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Fitch: Policy Headwinds Weigh on U.S Higher Education Outlook

Fitch Ratings-Chicago-04 December 2025: U.S. higher education faces rising challenges in 2026, according to a new Fitch Ratings report. Fitch's outlook for the sector is 'deteriorating' based on the increasing headwinds from federal policy, enrollment, and other macroeconomic conditions that will affect revenue growth prospects and operating margins in the coming year.

Tuition revenue, which is often the largest revenue source for colleges and universities, remains constrained as demographic trends and financial aid policy changes reshape domestic student decisions and as prospective international students face numerous hurdles. While state funding improved for the 12th straight year, slowing revenue growth and shifting federal cost burdens beyond 2026 are risks.

Despite these headwinds, two-year programs are driving sector growth, and institutions are pursuing partnerships, asset monetization, and alliances to manage costs. We expect consolidation to accelerate, especially for schools in regions with economic and demographic stress. Capital spending will likely rise in 2026 to address deferred maintenance and housing needs, but additional debt may otherwise hamper overall operating cost flexibility.

Fitch's Rating Outlook remains Stable for most rated institutions, though pressure persists for those rated 'BBB' and below. "Broader trends, including potentially disruptive AI-driven labor market changes, may further influence demand and program offerings across the sector," said Senior Director Emily Wadwhani.

The full report is available at www.fitchratings.com.

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