CREDIT OPINION
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Contacts

Sanjay Motwani +1.212.553.2105
AVP-Analyst
sanjay.motwani@moodys.com

Patrick Ronk +1.212.553.3623
VP-Senior Analyst
patrick.ronk@moodys.com

Emily Raimes +1.212.553.7203
Associate Managing Director
emily.raimes@moodys.com

» Contacts continued on last page

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

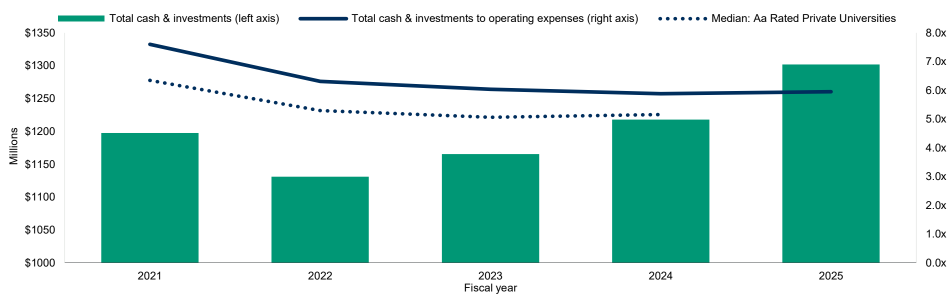
Lafayette College, PA

Update to credit analysis

Summary

Lafayette College's (Aa3 stable) credit profile reflects its excellent brand as a selective undergraduate institution, substantial financial reserves, robust liquidity and strong operating performance. The college's financial reserves totaled over $1.3 billion in fiscal 2025, providing good coverage relative to expenses and debt. Operations remain sound, supported by disciplined budgeting and a measured enrollment strategy that manages class size to maintain quality. A smaller incoming class following a large graduating one will temper near term tuition revenue but reflects intentional planning rather than weaker demand. An active management team and ongoing investments in programs and facilities will continue to support the college's competitive profile over the longer term. Credit challenges include elevated financial leverage relative to scale and a moderately high reliance on student charges.

Exhibit 1
Substantial financial resources underpin the college's credit quality



Source: Moody's Ratings

Credit strengths

- Significant financial flexibility provided by excellent monthly liquidity, with 699 monthly days cash on hand for fiscal 2025
- Ongoing strong operating performance, reflecting prudent management and budget functions
- Excellent strategic positioning supported by positive enrollment metrics translates into consistent growth in net tuition revenue per student

Credit challenges

- High debt to EBIDA of 6.9x and a relatively complex debt structure
- Moderately high reliance on student charge revenue relative to selective private peers
- Highly competitive student market, with competition from need-blind and other selective private institutions as well as lower-cost flagship public universities

Rating outlook

The stable outlook is predicated on sound operating performance and maintenance of very good wealth and liquidity. It also incorporates the absence of new debt over the outlook period.

Factors that could lead to an upgrade

- Substantial growth in total cash and investments and strengthening revenue diversity providing for significantly stronger coverage of operating expenses and adjusted debt, at 6x and 4x as of fiscal 2025
- Material strengthening in brand and strategic position reflected by sustained improvements in student demand and philanthropy
- Short-term debt: not applicable

Factors that could lead to a downgrade

- Substantial deterioration of cash and investment cushion to debt and operations
- Sustained softening of EBIDA margins below 15%
- Material increase in debt that is not accompanied by commensurate growth in reserves
- Short-term debt: downgrade of the college's long-term bond ratings or the counterparty risk assessment of the liquidity facility providers

Key indicators

Exhibit 2

LAFAYETTE COLLEGE, PA

	2021	2022	2023	2024	2025	Median: Aa Rated Private Universities
Total FTE Enrollment	2,713	2,719	2,745	2,753	2,655	3,343
Operating Revenue ($000)	165,808	201,341	209,561	223,195	230,424	368,735
Annual Change in Operating Revenue (%)	-8.3	21.4	4.1	6.5	3.2	5.4
Total Cash & Investments ($000)	1,197,507	1,131,140	1,165,544	1,217,908	1,301,908	2,422,892
Total Adjusted Debt ($000)	294,959	306,116	324,516	323,145	323,944	437,838
Total Cash & Investments to Total Adjusted Debt (x)	4.1	3.7	3.6	3.8	4.0	5.1
Total Cash & Investments to Operating Expenses (x)	7.6	6.3	6.0	5.9	6.0	5.2
Monthly Days Cash on Hand (x)	891	764	712	687	699	499
EBIDA Margin (%)	20.5	23.6	20.4	20.1	18.9	14.6
Total Debt to EBIDA (x)	7.8	5.9	7.0	6.7	6.9	5.2
Annual Debt Service Coverage (x)	3.1	3.8	4.0	4.4	3.6	3.5

Source: Moody's Ratings

Profile

Lafayette College is a private undergraduate college offering liberal arts and engineering programs located in Easton, Pennsylvania, within 80 miles of both Philadelphia and New York City. The college enrolled 2,655 full-time equivalent students (FTE) in fall 2025 and posted operating revenues of $230 million in fiscal 2025.

