest thereon upon default, based on the level of guarantee applicable to the Financed Loans as of the Statistical Cut-Off Date;

- the Financed Loans voluntarily prepay at a constant prepayment rate of 4.0% for consolidation loans and 6.0% for all other loans;

- borrower benefits are applied to the principal balance of the Financed Loans not in a school, grace, deferment, or forbearance status as a constant yield reduction of 0.21% based upon the utilization of borrower benefits as of the Statistical Cut-Off Date;

- 4.0% of the Financed Loans remain in deferment for 24 months;

- 12.0% of the Financed Loans remain in forbearance for 36 months; and

- the discount rate applied to the cash flows for the Retained Interest is 10.00%, as determined in accordance with the discount rate methodology described below.

The Issuer developed these inputs and assumptions considering the following factors:

- *Remaining cumulative default rate and timing curve* – The table below represents the timing of anticipated remaining defaults for the Financed Loans and was developed using assumptions regarding expected credit losses based on the composition of the Financed Loans, the performance of prior securitized pools, economic conditions and other factors. The remaining cumulative default rate described above represents the proportion of the principal balance of and the accrued interest to be capitalized on the Financed Loans as of the Statistical Cut-Off Date (which, for the avoidance of doubt, does not include any interest that was not capitalized at such time) that is anticipated to default over the remaining life of the Financed Loans. The table below describes the timing of defaults on the Financed Loans in relation to the number of months following the Closing Date upon entering repayment:

Months	% of Cumulative Default Rate[1]
1-12	25%
13-24	25
25-36	20
37-48	10
49-60	10
61-72	10
73 and after	0
Total	100%

(1) Percent of the remaining cumulative default rate occurring in the described periods.

- *Constant prepayment rate* – The constant prepayment rate is stated as an annualized rate and is calculated as the percentage of the loan amount in repayment outstanding at the beginning of a period, after applying defaults and scheduled payments that are paid during that period.

- *Discount rate* – The discount rate represents the rate used in discounted cash flow analysis to determine the present value of future cash flows of the Retained Interest. This rate represents the estimate of the sum of the risk-free rate, a market premium reflecting the perceived riskiness of the cash flow, and a liquidity premium. The discount rate is further informed by observed discount rates at which similar cash flows have been recently traded, if any.

The Issuer developed these inputs and assumptions for each of its various loan products by reviewing several factors, including the composition of the Financed Loan pool, the performance of certain FFELP loans held by the Issuer, including its prior securitized pools, and economic conditions. The inputs and assumptions described above include all inputs and assumptions that could reasonably be expected to have a material impact on the fair value calculation or would be material to a prospective investor's ability to evaluate the Issuer's fair value calculation.

Fair Value Calculations

Based on the assumptions and methodologies described above, as of the Closing Date, the fair values of the Series 2023-1 Notes and the Retained Interest are expected to be:

ABS Interests	Fair Value	Percentage[1]
Series 2023-1 Notes	$336,497,000.00	96.33%
Retained Interest	12,808,256.99	3.67
Total	$349,305,255.99	100.00%

[1] Percentages may not sum to 100% due to rounding.

The Issuer will cause the fair values of the Series 2023-1 Notes and the Retained Interest after the Closing Date to reflect the issuance of the Series 2023-1 Notes and any changes in the methodology or any of the key inputs and assumptions described above. The fair value of the Retained Interest as a percentage of the fair value of all ABS interests issued in the transaction will be included in the first monthly servicing report, together with a description of any changes in the methodology or key inputs and assumptions used to calculate the fair value.

Any information contained herein with respect to the Retained Interest is provided only to facilitate a better understanding of the Series 2023-1 Notes.

Sincerely,

Phillip Wambsganss
NORTH TEXAS HIGHER EDUCATION AUTHORITY