Presale Report
SMB Private Education Loan Trust 2023-C

DBRS Morningstar
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Contents

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Rating Summary

Class	Amount ($)	Coupon (%)	Rating	Rating Action
A-1A*	364,000,000	[TBD]	AAA (sf)	New Rating – Provisional
A-1B*		SOFR + [TBD]	AAA (sf)	New Rating – Provisional
B	30,000,000	[TBD]	AA (sf)	New Rating – Provisional
Total	**394,000,000**			

Note: In addition to the Notes listed above, the trust will issue the Class R certificates
* The allocation of the aggregate initial principal balance of the Class A Notes between the Class A-1A Notes and the Class A-1B Notes will be determined on or before the date of pricing. The aggregate initial principal balance of the Class A Notes will be equal to $364,000,000, of which the issuing entity expects that the initial principal balance of the Class A-1B Notes will be an amount not less than $75,000,000 and not more than $100,000,000.

Executive Summary

DBRS, Inc. (DBRS Morningstar) assigned provisional ratings to the SMB Private Education Loan Trust 2023-C (SMB 2023-C or the Issuer) notes (the Notes). SMB 2023-C will consist entirely of private student loans that were made and underwritten under Sallie Mae Bank's (SMB) Smart Option student loan program.

SMB 2023-C will use a traditional pass-through structure, with credit enhancement consisting of subordination provided by the Class B Notes for the benefit of the Class A-1A Notes and Class A-1B Notes (together with the Class A-1A Notes, the Class A Notes), overcollateralization, reserve account, and excess spread.

In general, the trust will pay principal sequentially, first to the Class A-1A Notes and Class A-1B Notes (pro rata) until the principal balance of each such class is paid in full, and then to the Class B Notes until the principal balance is paid in full.

The DBRS Morningstar ratings on the Notes address the full and timely payment of interest and the ultimate payment of principal by each class of Notes' respective final maturity date in accordance with the terms and conditions of the SMB 2023-C transaction documents.

Transaction Parties and Relevant Dates

Issuing Entity:	SMB Private Education Loan Trust 2023-C
Grantor Trust:	SMB Private Education Loan Grantor Trust 2023-C
Sponsor, Seller, Servicer, and Administrator:	Sallie Mae Bank
Depositor:	SMB Education Funding, LLC
Indenture Trustee and Paying Agent:	UMB Bank, N.A.
Trustee and Grantor Trust Trustee:	UMB Bank, N.A.
Delaware Trustee and Grantor Trust Delaware Trustee:	UMB Delaware Inc.
Statistical Cut-Off Date:	July 5, 2023
Closing Date:	On or about August 16, 2023
Payment Date:	Monthly, on the 15th of each month, or next business day
First Payment Date:	October 16, 2023
Final Maturity Date:	Class A-1A Notes: November 15, 2052 Class A-1B Notes: November 15, 2052 Class B Notes: November 15, 2052

Rating Rationale

The provisional ratings are based on DBRS Morningstar's review of the following analytical considerations:

- The transaction’s form and sufficiency of available credit enhancement.
    - Overcollateralization, note subordination, reserve account amounts, and excess spread create credit enhancement levels and liquidity that are commensurate with the proposed ratings.
    - Transaction cash flows are sufficient to repay investors under all AAA (sf) and AA (sf) stress scenarios in accordance with the terms of the SMB 2023-C transaction documents.
- The quality and credit characteristics of the student loans and underlying borrowers.
- SMB’s capabilities with regard to originations and underwriting.
    - DBRS Morningstar has performed a review of SMB’s origination platform and has determined the bank to be an acceptable student loan originator.
- The ability of the Servicer to perform collections on the collateral pool and other required activities.
    - DBRS Morningstar has performed a review of SMB as the servicer and considers the entity an acceptable servicer of private student loans.
- The legal structure and expected legal opinions that will address the true sale of the student loans, the nonconsolidation of the trust, that the trust has a valid first-priority security interest in the assets, and the consistency with DBRS Morningstar's *Legal Criteria for U.S. Structured Finance*.

Considerations

Coronavirus Disease (COVID-19)

- The transaction assumptions consider DBRS Morningstar's baseline macroeconomic scenarios for rated sovereign economies, available in its commentary *Baseline Macroeconomic Scenarios for Rated Sovereigns: June 2023 Update*, published on June 30, 2023. These baseline macroeconomic scenarios replace DBRS Morningstar's moderate and adverse Coronavirus Disease (COVID-19) pandemic scenarios, which were first published in April 2020.