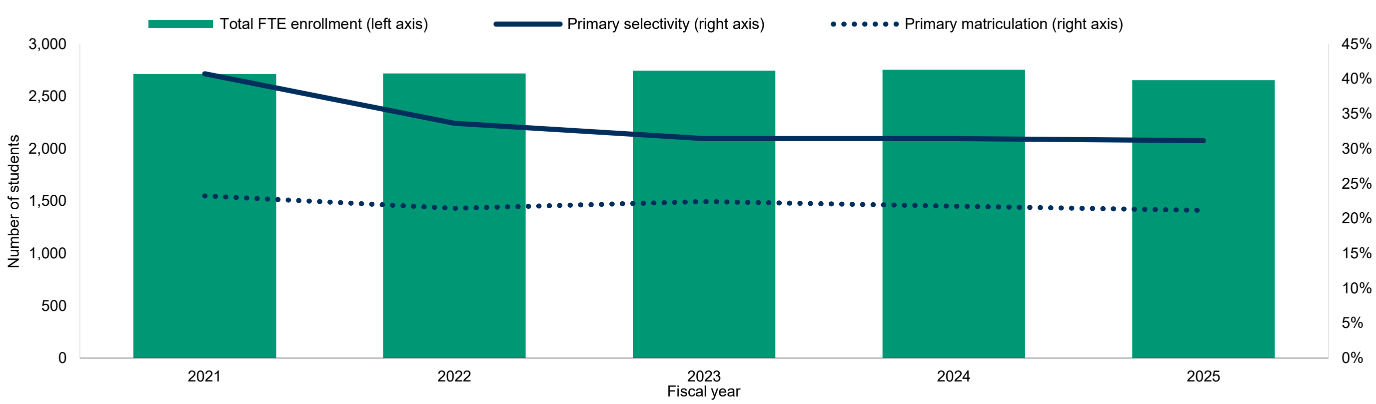
Detailed credit considerations

Market Position

The college will maintain its excellent brand and strategic position. Despite a competitive environment, Lafayette continues to attract and retain academically strong students, demonstrated by good selectivity, matriculation, and retention rates. Total enrollment through fall 2025 reflects the college's measured enrollment strategy. It includes intentional, controlled softening after the graduation of a historically large class, rather than a decline in underlying demand. Continued depth in applications and stable retention underscore the resilience of its liberal arts and engineering value proposition despite a competitive landscape.

Exhibit 3

Underlying student demand remains very strong as the college continues to meet its target first-year class size



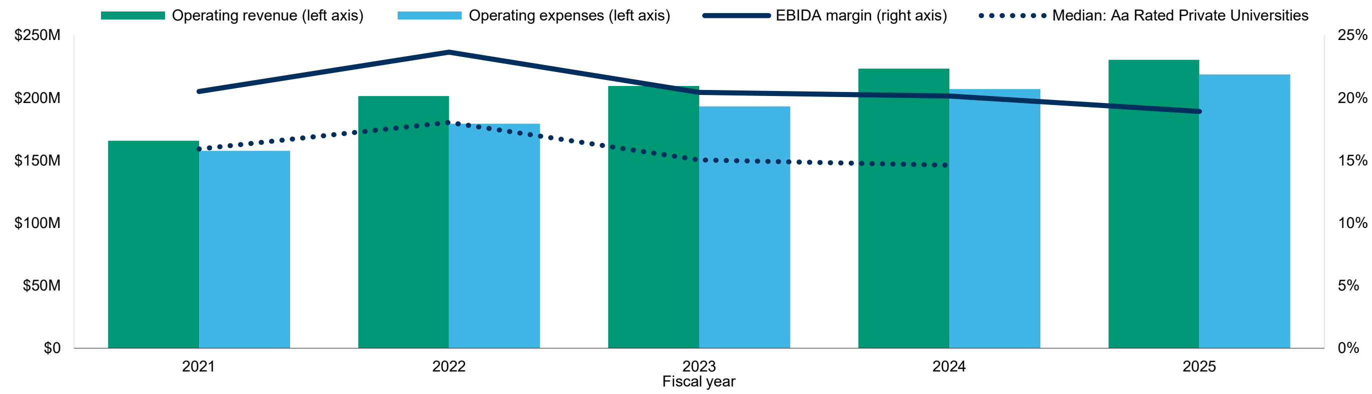
Source: Moody's Ratings

Operating performance

Operating performance will remain solid as student demand and pricing power continue to support revenue. Given the college's measured enrollment strategy, net tuition revenue will soften in fiscal 2026 relative to the prior year, as a smaller incoming class replaces an unusually large graduating class. We expect net tuition revenue will grow beyond fiscal 2026, as entering first-year classes scale toward the targeted 730 FTE level beginning next fall. However, declining net tuition revenue combined with rising costs, particularly associated with labor, will narrow margins in fiscal 2026.

