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Fitch: U.S. Higher Education Credit Profiles Pressured by Key Person Risk

Fitch Ratings-New York/Chicago-13 August 2025: U.S. higher education institutions are increasingly vulnerable from high turnover of key administrators and significant staff reductions at the Department of Education (DOE), Fitch Ratings says. These challenges are particularly acute amid rapidly evolving federal policy issues and long-term sector dynamics such as changes in demographics.

University leadership stability and effectiveness have a direct influence on a university's operating stability and financial risk. Leadership gaps—especially among college presidents, chief financial officers, board members, and other senior executives—can amplify existing risks and lead to negative credit rating actions. Fitch has observed that frequent executive turnover and weak board engagement often create ongoing risks for strategic direction and financial planning, particularly hurting lower-rated universities' credit profiles. In two of the four downgrades of private institutions thus far YTD, president and other leadership turnover within the prior two years were contributing factors.

According to the American Council on Education's (ACE) 2023 survey, approximately 25% to 40% of public and private higher education institutions have seen their presidents retire or move on to new roles in the past three years. The average tenure for a college president is now only about 5.9 years. Executive search timelines often extend over 9-12 months, hindering fundraising efforts, delaying necessary reforms, creating uncertainty around institutional direction, and causing unease among employees and faculty. Leadership changes also trigger further turnover, resulting in gaps in oversight or financial stewardship.

Continuity issues extend beyond executive leadership. Turnover among admissions and financial aid staff, who are responsible for executing recruitment and retention strategies, can disrupt enrollment planning and impact student demand and institutional reputation. During operational stress, Fitch evaluates enrollment strategies with particular attention to demographic shifts. Mismanagement of financial aid can lead to enrollment volatility, further affecting prospective student demand and donor support. Administrative decisions on academic offerings and program relevance also affect the ability to attract and retain students in order to support sustainable student-generated revenue.

External pressures can compound internal challenges. The DOE's workforce has shrunk by about 50% since March, which is likely to increase operational challenges by delaying funding, limiting resource availability, and slowing oversight and approvals. Further, a flurry of federal actions directed at higher education have often required rapid, clear analysis and responses across institutional departments. Turnover in key decision-making roles can delay or muddle these responses, increasing uncertainty and reputational risk.

Fitch's credit analysis incorporates operational and revenue stability in a forward-looking framework. As such, an expectation for stable leadership and effective and consistent plan execution are key components in our ratings and outlooks. Leadership's approach to liquidity management and reserve policies is critical during financial and operating stress. Turnover that erodes institutional controls or destabilizes an institution’s finances may impact ratings. Missteps in regulatory compliance can jeopardize funding and operational continuity, increasing operational and reputational risks that subsequently affect enrollment and future viability.