Quality of Collateral

- SMB 2023-C is backed entirely by loans originated under SMB's Smart Option loan program. Smart Option loans have demonstrated default rates that are significantly lower as compared with the Signature loans that SMB previously originated prior to mid-2009. This can be attributed primarily to stronger underwriting guidelines and borrowers that generally are of higher credit quality.
- Approximately 19.0% of the trust student loans require at least an interest-only (IO) payment while the borrower is enrolled in school. Approximately 34.0% of the trust student loans require a fixed monthly payment of $25 while the borrower is enrolled in school. Smart Option loans made to borrowers who are required to make payments while enrolled in school have performed significantly better than Smart Option loans that do not require any student loan payments while the borrower is enrolled in school.
- As of July 7, 2023, the weighted-average (WA) current FICO score of the trust student loans was 741. Private student loans with higher FICO scores are generally expected to perform better than loans with lower FICO scores.
- Approximately 90.6% of the trust student loans are co-signed. Private student loans with co-signers are generally expected to experience default rates that are lower than loans without co-signers.
- Approximately 92.9% of the trust student loans were made to borrowers attending four-year schools. Historical performance demonstrates that such loans generally have the lowest default rate compared with loans made to borrowers attending other undergraduate school types.
- Approximately 89.8% of the trust student loans consist of loans made to borrowers attending not-for-profit schools. Such loans have historically defaulted at much lower rates than loans made to students attending for-profit schools.
- The SMB 2023-C student loan pool is geographically diverse. The top five state concentrations are New York (9.2%), California (9.0%), Pennsylvania (7.8%), New Jersey (6.2%), and Texas (6.1%), which represent approximately 38.3% of the trust student loan pool. Geographic diversity is a positive as there is less likelihood that economic downturns concentrated in certain regions would negatively affect performance of the trust student loan portfolio.

Structural Features

- Overcollateralization, note subordination, reserve account amounts, and excess spread create credit enhancement levels that are commensurate with the respective ratings for each class of Notes. The credit enhancement levels can support the DBRS Morningstar-projected cumulative defaults and other cash flow assumptions under various stress scenarios, and the transaction is able to repay investors in accordance with the terms of the transaction documents. The credit enhancement levels can withstand coverage of approximately 3.94 times (x) and 3.67x the DBRS Morningstar 9.00% base-case default rate assumption in the AAA (sf) and AA (sf) breakeven cash flow stress scenarios, respectively.
- The transaction has a sequential pay structure. No principal will be allocated to the Class B Notes until the Class A Notes are paid in full. Payments to the Class A Notes will be made on a pro rata basis.
- To build additional credit support early in the transaction, the structure incorporates a full turbo feature whereby 100% of remaining available funds after paying senior transaction fees, Note interest, and certain shortfalls will be used to pay principal on the Class A Notes until the Specified Overcollateralization Amount, equal to the greater of 25.00% of the then-current pool balance or $49,510,292 (i.e., 11% of the initial pool balance as of the Cut-Off Date) is reached.
- The Specified Overcollateralization Amount is intended to protect the Notes from losses on the portfolio in excess of those anticipated. Until the Specified Overcollateralization Amount is met, or if such levels are not maintained, excess cash may not be released from the trust, and it is possible that the Class B Notes will not receive any interest payments.
- If the Specified Overcollateralization Amount has been reached, the Class A Notes may revert to full turbo mode if the pool balance is equal to or less than 10% of the initial pool balance.
- Sequential amortization of the Notes, the overcollateralization target, the subordination of the Class B Notes, and the reserve account are expected to create increasing credit enhancement over time for the Class A Notes as a percentage of the outstanding pool balance.
- If the outstanding principal balance of the Class A Notes exceeds the outstanding pool balance, 100% of remaining available funds after paying senior transaction fees and Class A Note interest will be used to turbo principal on the Class A Notes. Interest on the Class B Notes will become subordinate to principal payments on the Class A Notes until this trigger is cured.

Basis Risk and Interest Risk

- The SMB 2023-C Notes will be exposed to a degree of basis risk because of the variable and fixed-rate composition of the trust student loans and the floating and fixed interest rates borne by the Notes. The floating-rate Notes will be indexed to the 30-day average Secured Overnight Financing Rate (SOFR), while the variable-rate loans are indexed to CME Term SOFR or 30-day average SOFR. SMB 2023-C will not be entering into interest rate hedging arrangements with respect to the rated Notes or the trust student loans.
- To address basis risk, DBRS Morningstar ran certain stresses at each rating category to assess the effect on the transaction’s performance and its ability to pay noteholders per the transaction’s legal documents. DBRS Morningstar assumed two stressed interest rate environments for each rating category, which consisted of increasing and declining forward interest rate paths for CME Term SOFR and 30-day average SOFR based on the DBRS Morningstar Unified Interest Rate Tool.

Credit Enhancement

Credit Enhancement Summary	
Initial Class A Note Subordination (% of Notes)	7.61%
Initial Class A Note Overcollateralization	19.13%
Initial Class B Note Overcollateralization	12.46%
Specified Overcollateralization Amount	25.00% of the current pool balance, subject to a floor equal to $49,510,292.
Initial Overcollateralization Percentage	12.46% of the initial pool balance.
Specified Reserve Account Balance	0.25% of the initial pool balance at the closing date ($1,125,234), nondeclining.

Overcollateralization

- Initial overcollateralization for the Class A Notes will be 19.13%. Class A overcollateralization is defined as the excess of the initial pool balance over the aggregate initial principal balance of the Class A Notes divided by the initial pool balance.
- Initial overcollateralization for the Class B Notes will be 12.46%. Class B overcollateralization is defined as the excess of the initial pool balance over the aggregate initial principal balance of the Class A Notes and Class B Notes divided by the initial pool balance.

Note Subordination

- The Class A Notes will benefit from 7.61% initial subordination provided by the Class B Notes. Class A Note subordination is defined as the sum of the initial Class B Note balance divided by the total Note balance.

Reserve Accounts

- A nondeclining reserve account benefiting the Notes will be funded at closing with $1,125,234 (Specified Reserve Account Balance). The reserve account will be available to pay shortfalls, if any, of senior transaction fees, the First Priority Principal Distribution Amount, Class A Note interest, Class B Note interest, and Note principal on the related final maturity date.
- The reserve account will be replenished to the extent the amount on deposit is less than the requirement.