Exhibit 4

The college boasts a track record of very steady operating performance over several years



Source: Moody's Ratings

Financial Resources and Liquidity

Lafayette's financial resources remain a material credit strength, with $1.3 billion in total cash and investments that covered operating expenses by 6x in fiscal 2025. Lafayette also maintains a robust liquidity profile that translates to 699 monthly days cash on hand, supplemented by $60 million in lines of credit, which the college has never utilized.

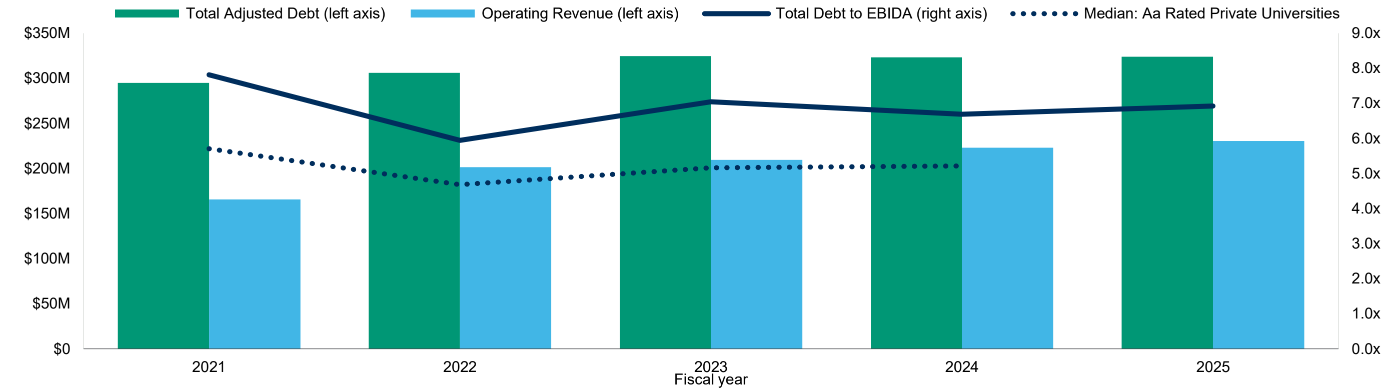
The college is in the quiet phase of a comprehensive fundraising campaign aligned with its Bicentennial. Donor engagement continues to be very supportive of credit quality as evidenced by total gift revenue of $41 million recorded in fiscal 2025. Although reserves are sizable, the 9% increase in total cash and investments over the past five years trails growth at many similarly rated peers, reflecting more measured accretion.

Leverage and Coverage

Financial leverage is manageable relative to the college's sizable financial resources. However, leverage relative to operations will remain elevated compared to other highly rated peers. Lafayette's debt structure, with demand debt backed by a standby bond purchase agreement, privately placed debt, bullet maturities and swaps, introduces some complexity to its credit profile. As of fiscal 2025, total debt to EBIDA was 6.9x, higher than many Aa3 peers.

Significant bullet maturities scheduled over the next decade will also result in sizable annual debt service requirements, including about $28 million and $31 million due in fiscal years 2028 and 2030 respectively. Management is actively positioning resources to meet these maturities. The college reports no plans for new debt over the outlook period.

Exhibit 5
Financial leverage relative to operations is slightly elevated relative to similarly rated peers

