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Fitch: Lower Tuition Growth Prospects Will Constrain Some US Higher Ed Margins

Fitch Ratings-Chicago/New York-16 November 2023: Muted U.S. college and university net tuition growth amid a challenging inflation environment will constrain operating margins this academic year, Fitch Ratings says. Tuition-dependent private colleges with little competitive demand strength are most at risk of contraction in net tuition and margins, as these schools bear the brunt of enrollment and pricing pressures.

Revenue growth rates from net tuition, which adjusts for institutionally-funded financial aid and scholarships provided to students (or 'discount'), varied widely from FY21 to FY22 among the Fitch-rated portfolio. For the 2023-2024 academic year, Fitch is expecting a decline in net tuition growth to 2%-4% for most institutions. Rising discount rates, which are now over 56% for first-time undergraduate students per the most recent NACUBO study, will limit growth.

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