Higher Education in Crisis, Systemic Pressures Buck the Golden Age Trend

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- The current higher education crisis is characterized by declining enrollment; expensive tuition and rising debt loads; declining government support; inflation; falling confidence in higher education, and the increased chance that college doesn't pay off for individual students.
- Consequently, we are lowering the HilltopSecurities Municipal Credit Outlook for both the Public and Private Higher Education sub-sectors to "Negative" from "Cautious."
- Private institutions are currently under more strain compared to their public counterparts. However, public institutions are not immune, and we anticipate more pronounced credit deterioration within the next one to three budget cycles.
- In the first half of 2024, Moody's downgraded 24 higher education credits and upgraded only three. By comparison, the rating agency upgraded 271 public finance issuers and downgraded 121 in the first half of 2024.
- Regular reviews of all higher education sector holdings are suggested to navigate this complex landscape. We are in a period where investors need to be highly selective even with investment-grade higher education credits.

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