Excess Spread

- Excess spread will be used to turbo the Notes from the first payment date until each class reaches its respective overcollateralization target. Monthly excess spread is expected to grow significantly over time as credit enhancement levels increase and as more loans enter active repayment. Excess spread benefits the Notes by providing cushion against shortfalls and losses.

Note Principal and Interest

- In general, the trust will pay principal sequentially, first to the Class A Notes (pro rata) until the principal balance of such class is paid in full and then to the Class B Notes until the principal balance of such class is paid in full.
- For the fixed-rate Notes, the first interest accrual period begins on the Closing Date and ends on October 14, 2023. For all other monthly distribution dates, the interest accrual period will begin on the 15th day of the month of the immediately preceding distribution date and end on the 14th day of the month of such distribution date.
- For the floating-rate Notes, the first interest accrual period begins on the Closing Date and ends on October 15, 2023. For all other monthly distribution dates, the interest accrual period will begin on the immediately preceding distribution date and ends on the day before such distribution date.
- Interest will be calculated on the fixed-rate Notes based on a 30-day accrual period divided by 360 (except for the initial accrual period, which will be based on the actual number of days elapsed in a year of 360 days consisting of 12 30-day months).
- Interest will be calculated on the floating-rate Notes based on the actual number of days elapsed in each accrual period divided by 360.

Collateral

Set forth in the following tables are certain characteristics of the trust student loans as of the Statistical Cut-Off Date as compared with recent SMB transactions.

	SMB 2023-C	SMB 2023-B	SMB 2023-A	SMB 2022-D	SMB 2022-C	SMB 2022-B	SMB 2022-A	SMB 2021-E
Statistical Cut-Off Date	5-July-23	3-May-23	17-Jan-23	15-Sep-22	21-Jun-22	25-Apr-22	18-Jan-22	21-Sep-21
Aggregate Principal Balance ($)	450,093,560	2,100,722,480	650,041,448	1,098,032,558	680,105,840	2,126,647,343	1,072,848,188	560,084,369
Number of Borrowers	31,478	134,029	44,462	78,312	49,312	142,197	76,201	42,353
Number of Loans	32,253	148,132	45,905	83,559	51,124	157,834	80,265	43,644
Average Balance per Borrower ($)	14,299	15,674	14,620	14,021	13,792	14,956	14,079	13,224
Fixed (%)	61.0	56.9	57.0	49.8	52.0	49.8	49.8	50.0
One-Month Libor (%)	0.0	22.9	23.0	50.2	48.0	50.2	50.2	50.0
SOFR (%)	39.0	20.2	20.0	n/a	n/a	n/a	n/a	n/a
WA Interest Rate (%)	11.25	11.20	10.86	9.98	9.30	9.02	8.67	8.68
WA Interest Rate Fixed (%)	10.02	9.88	9.87	9.77	9.73	9.61	9.58	9.57
WA Libor Margin (%)	n/a	7.86	7.83	7.76	7.78	7.74	7.71	7.71
WA CME Term SOFR Margin (%)	7.83	n/a	n/a	n/a	n/a	n/a	n/a	n/a
WA 30-Day Average SOFR Margin (%)	8.29	8.21	8.16	n/a	n/a	n/a	n/a	n/a
Co-Signer (%)	90.6	91.6	91.9	91.8	92.1	91.9	92.2	91.8
WA FICO Original	743	744	744	744	743	744	742	741
WA FICO Current	741	740	742	745	745	745	745	745
WA Remaining Term (Months)	159	158	160	145	145	146	143	143
WA Months in Active Repayment	16	17	15	20	19	19	19	18
Original FICO								
< 640 (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
640 - 669 (%)	7.1	7.4	7.4	7.2	7.4	6.9	7.5	7.7
670 - 699 (%)	15.4	15.3	15.1	15.4	15.2	15.5	15.7	16.3
700 - 739 (%)	26.8	26.6	26.2	27.0	27.0	26.9	27.2	27.1
740+ (%)	50.6	50.8	51.4	50.4	50.3	50.6	49.5	48.9
Current FICO								
< 640 (%)	4.7	4.7	4.3	4.0	4.2	3.6	3.7	3.9
640 - 669 (%)	6.2	6.6	6.3	5.0	5.4	5.4	5.5	4.9
670 - 699 (%)	12.9	12.9	12.5	11.5	11.4	11.7	11.5	11.5
700 - 739 (%)	23.4	23.7	24.0	23.5	23.5	24.1	24.1	24.7
740+ (%)	52.7	52.1	53.0	56.1	55.5	55.1	55.2	55.0
Payment Status								
Active Repayment (%)	38.8	37.0	37.2	40.8	40.7	40.3	48.4	39.8
In-School (%)	39.0	48.2	48.7	35.4	35.0	44.3	35.1	34.8
Grace (%)	17.2	8.8	8.6	17.0	18.2	8.5	7.3	16.0
Deferment (%)	4.4	5.4	4.4	6.2	5.6	6.3	8.2	8.0
Forbearance (%)	0.5	0.6	1.1	0.6	0.5	0.6	1.1	1.4
Loan Program								
Smart Option (Interest-Only) (%)	19.0	19.6	20.0	19.8	19.9	19.7	19.5	20.0
Smart Option ($25 Fixed Payment) (%)	34.0	34.1	34.0	33.1	33.1	31.1	31.2	31.0
Smart Option (Deferred Payment) (%)	47.0	46.2	46.0	47.1	47.0	49.2	49.3	49.0
Index								
Fixed (WA Interest Rate) (%)	61.0 (10.02)	56.9 (9.88)	57.0 (9.87)	49.8 (9.77)	52.0 (9.73)	49.8 (9.61)	49.8 (9.58)	50.0 (9.57)
One-Month Libor (WA Margin) (%)	0.0 (0.00)	22.9 (7.86)	23.0 (7.83)	50.2 (7.76)	48.0 (8.84)	50.2 (7.74)	50.2 (7.71)	50.0 (7.71)
CME Term SOFR (WA Margin) (%)	17.7 (7.83)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30-Day Average SOFR (WA Margin) (%)	21.2 (8.29)	20.2 (8.21)	20.0 (8.16)	n/a	n/a	n/a	n/a	n/a
School Type								
4-Year (%)	92.9	94.1	94.5	94.3	94.2	94.0	94.1	94.0
2-Year (%)	4.0	3.5	3.3	3.6	3.6	3.6	3.5	3.4
Proprietary/Vocational (%)	3.1	2.4	2.2	2.1	2.2	2.5	2.4	2.5
School Designation								
Non-Profit (%)	89.8	92.2	92.1	91.9	91.9	90.2	90.2	90.2
For-Profit (%)	10.2	7.8	7.9	8.1	8.1	9.8	9.8	9.8
Current Balance								
Less than $25,000 (%)	64.4	64.1	64.9	63.3	67.3	59.5	65.8	67.5
$25,000 - $49,999 (%)	28.2	28.7	28.3	27.9	26.4	26.3	26.7	25.6
$50,000 - $74,999 (%)	5.2	5.4	5.0	6.2	4.5	7.4	5.3	4.9
$75,000 - $99,999 (%)	1.6	1.3	1.3	1.9	1.4	2.5	1.6	1.5
$100,000+ (%)	0.6	0.5	0.4	0.8	0.4	1.3	0.6	0.5

