

Brazil Education

EDU Morning Radar: MEC announces return of 100% financing on FIES

Industry Overview

“FIES social” targets low-income students

The Ministry of Education (MEC) announced today (Feb 16) the return of 100% financing under the FIES program. The program targets students in families with per capita income below of half the minimum wage. The maximum amount that can be financed is still fixed at R\$60k/semester for medicine courses and R\$42k for other courses. Also, at least half of the seats offered in FIES will be reserved for the “FIES social”. The new rules will apply for 2H24 on.

Our take: announcement was already expected

The return of 100% financing was already expected as the MEC mentioned it was one of the main changes planned for the program in 2024. In our view, it is positive in terms of volume for the companies involved as it should help to increase the occupancy of offered seats. However, impact is limited given that there was no expansion on those. Currently, FIES offers c.120k seats and occupies around 70k. Also, the focus on low-income students could negatively impact default rates on the program, putting its long-term sustainability at risk. Thus, we do not expect companies to aggressively increase exposure to FIES after this change.

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