

SECTOR IN-DEPTH

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Higher Education – US

Favorable enrollment trends at some HBCUs are credit positive

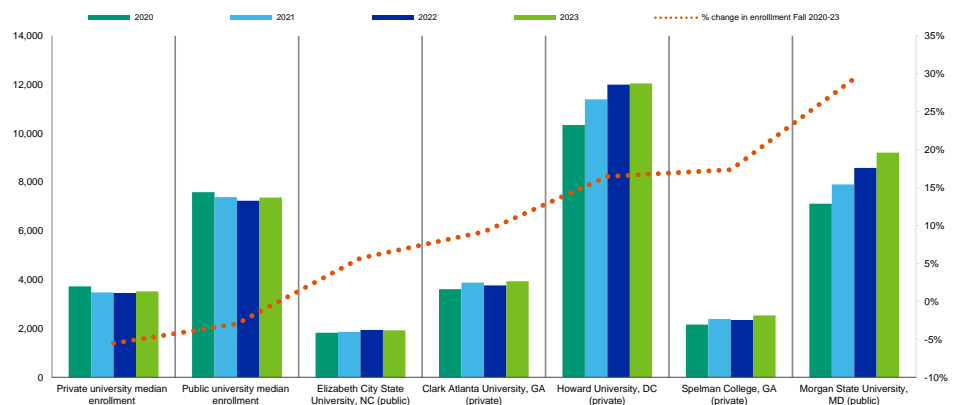
Enrollment at several Historically Black Colleges and Universities (HBCUs) has grown significantly in recent years due to various factors: a heightened social and political focus since 2020 stemming from protests against racial inequalities, generous donor contributions and federal support, and more recently a 2023 Supreme Court ruling banning race-based considerations in college admissions. These developments are likely to sustain favorable enrollment trends over at least the next couple years – a credit positive for HBCUs.

The increase in enrollment is due in part to the heightened public awareness of HBCUs following the racial justice protests that erupted after George Floyd's death in 2020. According to the National Center of Education Statistics, total enrollment at four-year HBCU institutions rose by 3% between fall 2020 to 2022¹. The number of African American students enrolled at four-year HBCUs also rose by 3% during the same period. This marked a reversal from fall 2011 to 2020, during which both total enrollment and African American student enrollment at four-year HBCUs declined by 13% and 18% respectively.

Of the eight institutions rated by Moody's, for which we have enrollment data through fall 2023, five have reported increased enrollment in the past few years. [Clark Atlanta University](#) (Ba1 stable), [Howard University](#) (Ba1 positive), [Morgan State University](#) (A1 stable), [Spelman College](#) (A1 stable) and [Elizabeth City State University](#) (Baa1 stable) reported gains in enrollment ranging from 6% to 29% between fall 2020 and fall 2023. In comparison, the change in median enrollment at private and public institutions rated by Moody's over the same period was -6% and -3% respectively (see Exhibit 1).

Exhibit 1

Median enrollment growth at certain HBCUs outpaced the higher education sector more broadly



Full-time equivalent enrollment as of the fall term in each given year (i.e., fall 2020-2023)

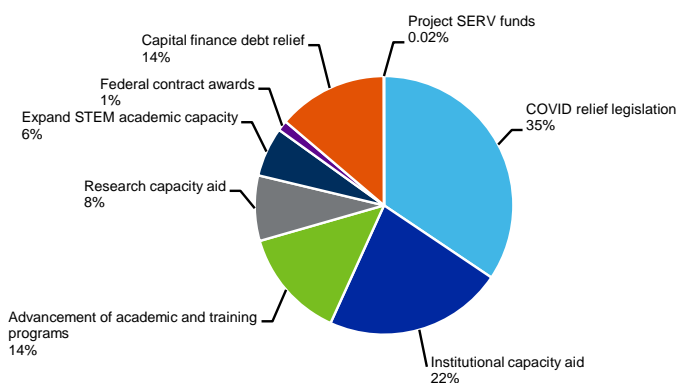
Source: Moody's Ratings

The increased social and political focus has also led to substantial new funding for HBCUs, from wealthy benefactors and the federal government. The additional resources are being used to enhance facilities, boost marketing and retention efforts, and make education more accessible to prospective students through increased financial aid. Among other contributors, McKenzie Scott donated over \$560 million across 23 HBCUs by 2021². The gifts were largely unrestricted and meant to support strategic initiatives including programs to promote postgraduate preparedness, develop in-demand academic programs, and address financial hardship among prospective and enrolled students. Early in 2024, billionaire Ronda Stryker and her husband William Johnston [contributed \\$100 million to Spelman College](#), the largest single donation ever made to an HBCU. Of the \$100 million, \$75 million was designated to fund endowed scholarships, while the remaining \$25 million will be used to support strategic and capital needs.

