

Fostering University Graduates through Innovative Loans in Mexico



CLIENT

Corporativo Laudex SAPI de CV SOFOM, E.N.R., is a Mexican financial institution that focuses on offering student loans to academically qualified young men and women at the base of the pyramid (BOP) who wish to pursue higher education but are unable to afford the cost of a private university.



IDB SUPPORT

With a loan of up to US\$10 million from the Inter-American Development Bank's Opportunities for the Majority (OMJ) initiative, Laudex will expand its program and provide thousands of capable low-income students the chance to get a university education and subsequently, a better-paying job. Aside from the US\$10 million loan from OMJ, the IDB is syndicating additional funding for US\$10 million from private lenders.



THE CHALLENGE

University studies are beyond the reach of most BOP high school graduates with good grades—limiting their ability to improve their skills, apply for higher-paying jobs and move out of poverty. Free state universities do not have the budget to expand enough to accommodate all of the qualified applicants, while private universities are too expensive for families of modest means and offer scholarships based mostly on merit. Almost 40% of Mexican high school graduates do not have the means to attend a university.

Although there is pent-up BOP demand to redress unequal access to a university education through student loans, Mexico's culture of lending for higher studies is still nascent. Few low-income consumers are aware of student loans and if they are, they are wary of banks. Students and their families often are unbanked, and have no credit record or collateral to secure a loan. Most banks are focused on competing in their core markets and have little incentive to expand or promote their student lending business, an activity that requires specific skills and dedication. This has historically limited BOP access to financing for higher education.



THE SOLUTION

Laudex works around the obstacles preventing BOP students from accessing loans and aims to offer financing for university studies to 14,000 Mexican students over five years. With offices on campus grounds Laudex targets students whose families earn on average US\$1,400 a month.

By forging partnerships with several accredited private universities, Laudex has access to a pool of loan applicants. The company—not the university—screens the applicant and his or her family for their creditworthiness, which removes any conflict of interest. Once the loan is approved, Laudex pays the tuition directly to the university and then collects from the student. To date, 81% of its student loans have been for undergraduate studies, and 44% have gone to women. Studies that lead to low-paying jobs do not qualify for loans, thereby raising the chances that students who borrow from Laudex will obtain degrees in fields with high incomes and be in a better position to pay back their loans.



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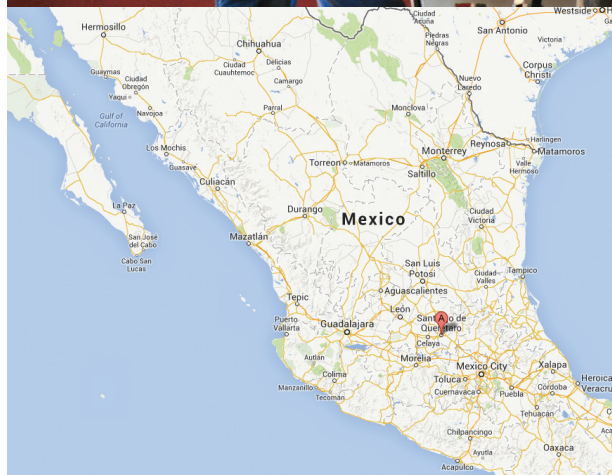
INNOVATION MAKES THE DIFFERENCE

The Laudex business model makes student loans more accessible and affordable to BOP students and more attractive to private universities. Laudex makes the universities take on part of the risk, thus incorporating them as key players in making the business model sustainable.

Students can qualify to obtain loans by having the endorsement of a family member with proof of income rather than collateral. Importantly, Laudex allows students who are unemployed or work part-time to defer all principal payments on the loan until after they graduate and to start repaying six months later, allowing them time to enter the job market.



Photo by Ismael Villafranco





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