Remaining Term	**SMB 2023-C**	**SMB 2023-B**	**SMB 2023-A**	**SMB 2022-D**	**SMB 2022-C**	**SMB 2022-B**	**SMB 2022-A**	**SMB 2021-E**
1 – 60 (%)	2.6	2.8	2.8	3.9	4.0	3.8	4.9	4.3
61 – 120 (%)	16.3	17.7	18.2	26.8	27.9	27.4	29.4	29.0
121 – 180 (%)	47.8	45.0	44.5	43.4	44.1	43.2	44.1	43.1
181 – 240 (%)	30.8	31.9	31.6	23.1	21.3	22.2	18.0	20.0
241 – 300 (%)	2.4	2.6	2.8	2.7	2.7	3.2	3.5	3.3
301 – 360 (%)	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1
361+ (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement Year								
2009 (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
2011 (%)	0.1	0.1	0.1	0.2	0.2	0.3	0.5	0.5
2012 (%)	0.2	0.3	0.3	0.6	0.6	0.7	0.9	1.0
2013 (%)	0.6	0.6	0.6	1.1	1.1	1.3	1.8	2.0
2014 (%)	0.7	1.0	1.0	1.9	2.0	2.1	3.1	3.3
2015 (%)	1.2	1.7	1.7	3.0	3.4	3.6	5.2	5.8
2016 (%)	2.1	2.6	2.7	5.0	5.7	5.9	8.5	9.0
2017 (%)	3.0	3.3	3.5	6.7	7.0	7.7	11.4	12.2
2018 (%)	4.7	5.1	5.5	9.7	10.5	11.3	16.1	17.6
2019 (%)	8.5	10.0	10.7	18.5	20.7	20.9	30.1	31.9
2020 (%)	15.3	17.7	19.0	36.3	37.1	37.4	20.8	16.6
2021 (%)	43.3	46.3	47.0	17.0	11.6	8.9	1.6	0.0
2022 (%)	20.1	11.3	7.9	0.0	0.0	0.0	0.0	0.0
Geographic Concentration								
State 1 (%)	NY 9.2	NY 9.7	NY 9.6	NY 9.7	NY 9.7	NY 9.8	NY 9.6	NY 10.0
State 2 (%)	CA 9.0	PA 8.3	PA 8.5	PA 8.3	PA 8.6	CA 8.9	CA 8.6	CA 8.7
State 3 (%)	PA 7.8	CA 8.1	CA 8.0	CA 8.2	CA 8.1	PA 8.5	PA 8.4	PA 8.3
State 4 (%)	NJ 6.2	NJ 6.0	NJ 6.6	NJ 6.3	NJ 6.3	NJ 6.5	NJ 6.2	NJ 6.5
State 5 (%)	TX 6.1	TX 5.9	TX 5.9	TX 5.5	TX 5.6	TX 5.4	TX 5.5	TX 5.4

* Represents an amount that is less than 0.05%

Originator

Company Description

SMB, an industrial bank established in 2005, is a wholly owned subsidiary of Sallie Mae Corporation. In 2014, Sallie Mae Corporation was legally separated into two distinct publicly traded entities: a consumer banking business (Sallie Mae Corporation and its primary operating subsidiary, SMB) and an education loan management, servicing, and asset recovery business (Navient Corporation).

