FINAE
www.finae.com - Year Founded: 2006
Date of 1st Investment: Aug. 2009 - Investment Amount: USD 5'131'986*

* equity, debt and convertible debt

FINAE is a financial institution which grants loans to low and middle income students to attend private universities.

Region
Latin America/Mexico

Business Model Innovation

FINAE’s business model innovation consists of providing loan products that are affordable and competitive for low to middle income students as well as sustainable and profitable for FINAE. This is possible due to FINAE’s model, which allows for the adequate distribution and allocation of risks among students, universities and FINAE, based on:

- Low operating costs based on an efficient marketing and distribution strategy, the appropriate use of information and technology for analyzing and processing loans and limited overhead costs.
- Access to adequate funding sources: strategic equity investors and private debt financers
- Long-term partnerships with top private universities, which provide FINAE with access to their student base as well as a network for targeted marketing and distribution efforts in campus.
- Products crafted according to the fees charged by the universities and the student’s income profile throughout the lifespan of the loan.
- First loss guarantee funded by the Universities (10-17% of the disbursed amounts).

Technology Innovation

FINAE has made the best use of the available technologies, internet for marketing and awareness, credit bureaus for credit assessment, email and text messages for payment reminders.

Distribution

At inception, FINAE offered one single loan product, which customized over time to launch a different range of products tailored to the needs of its clientele. To date the company has granted over 3'000 student loans.
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**Impact and Market Opportunity**

Mexico is the 4th largest economy in the Americas, with demonstrated resilience to the recent downturn and favorable outlook for the coming years. Even though, Mexico faces complex socioeconomic issues ranging from high levels of poverty, unemployment and sub employment, and a recent rise in violence and drug-trafficking. Despite the government’s efforts to overcome such challenges, there are areas where the needs surpass the public sector capabilities.

For instance, in terms of superior education, there is a wide gap between demand and supply as public universities operate at full capacity and are unable to accommodate all the students seeking admission due to full capacity, private supply is increasing but at considerable costs and the demand for quality education is increasing exponentially across income segments.

As Mexico’s economy continues with positive outlook, the demand for skilled workers will continue increasing and thus the demand for superior education. The market of private educational services is poised for growth driven by the inability of the public sector to satisfy the demand through the public system coupled by the offer of affordable loan education products as the ones offered by FINAE.

Education enhances the earning potential and quality of life of the student (and their family):

- A person with a university degree earns on average 74% more than one without a degree
- University education increases people’s ability to join the job market in Mexico as 72% of the people with university degree is included in the job market vs. 55% of the people holding a high school or lesser degree.

It is important to highlight that FINAE also helps students to access the job market, either by setting up partnerships with large employers and job-search platforms, or by taking advantage of the universities’ jobs database. The latter is a key advantage for students as well as an additional risk mitigation strategy for FINAE.

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**Outreach to Date**

- 3,093 student loans
- 45% female students
- 65% low income students
- Memorandum of understanding with 87 campus
- USD 10,860,000 loan portfolio outstanding value
- GIIRS rated 4 stars
- B corporation

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**Change in Lives**

Access to education translates into socio-economic development, job creation, lower unemployment rates, higher tax caption. In Mexico a person with university degree earns on average 74% more than a person with highschool degree. 72% persons with a university degree are active in the work force, while as only 55% of those with a high school degree. SROI (social return on Investment) analysis concluded that for every USD 1 invested in FINAE, the social return is USD 3.16. 70% of FINAE’s students are the first member of their families to pursue higher education. More than 25% of FINAE’s client’s have parents who did not complete elementary school.