



## OPPORTUNITIES *for the* MAJORITY

# HEFF: Higher Education for the Poor through Microfinance Loans

### HEFF Offers Innovative Student Loans

Financing higher education opportunities for low-income students in Latin America is an ideal way for families at the base of the pyramid to break out of the cycle of poverty. The Higher Education Financing Fund (HEFF) will allow thousands of students from families of microentrepreneurs with limited means to afford university level education or training. The first fund of its kind in the region, HEFF is creating and financing long-term student loan programs adjusted to low-income students and their families.

With a \$10 million loan from the Inter American Bank's Opportunities for the Majority Initiative (OMJ) and funding from other lenders, HEFF will offer student loans through microfinance organizations in Guatemala, Honduras, Dominican Republic, Peru, Bolivia, and Paraguay. This unique structure benefits individuals and communities while offering local oversight and administration to ensure loans are repaid.

### Lending to Students, Collecting from Professionals

Lower income students are often precluded from pursuing higher education because student loans are not available to them, even though their ability to repay after graduating is enhanced when they have recognized degrees.

Demand for student loans has grown among lower income students as increased access to media and news outlets over the internet has expanded their awareness of opportunities. Traditionally, poor families have tapped into their small business operations to fund higher education—sometimes jeopardizing the family's only source of income.

Student loans, when properly structured, take the burden of paying for education off of families while the student is in university or college. Costs include tuition, books, lodging,

food and transportation. If students are forced to work while trying to obtain a degree, their academic performance can suffer. But, if they do well and graduate, these students from the base of the pyramid are more likely to obtain high paying jobs which allows them to help their families, and in turn, their communities, climb higher up the socioeconomic ladder.

### Financing the Future, Securing the Present

To increase their likelihood of finding good jobs, funding will only be provided for students enrolled in academic institutions with strong reputations for professionalism and high graduation rates. They must embark on studies for careers that are in high demand or where jobs are expected to grow.

Once fully funded and operational, HEFF will give students the tools they need to succeed in higher education. To ensure the ongoing success of students and in turn, the program, HEFF is incorporating a system of monitoring and mentoring whereby local educational experts oversee the progress of students benefiting from loans. They will provide tutoring and social system support as needed.

HEFF will be managed by Omtrix, a Costa Rican fund manager and financial consulting firm with more than 15 years of experience in managing microfinance loans in the region. HEFF will set country specific guidelines on loan conditions to be met by microfinance institutions. Approximately \$50 million in education funds will be made available, and around \$1 million in technical assistance. In the initial rollout of the program, 3,000 students will be supported. Once established, the program could expand to other countries in Latin America.

By providing an example of successful student loan programs for lowincome students in Latin America using the vast network of microfinance institutions, HEFF can serve as a catalyst for other institutions to begin similar programs throughout the region. That could create a movement whereby no student in Latin America is denied access to higher education because they come from a poor family.



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