SMB, which is regulated by the Utah Department of Financial Institutions, the U.S. Federal Deposit Insurance Corporation, and the Consumer Financial Protection Bureau, originates private student loans in addition to offering traditional savings products, such as savings accounts, money market accounts, and certificates of deposit. In addition to private student loans, SMB holds and manages pools consisting of Federal Family Education Loan Program loans and credit cards.

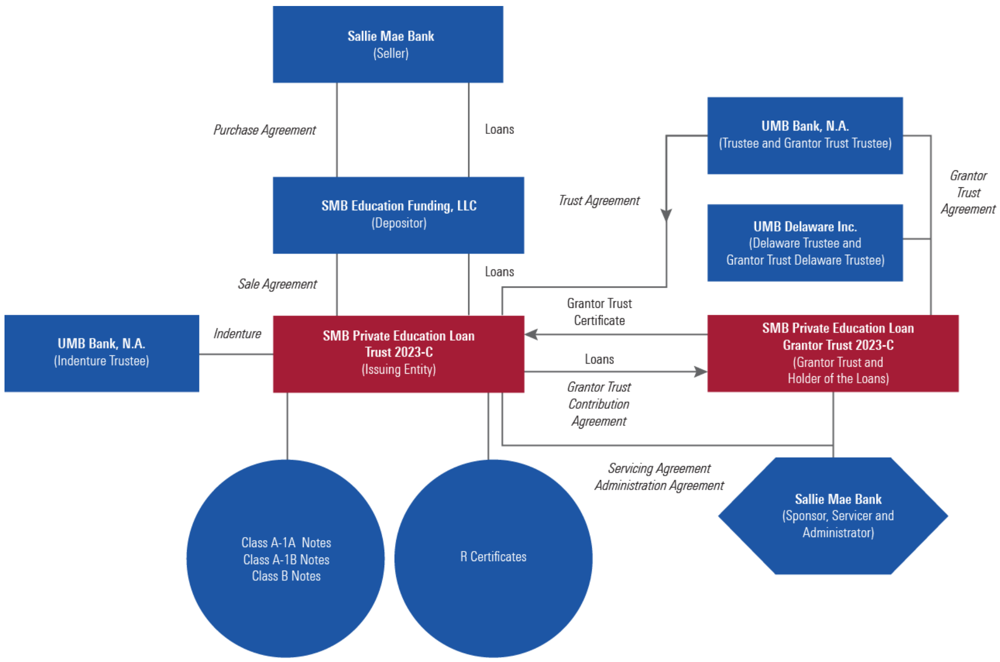
SMB's private student loans are primarily originated under its Smart Option program. The Smart Option program was launched in 2009 and initially included an IO payment option (while the student is enrolled in school and during the grace period) that emphasized reduced total finance charges. Shortly after the IO loan was introduced, SMB began offering a fixed-pay option allowing for minimum monthly payments of $25 while the student is enrolled in school and during the grace period. A third repayment option offered by SMB under its Smart Option program is the more traditional deferred product where borrowers are not required to make payments while the student is in school and during the grace period.

The Smart Option program has stricter borrower requirements as compared with SMB's previous Signature Loan program that it replaced. While Signature loans were underwritten based primarily on FICO score, the Smart Option program expanded the scope of the credit and underwriting review, placing more of an emphasis on factors influencing applicants' ability and willingness to repay their debt. In addition to a minimum FICO score, the Smart Option credit underwriting strategy uses a custom scorecard model and overlay criteria for decline and additional review decisions.

SMB will act as the servicer of the SMB 2023-C transaction. Under the servicing agreement, SMB will be responsible for servicing the trust student loans, maintaining custody of the trust student loans and remitting collections to the transaction's collection account for the life of SMB 2023-C. SMB will agree to service the trust student loans on the same terms as it services substantially similar loans owned by SMB.

Transaction Structure

Structural Summary



Source: DBRS Morningstar.

Priority of Payments

Available Funds

Available funds will generally equal the sum of the following:

1. Amounts received as interest and principal payments with respect to the trust student loans.
2. Any recoveries from charged off trust student loans.
3. Proceeds from any sale of trust student loans.
4. Any amounts received as investment earnings in the trust accounts.
5. Specified Reserve Account Balance amounts, if any.
6. Amounts received from SMB upon repurchase of trust student loans.

Priority of Payments

On each payment date, available funds will be applied in the following order of priority:

1. Pro rata, fees to the Indenture Trustee, Trustee, Grantor Trust Trustee, Delaware Trustee, and Grantor Trust Delaware Trustee (including extraordinary expenses up to $150,000 per annum).
2. Servicing Fee.
3. Administration Fee (including any unreimbursed Administrator Advances up to $50,000 per annum).
4. Interest due on the Class A Notes, pro rata.
5. First Priority Principal Distribution Amount (if any) to the Class A Notes (pro rata) until paid in full.
6. Interest due on the Class B Notes.
7. To increase the reserve account balance up to the Specified Reserve Account Balance, if applicable.

