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## **Fitch Ratings Revises U.S. Higher Education Sector Outlook to Negative for 2019.**

Fitch Ratings-Chicago-06 December 2018: Various industry challenges are increasingly pressuring U.S. colleges and universities, widening the credit gap in the sector and prompting Fitch Ratings to revise its higher education sector outlook for 2019 to negative, as detailed in the rating agency's outlook report.

Perhaps most prominent are operating and revenue pressures, which stem from increasing constraints on tuition growth and more challenging demographic and competitive markets than seen in prior years. "Increasing competition for students and heightened scrutiny over the value of a college education have suppressed overall tuition growth since the recession," said Director Emily Wadhwani.

The regulatory environment is not likely to add much clarity. The Higher Education Act (HEA) is still in limbo, and the newly elected Congress is not likely to consider reauthorization. "Unexpected policy decisions that constrain access to student loans, Pell grants, or to research funding could create pressures across the sector," said Wadhwani.

Consolidation is likely to accelerate in 2019 and beyond, which may take multiple forms. Smaller private institutions remain most susceptible to consolidation either through a merger, affiliation with another larger institution or in the most serious scenario, outright closure.

Substantial headwinds aside, the higher education sector as a whole still retains key fundamental strengths including significant flexibility and fortitude in the face of operating and financial pressure. Many institutions maintain sufficient liquidity, and have been proactive and agile with regard to strategic management, targeted revenue growth and diversity, expense management, and pursuing partnerships for mutual benefit. The Outlook on ratings in the Fitch portfolio remains Stable.

'Fitch Ratings 2019 Outlook: U.S. Public Finance Colleges and Universities' is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

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