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Vulnerable US Private Colleges at Risk from New Federal, State Actions.

Fitch Ratings-Chicago/New York-06 March 2024: The credit or even viability of small U.S. private colleges serving sizable low-income and minority populations, many already financially vulnerable to operational and enrollment stress, is threatened by new hurdles posed by recent federal and state actions, Fitch Ratings says.

Recent federal financial aid processing delays, overtime pay proposals and merger/acquisition regulation, together with the U.S. Supreme Court's abolition of race-conscious admissions in 2023, place greater pressure on these colleges. State efforts to provide minimal-cost public college access to lower income residents also increases the acute competition faced by these institutions.

Financial stress in the higher education sector spiked during calendar year 2023 with a record high number of new impairments (payment and technical defaults) among the sector's bond issuers, according to Municipal Market Analytics. Fitch analysis shows that issuers with newly impaired debt in 2023 served very high percentages of minority and low-income students, averaging 55% non-White enrollment and 48% federal Pell Grant recipients among first-time undergraduates in fall 2022.

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