8. Regular Principal Distribution Amount, first to the Class A Notes (pro rata) until paid in full and then to the Class B Notes until paid in full.
9. Carryover servicing fees, if any.
10. Additional Principal Distribution Amount, if any, first to the Class A Notes (pro rata) until paid in full and then to the Class B Notes until paid in full.
11. Pro rata, any unpaid fees and expenses to the Indenture Trustee, Trustee, Grantor Trust Trustee, Delaware Trustee, and Grantor Trust Delaware Trustee.
12. To the Administrator, any unpaid fees and expenses.
13. To the R Certificateholders, any remaining amounts.

Priority of Payments Summary

Source: DBRS Morningstar.

The **First Priority Principal Distribution Amount** is the amount by which the outstanding principal balance of the Class A Notes exceeds the current pool balance.

The **Regular Principal Distribution Amount** is the amount by which the outstanding principal balance of the Notes exceeds the current pool balance less the Specified Overcollateralization Amount of 25.00% (subject to a floor of $49,510,292).

Once the transaction's pool factor is equal to or less than 10% and the trust has not exercised its optional redemption right, the **Additional Principal Distribution Amount** is the amount equal to the lesser of (1) 100% of the available funds after steps 1 to 9 of the priority of payments and (2) the aggregate outstanding principal balance of the Notes.

Events of Default

The transaction will include standard events of default that contain cure periods and call for the sale of the assets of the trust and acceleration of the repayment of the principal balance of the Notes.

Events of default include the following:

- Failure to pay note interest within five business days after it is due.
- Failure to pay 100% of any outstanding note principal balance at the final maturity date.
- Covenant or agreement breaches that are not cured within 30 days.
- Failure to properly address material breaches of representations and warranties within 30 days.
- Occurrence of an insolvency/bankruptcy event involving the trust.

Cash Flow Analysis

DBRS Morningstar incorporates a stressed cash flow analysis in its rating process. In the cash flow modeling analysis, several inputs were stressed to test whether the transaction cash flows could withstand potential performance deterioration of the collateral at the requested rating levels of AAA (sf) and AA (sf).

The key inputs of the cash flow modeling that were analyzed include the following:

- Defaults
- Timing of defaults
- Recoveries
- Prepayments
- Forbearances and deferments
- Borrower benefits
- Basis risk
- Transaction fees

DBRS Morningstar evaluated a total of 20 cash flow scenarios to test each class of Notes. As indicated in the table below, a baseline of three prepayment scenarios and three default timing curves were applied to test the resilience of the rated Notes. Additionally, two maturity stress scenarios were evaluated to test whether the Notes receive their ultimate principal amount by their respective final maturity dates. The stressed cash flows were modeled based on two interest rate paths: an upward vector and a downward vector. In each of the stressed cash flow scenarios, the Class A Notes and Class B Notes received timely payment of interest and the ultimate payment of principal by their respective final maturity dates.

20 Cash Flow Scenarios Applied by DBRS Morningstar

DBRS Morningstar Cash Flow Scenario	Prepayments (CPR %)	Loss Timing	Interest Rate Stress
1 – 3	4/5/6/8/10 thereafter, 5, 10	Front-loaded	Upward
4 – 6	4/5/6/8/10 thereafter, 5, 10	Mid-loaded	Upward
7 – 9	4/5/6/8/10 thereafter, 5, 10	Back-ended	Upward
10 – 12	4/5/6/8/10 thereafter, 5, 10	Front-loaded	Downward
13 – 15	4/5/6/8/10 thereafter, 5, 10	Mid-loaded	Downward
16 – 18	4/5/6/8/10 thereafter, 5, 10	Back-ended	Downward
19	No Prepayments	No Defaults	Upward
20	No Prepayments	No Defaults	Downward

The key inputs of the cash flow model that are stressed include (1) defaults, (2) timing of defaults, (3) recoveries, (4) voluntary prepayments, (5) forbearances, (6) deferments, (7) borrower benefits, (8) interest rates, and (9) transaction fees.

Defaults

For the trust student loans, DBRS Morningstar derived a base-case cumulative default expectation primarily based on an analysis of historical static pool default data. DBRS Morningstar used static pool default data from SMB's Smart Option loan program. The static pool default data was segregated by loan type, school type, co-signer status, and FICO bucket. DBRS Morningstar analyzed this data to determine a cumulative default estimate for each of the aforementioned distinct components of the proposed securitization pool and then developed a seasoning adjusted WA default expectation based upon the relative contribution of each segment. The DBRS Morningstar analysis of the trust student loans results in a base-case cumulative default rate expectation for SMB 2023-C of 9.00%.

The resulting stress level default rates are 29.250% for AAA (sf) and 22.500% for AA (sf). This represents a multiple of approximately 3.250x for AAA (sf) and 2.500x for AA (sf) of the DBRS Morningstar base-case cumulative default rate expectation for the SMB 2023-C pool.

Timing of Defaults

To test the sensitivity of the SMB 2023-C cash flow structure, various default timing curves were modeled, including front-loaded, mid-loaded, and back-ended defaults. The timing of defaults reflects the potential for various economic conditions and applies a high level of stress on the transaction's cash flows to test the resilience of the rated Notes. While traditional unseasoned private student loan securitizations have experienced front-loaded gross defaults whereby as much as 50% of collateral defaults have occurred by the third year of repayment, DBRS Morningstar expects a flatter default curve for this transaction because of the quality of the pool as it relates to seasoning, borrower credit, loan type, school type, and repayment type.

