Financing Higher Education in Chile

A Story of loans, protests and a newly educated generation

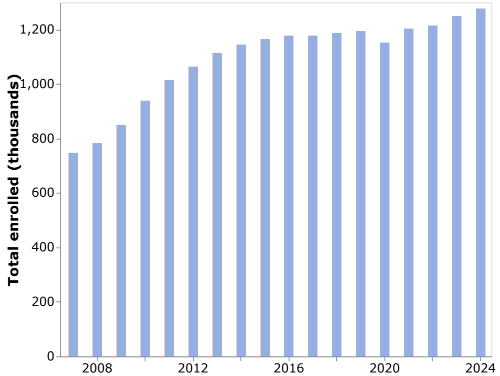
Chile's development in the 1990s–2000s strengthened the view of higher education as the main path to social mobility, but access remained limited by scarce financing. To address this gap, the government created the **CAE** *(Crédito con Aval del Estado)* in 2005 — a **state-backed loan system that allowed 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

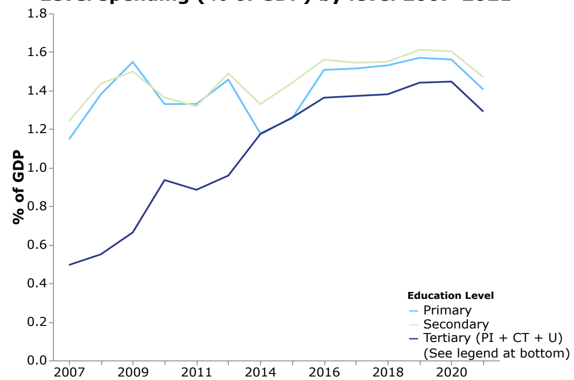
Higher Education enrollment rose by ~60% in 9 years after the CAE law, as banks began offering loans widely.

In **2011, massive protests called for reforms to 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.

Total Undergrads enrolled for 2007-2024



Level spending (% of GDP) by level 2007-2021

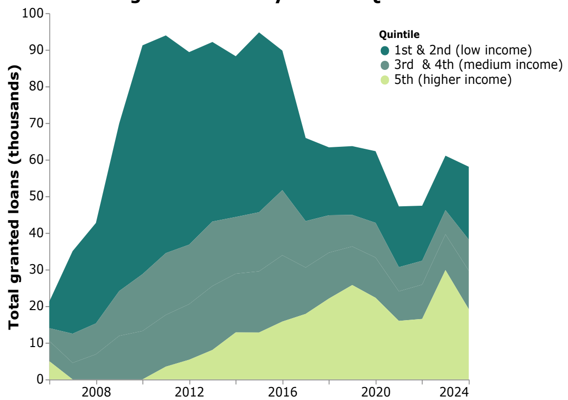


2016: CAE & Free-tuition

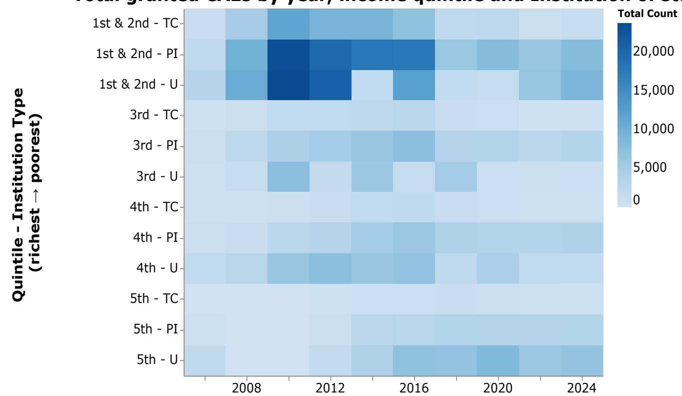
In 2016, **tuition-free higher education was introduced for the most vulnerable groups**, while the CAE remained available for others.

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

Total granted CAEs by Income Quintile



Total granted CAEs by year, income quintile and Institution of study

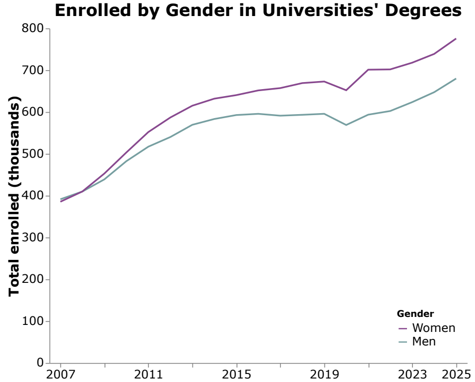


Spillover Effects

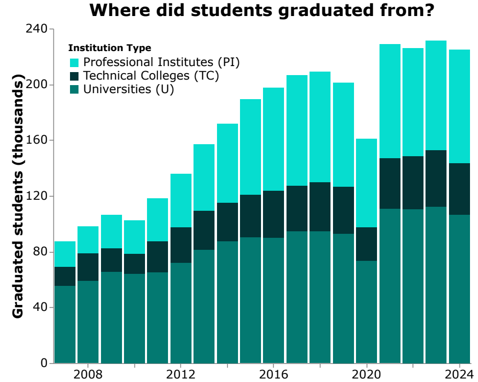
CAE and tuition-free policies freed women from financial constraints just as higher education became a vehicle for social mobility and independence.

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.

Enrolled by Gender in Universities' Degrees



Where did students graduated from?



Institutions: ***PI:*** Professional Institute ; ***TC:*** Technical College ***;*** ***U:*** University. ***Quintiles:*** 1st is the lowest income , 5th is the highest income **Data Source:** ***Enrollment and Graduated:*** Kaggle based on chilean Education Ministry. ***CAE:*** Ingresa Committee Chile