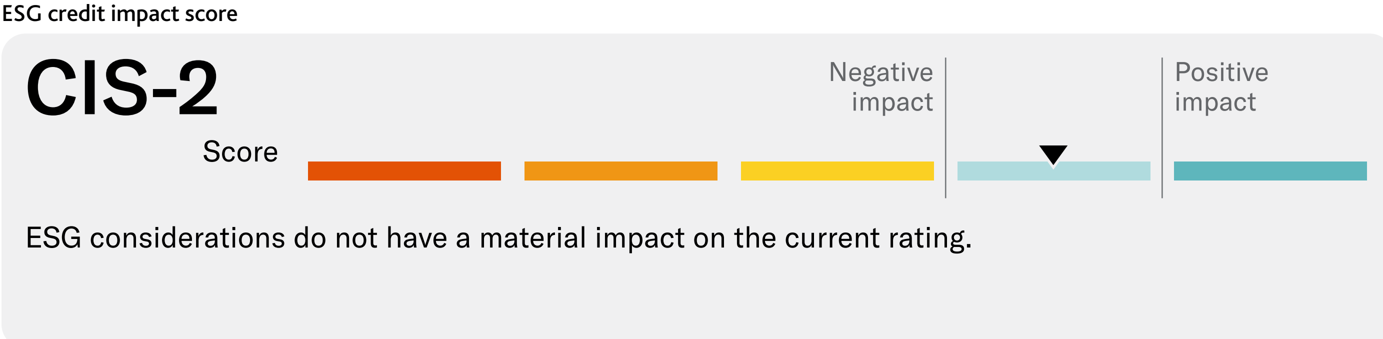


Source: Moody's Ratings

ESG considerations

Lafayette College, PA's ESG credit impact score is CIS-2

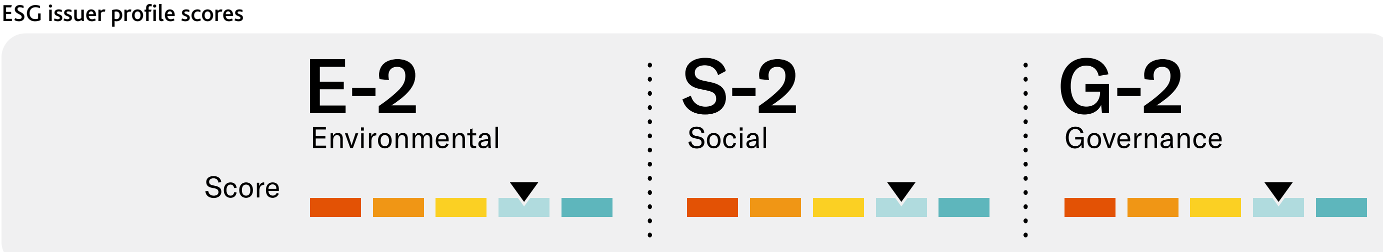
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Lafayette College's credit impact score (**CIS-2**) reflects the limited impact of ESG factors on the credit rating. The score incorporates the college's substantial financial reserves, robust liquidity and prudent management team that help offset the impact of its ESG risks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Lafayette College's environmental score (**E-2**) incorporates some exposure to water stress, heat stress and tropical storms from its location in Easton, PA. Sustainability goals include an emphasis on increasing energy efficiency and the deployment of onsite and offsite solar panel arrays. The college has approved a Climate Action Plan and pledged to achieve carbon neutrality by 2035.

Social

Lafayette College's social score (**S-2**) reflects its excellent brand as a selective undergraduate college enabling a favorable student draw despite heightened competition and demographic challenges within the northeast region. Very strong student success metrics, including high retention rates, median earnings and median debt to earnings, positively factor into the customer relations framework. Similar to many institutions within the sector, some human capital risk is introduced by a high exposure to tenured faculty which can introduce labor rigidity.

Governance

Lafayette College's governance score (**G-2**) reflects its strong management credibility and solid financial strategy. Through sound financial management practices, the college has established substantial financial reserves and a robust liquidity profile that contribute to excellent financial flexibility for the institution. A prudent management team has supported a track record of very solid operating performance over several years. The college's debt structure introduces some complexities, however substantial financial reserves help to partially mitigate some risks associated with the college's financial strategy. Like most of the sector, the large composition of the board, including alumni and key donors, introduces some board structure risks. Favorably, members have good industry diversity and experience along with a demonstrated ability of effectively fulfilling its broad oversight responsibilities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The Higher Education rating methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 8

Lafayette College, PA

Scorecard Factors and Sub-factors		Value	Score
Factor 1:	**Scale (15%)**		
	Adjusted Operating Revenue (USD Million)	230	A
Factor 2:	**Market Profile (20%)**		
	Brand and Strategic Positioning	Aa	Aa
	Operating Environment	A	A
Factor 3:	**Operating Performance (10%)**		
	EBIDA Margin	19%	Aa
Factor 4:	**Financial Resources and Liquidity (25%)**		
	Total Cash and Investments (USD Million)	1,302	Aa
	Total Cash and Investments to Operating Expenses	6.0	Aa
Factor 5:	**Leverage and coverage (20%)**		
	Total Cash and Investments to Total Adjusted Debt	4.0	Aa
	Annual Debt Service Coverage	3.6	A
Factor 6:	**Financial Policy and Strategy (10%)**		
	Financial Policy and Strategy	Aa	Aa
	Scorecard-Indicated Outcome		Aa3
	Assigned Rating		Aa3

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Ratings

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Contacts

Sanjay Motwani *AVP-Analyst* sanjay.motwani@moodys.com	+1.212.553.2105	**Patrick Ronk** *VP-Senior Analyst* patrick.ronk@moodys.com	+1.212.553.3623
Emily Raimes *Associate Managing Director* emily.raimes@moodys.com	+1.212.553.7203		

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
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