Recoveries

The cumulative recovery rate on defaulted loans was assumed to be 15.0% for AAA (sf) and 17.5% for AA (sf). Recoveries were applied to the cash flow stresses in equal amounts over a 10-year period and after a six-month lag from the period of borrower default. Recovery assumptions were determined based on an analysis of historical data from seasoned Sallie Mae private student loan securitizations, which demonstrate cumulative recoveries of about 25% to 30% after 10 years from default.

Prepayments

DBRS Morningstar formulated voluntary prepayment rate speed assumptions by evaluating historical prepayment speed data. Student loan prepayment behavior is mainly influenced by the economic environment, prevailing interest rates, consolidation options, and loan seasoning. Also contributing to prepayment speeds will likely be the relatively new and fast-growing student loan refinance market. While refinance lenders primarily focus on employed borrowers with strong credit and earnings profiles, it is likely that many of the SMB 2023-C borrowers will eventually qualify for a refinance loan with more favorable terms. Further, if interest rates rise, or if borrowers anticipate higher interest rates in the future, borrowers with existing variable-rate loans may seek to refinance into a fixed-rate loan.

Various prepayment scenarios were applied to test the resilience of the Notes. Varying prepayment rates can provide some indication of how the student loan collateral might perform under unexpected circumstances and different economic environments. While faster-than-expected prepayments may decrease credit risk because the securitization trust is exposed to a shorter period of default risk, at the same time, faster prepayments may lower the amount of excess spread generated by the underlying collateral, thus reducing the amount of credit enhancement that can be used to absorb losses. Three prepayment speed assumptions were applied for the nonmaturity cash flow stress scenarios. This included two flat prepayment assumptions of 5% and 10% constant prepayment rate (CPR), as well as a ramp of 4% to 10% CPR.

Forbearances and Deferments

Forbearance and deferment stresses were formulated based on the evaluation of historical data and underlying forbearance and deferment policies, and were adjusted to reflect seasoning of the collateral, pool composition, and the proposed ratings.

DBRS Morningstar stressed forbearances and deferments concurrently to test the transaction’s ability to absorb liquidity stresses. In each case, the maximum allowable forbearance and deferment periods were assumed. The forbearance and deferment assumptions used were 20.0% and 20.0%, respectively, for the AAA (sf) cash flow stress scenarios and 17.5% and 17.5%, respectively, for the AA (sf) cash flow stress scenarios. Forbearances and deferments were stressed for 12 months and 48 months, respectively.

While forbearance and deferment cash flow stresses test a transaction’s liquidity, forbearances and deferments may create additional credit enhancement to a structure because capitalized interest that accrues during the forbearance and deferment period is added to the principal balance of the loan. To account for this, DBRS Morningstar applied forbearance and deferment assumptions of 0% and 0%, respectively (except for loans already in these statuses), under its most constraining cash flow scenario.

Borrower Benefits

Each trust student loan may benefit from a certain interest rate reduction for borrowers that arrange to have their loan payments automatically withdrawn from a bank account. This reduction is lost for periods in which the borrower does not actually have loan payments automatically withdrawn. In the DBRS Morningstar stressed cash flow scenarios, it was assumed that 50% for AAA (sf) and 45% for AA (sf) of the SMB 2023-C eligible borrowers utilize automatic withdrawal.

Basis Risk

The Notes will be exposed to basis risk because the trust student loan pool pays interest based on both variable rates (39.0% of the student loan pool) and fixed rates (61.0% of the student loan pool) and each class of Notes will have a fixed rate, or in the case of the Class A-1B Notes, a floating rate. Further, the floating-rate Notes will adjust based on 30-day average SOFR, while the variable-rate loans pay interest based on CME Term SOFR or 30-day average SOFR. To test this basis risk, in its stressed cash flow scenarios, DBRS Morningstar assumed two stressed interest rate environments for each rating category, which consisted of increasing and declining forward interest rate paths for CME Term SOFR and 30-day average SOFR based on the DBRS Morningstar Unified Interest Rate Tool.

Transaction Fees

Transaction fees were included in the cash flow stresses at their contractual or maximum allowable amounts. Please see Appendix A for more detail on transaction fees.

Maturity Stresses

In order to test the ability of the transaction to redeem the Notes before their respective final maturity dates, maturity stress scenarios were run whereby it was assumed that zero defaults occur, there are zero prepayments, and deferments and forbearances occur consecutively, rather than concurrently.

Breakeven Stresses

In addition to the cash flow scenarios discussed, breakeven cash flows stresses were performed that maximized cumulative defaults (until the first dollar of Note defaults) while keeping all other AAA (sf) and AA (sf) assumptions the same. Based on the most constraining cash flow scenario, the transaction is able to withstand cumulative defaults of approximately 35.49% for AAA (sf) and 33.06% for AA (sf). This represents a multiple of approximately 3.94x for AAA (sf) and 3.67x for AA (sf) of the DBRS Morningstar base-case cumulative default rate expectation for the SMB 2023-C pool.

Legal Structure and Opinions

SMB 2023-C is expected to be a special-purpose entity structured to be bankruptcy remote by restricting the Issuer's operations so that it does not engage in business with or incur liabilities to any other entity, which may bring bankruptcy proceedings against the Issuer.

DBRS Morningstar expects to receive an opinion of counsel to the effect that the transfer of the loans to the trust constitutes a true sale and that the trust assets will not be consolidated with those of SMB in the event of bankruptcy. Additionally, DBRS Morningstar expects to receive an opinion of counsel that the trustee has a first-perfected security interest in the trust assets.

