



High-Education Financing in Chile

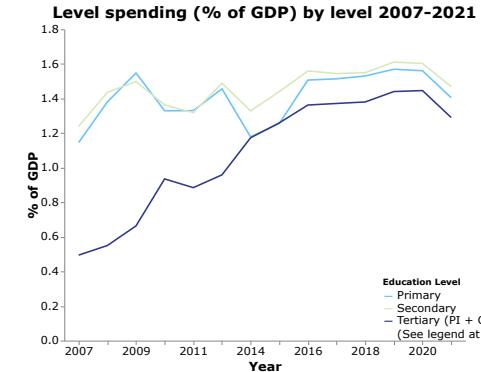
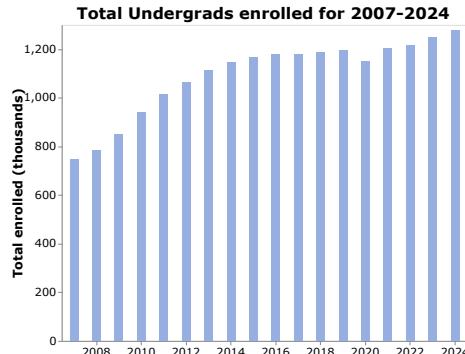
A Story of loans, protests and a new educated generation

Chile's development in the 1990s–2000s strengthened the view of higher education as the main path to social mobility, but access remained limited by scarce financing. To address this gap, the government created the **CAE** (*Crédito con Aval del Estado*) in 2005 — a **state-backed loan system that allowed students to borrow money from private banks, with the State acting as a guarantor**. It was thought as a way to expand access without directly increasing public spending, transferring much of the financial risk to students and, ultimately, to the State through its guarantee mechanism.

2006: Start of CAE

Higher Education enrollment rose by ~60% in 9 years after the 2006 CAE law, as banks began offering loans widely, making credit risk less relevant.

In **2011, massive protests called for** an end to profit-making in education, improvements in quality, **reforms to the CAE, highlighting the heavy debt burden on families**. In response, the government began purchasing loan portfolios so that students owed the State instead of private banks.

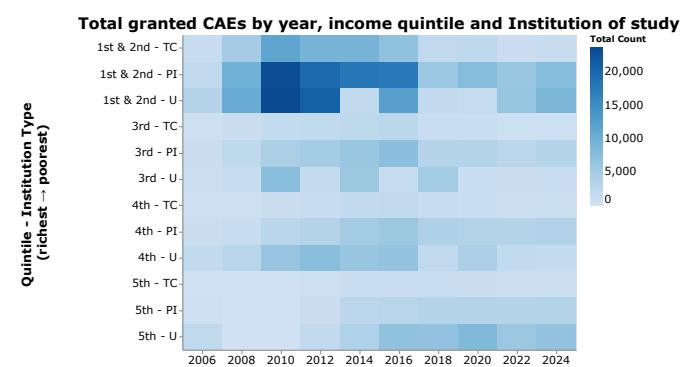
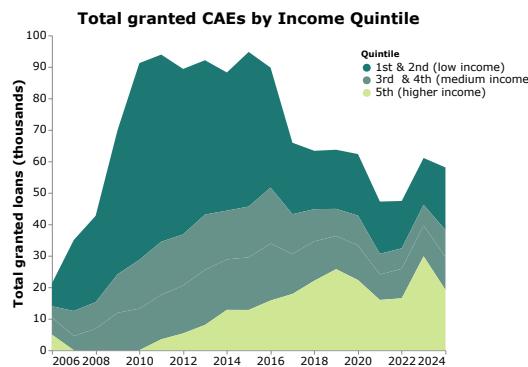


2016: CAE & Free-tuition

In 2016, **tuition-free higher education was introduced for the most vulnerable groups**, while the CAE remained available for others.

These two policies made obtaining a professional or academic degree a real possibility for students from the lowest income quintiles.

At the same time, **wealthier students increasingly applied for CAE loans, attracted by the favorable state-backed conditions**.



Other winners in this topic

CAE and tuition-free policies freed women from financial constraints just as higher education became a vehicle for social mobility and independence.

As most new enrollments came from **lower-income students, Professional Institutes emerged as the preferred option**, offering shorter programs that enabled earlier entry into the labor market.

