



OPPORTUNITIES *for the* MAJORITY

Building a Culture of Higher Education for Mexico's Low-Income Families

Expanding a Successful College Loan Program

Aspiring college graduates from low-income Mexican families have seized the chance to fund their studies through the education financing company FINAE. Founded in 2006, the company has expanded its student loan offerings over the past two years with essential support from the Inter-American Development Bank's Opportunities for the Majority Initiative (OMJ).

To build on that success and bring college degrees from recognized private institutions within reach of more young Mexicans at the base of the pyramid (BoP), OMJ is renewing its support to FINAE by providing a Partial Credit Guarantee of up to USD \$7 million to guarantee the issuance of the financial institution's first private education bond on the Mexican capital market. OMJ is also providing FINAE a line of credit of up to USD \$3 million so it can continue to expand its student loan portfolio.

Increasing Access to Higher Education

Almost a third of Mexicans between the ages of 19 and 24 were enrolled in university in 2010, but the vast majority of those students came from the top of the socio-economic pyramid. Those at the base of the pyramid—who account for more than half of the population aged 19-24—only made up 3.4 % of the student population.

Youth from low-income families are eager to learn: it is the shortage of space in public universities and lack of financing for private universities that pose the biggest barriers. Applications for Mexico's public universities far outnumber available spaces, in some cases by five to one. Likewise, the tuition at recognized private institutions is too expensive for low-income families that up to now have not had a suitable option for long-term higher education financing.

FINAE fills a much-needed gap in the education financing market in Mexico, providing loans to deserving students that are looking to pursue degrees at well-known private institutions, in fields that are in strong demand in the labor market. FINAE's student loans have benefited more than 3,800 students. More than two thirds of these students are the first members of their family to pursue higher education, and more than a quarter of FINAE's loan recipients have parents who did not even finish primary school.

More Graduates Looking at Brighter Futures

By expanding its student loan portfolio, FINAE expects to provide 40,000 more Mexican students the chance to obtain degrees from recognized private institutions and increase their earning potential. Higher education is proven to be one of the most powerful tools for reducing poverty and inequality and is high on the agenda of many countries in Latin America and the Caribbean.

FINAE's student loans finance between 20% and 100% of the total cost of a university degree. Moreover, as students repay their FINAE loans, they also establish formal credit histories that will allow them to access financial services.

A First for Private Investment

OMJ's USD\$ 2 million loan provided in 2010 was critical in FINAE's ability to build a portfolio of loans for low-income students and to break even in 2012. OMJ's renewed support in 2012 allows FINAE to expand further and securitize its portfolio. FINAE will be the first private institution in Mexico—and one of the few in Latin America—to attract private investors to the education sector and allow them to provide direct support to students of limited means.

Furthermore, FINAE's expanded education loan program has the potential to be scaled up and replicated in other countries in the region, notably in Central America, where higher education financing remains scarce.



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