On the federal front, the Biden administration awarded \$11.4 billion directly to HBCUs between fiscal 2021 and 2024 including federal grants, pandemic-related aid and capital finance debt relief (see Exhibit 2).³ The aid will allow institutions to dedicate more resources to attracting and retaining students, for example through enhanced marketing efforts and renovation of aging facilities. The administration has also invested \$4.1 billion in need-based aid-related programs, including Pell Grants, and programs to support veterans attending HBCUs. HBCUs enroll higher proportions of Pell-eligible students and therefore have a higher reliance on federal financial aid programs than the sector overall.

Exhibit 2

Financial support for HBCUs from the Biden administration will cover a variety of purposes
Breakout of the \$11.4 billion federal funds awarded directly to HBCUs between fiscal 2021 and 2024



Source: The Biden Administration

Most recently, following the US Supreme Court's decision to prohibit race-conscious admission practices in June 2023, several high-profile colleges and universities have reported a decline in the percentage of some minority groups, primarily African American students, in their incoming fall 2024 class compared with previous years. Some of the more well-known institutions that reported such a decline include [Harvard](#) (Aaa stable), [MIT](#) (Aaa stable), [Amherst](#) (Aaa stable), [Brown](#) (Aa1 stable) and [Boston University](#) (Aa3 stable)^{4,5,6}. All of these mentioned institutions, except for [Harvard](#) (Aaa stable), also reported an uptick in the percentage of Asian American students enrolled^{7,8,9}. Not all schools reported declines in enrollment by African American students, but the Supreme Court ruling is likely to have a lasting impact on the student profile of some institutions. Consequently, we expect some of the better-known HBCUs will benefit from increased student demand, particularly combined with the recent injections of additional financial support.

Indeed, early enrollment indicators for fall 2024 are positive for several HBCUs. While final figures are not yet publicly available, Howard University and Spelman College each reported a rise in undergraduate applications, by 12% and 13% respectively^{10,11,12}. Both of these institutions are among the more selective of the HBCUs, with reported selectivity rates of 53% and 34% in fall 2023 for Howard and Spelman respectively, and desirable options for many academically strong students. Other HBCUs have also reported similar trends

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in applications. As enrollment data becomes more definitive over the coming months, better-known HBCUs are likely to see enrollment growth rising through the fall.

Still, many HBCUs will continue to face retention challenges given their relatively high number of lower-income students, who are more likely to pause or suspend their education because of affordability reasons. Sustained credit improvement across HBCUs will depend on each institution's ability to improve its strategic position by leveraging the increased demand and bolstered financial reserves to enhance student outcomes, grow market share, strengthen governance and management, and refresh aging infrastructure.

Endnotes

- 1 [National Center for Education Statistics - Digest of Education Statistics, Total fall enrollment and enrollment of Black students in degree-granting historically Black colleges and universities](#)
- 2 ["MacKenzie Scott Donated \\$560 Million to 23 HBCUs. These Are the Other Things They Have in Common." The Chronicle of Higher Education, 9 August 2021.](#)
- 3 [The White House. "Fact Sheet: Biden-Harris Administration Announces Record Over \\$16 Billion in Support for Historically Black Colleges and Universities \(HBCUs\)."](#)
- 4 [Boston University. "Drop in Black Students Enrolled After Supreme Court Affirmative Action Ruling." BU Today, Boston University, 2024](#)
- 5 ["Harvard Releases Race Data for Class of 2028." Harvard Gazette, Harvard University, 11 Sept. 2024](#)
- 6 [MIT Admissions. "First-Year Class Profile." MIT Admissions, Massachusetts Institute of Technology, 2024](#)
- 7 [The Brown Daily Herald. "Brown University Sees Uptick in Admission Yield After Last Year's Lows." The Brown Daily Herald, Brown University, 2024](#)
- 8 [MIT Admissions. "First-Year Class Profile." MIT Admissions, Massachusetts Institute of Technology, 2024](#)
- 9 ["Class of 2028 Profile." Amherst College, \[https://www.amherst.edu/about/facts/secondary_school_reports/class-of-2028-profile\]\(https://www.amherst.edu/about/facts/secondary_school_reports/class-of-2028-profile\)](#)
- 10 ["Howard Receives Nearly 37,000 Applicants for 2028 Class, Breaking Record." The Hilltop, 22 Apr. 2024](#)
- 11 ["Spelman Gets Application Surge, Bucking College Enrollment Trend." Bloomberg, 27 Mar. 2024](#)
- 12 [Spelman College. "Spelman College Welcomes the Class of 2028." Spelman College, Spelman College, 2024](#)

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