DBRS Morningstar expects to receive an opinion of counsel to the effect that the Notes will (or should) be treated as debt for federal income tax purposes, rather than as an interest in the loans and other assets of the trust or as an equity interest in the Issuer.

Appendix A — Cash Flow Details

Capital Structure

Class	Size ($)	Collateral (%)	Hard Credit Enhancement (%)	Coupon (%)	Multiple Range (x)	DBRS Morningstar Multiple (x)	Rating	Constraining Scenario
A-1A*	364,000,000	80.87	19.38	[TBD]	3.00 - 4.50	3.250	AAA (sf)	Default Curve 2/10% CPR/Down
A-1B*			19.38	SOFR + [TBD]	3.00 - 4.50	3.250	AAA (sf)	Default Curve 2/10% CPR/Down
B	30,000,000	6.67	12.71	[TBD]	2.25 - 3.25	2.500	AA (sf)	Default Curve 2/10% CPR/Down
Total	**394,000,000**	**87.54**						
OC	56,093,560	12.46						

* The allocation of the aggregate initial principal balance of the Class A Notes between the Class A-1A Notes and the Class A-1B Notes will be determined on or before the date of pricing. The aggregate initial principal balance of the Class A Notes will be equal to $364,000,000, of which the issuing entity expects that the initial principal balance of the Class A-1B Notes will be an amount not less than $75,000,000 and not more than $100,000,000.

	AAA (sf)	**AA (sf)**
Default Rate (%)	29.250	22.500
Recovery Rate (%)	15 spread evenly over 10 years (6-month lag)	17.5 spread evenly over 10 years (6-month lag)
Deferment (%)	20/20/20/20	17.5/17.5/17.5/17.5
Forbearance (%)[1]	20	17.5
Borrower Benefits (%) (ACH)	50	45
Voluntary Prepayment Speed (CPR) (%)	4/5/6/8/10 thereafter, 5, 10	4/5/6/8/10 thereafter, 5, 10

	Initial (%)[1]	**Target (%)**[2]	**Floor ($)**
Overcollateralization	12.46	25.00	49,510,292
Reserve Account[3]	0.25	0.25	0.25

1 Initial Overcollateralization is calculated as a percentage of the initial pool balance at the closing gate.
2 Target Overcollateralization is calculated as a percentage of the current pool balance.
3 Reserve Account is calculated as a percentage of the initial pool balance at the closing date.

Default Curves	**Default Curve 1 (%)**		**Default Curve 2 (%)**	**Default Curve 3 (%)**
	Co-signed	Non-co-signed		
Year 1	15	20	20	12.5
Year 2	15	20	20	12.5
Year 3	15	10	20	12.5
Year 4	15	10	20	12.5
Year 5	10	10	20	12.5
Year 6	10	10		12.5
Year 7	10	10		12.5
Year 8	10	10		12.5

Transaction Fees & Expenses[4, 5 6]		
Servicing Fee (%)	0.80	per annum
Trustee Fee ($)	10,000	per annum
Delaware Trustee Fee ($)	5,000	per annum
Administrator Fee ($)	8,333	per month
Unreimbursed Administrator Advances ($)	50,000 (capped)	per annum

4 DBRS Morningstar typically assumes the maximum fees and expenses considered in the waterfall. DBRS Morningstar runs the maximum fees and expenses in the earliest period possible.

5 All trustee fees in aggregate are capped at $150,000 per annum.

6 Reinvestment rate is assumed to be the greater of 0.0% and CME Term SOFR - 25 basis points.

Appendix B — Environmental, Social, and Governance (ESG) Considerations

Environmental, Social, and Governance (ESG) Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental	**Overall:**	**N**	**N**
Emissions, Effluents, and Waste	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N	N
Carbon and GHG Costs	Do the costs or risks related to GHG emissions result in higher default risk or lower recoveries of the securitized assets?	N	N
	Are there potential benefits of GHG-efficient assets on affordability, financeability, or future values (recoveries)?	N	N
	Carbon and GHG Costs:	**N**	**N**
Climate and Weather Risks	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries?	N	N
Social	**Overall:**	**N**	**N**
Social Impact of Products and Services	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N	N
	Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and society, and does this result in different default rates and/or recovery expectations?	N	N
	Considering changes in consumer behavior or secular social trends: does this affect the default and/or loss expectations for the securitized assets?	N	N
	Social Impact of Products and Services:	**N**	**N**
Human Capital and Human Rights	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N	N
	Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
	Human Capital and Human Rights:	**N**	**N**
Product Governance	Does the originator’s, servicer’s, or underlying borrower(s)’ failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
Data Privacy and Security	Does the originator’s, servicer’s, or underlying borrower(s)’ misuse or negligence in maintaining private client or stakeholder data result in the risk of financial penalties or losses to the issuer?	N	N
Governance	**Overall:**	**N**	**N**
Corporate / Transaction Governance	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N	N
	Considering the alignment of interest between the transaction parties and noteholders: does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N	N
	Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N	N
	Considering how the transaction structure provides for timely and appropriate performance and asset reporting: does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N	N
	Consolidated ESG Criteria Output:	**N**	**N**

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit, please refer to the checklist above.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could affect the Issuer's credit profile and, therefore, the ratings of the notes. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/416784.

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

This report is based on information as of August 3, 2023. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

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