



# Students loans with Mutual Guarantee – Portuguese Guarantee Scheme Model

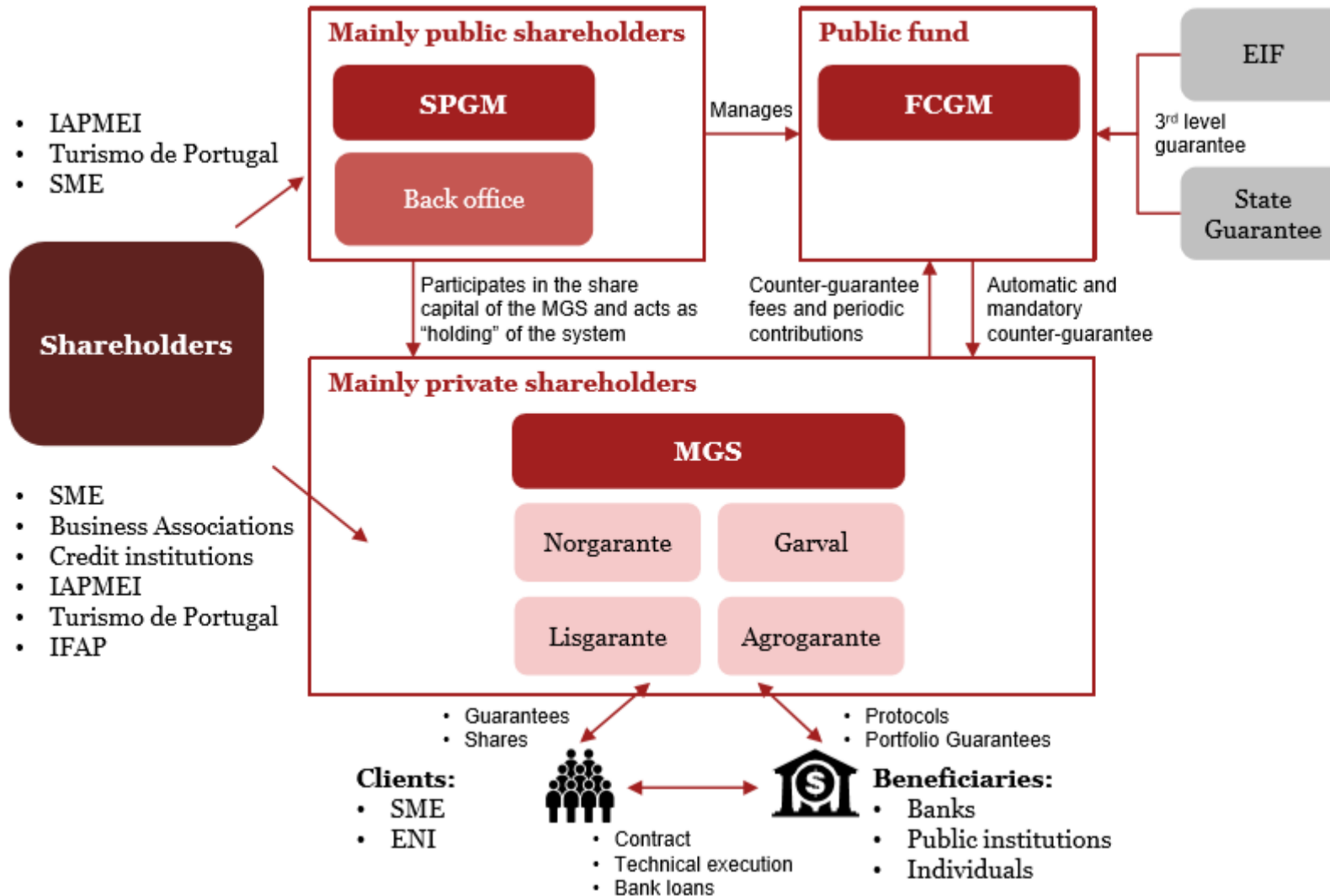
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The Portuguese Mutual Guarantee System is a public-private partnership, whereby the MGS benefit from a public counter-guarantee granted by a national fund (FCGM). SMEs are the focus of the mutual guarantee system.



The maximum limit of the counter-guarantee for each guarantee issued is **80%**.

MGS are institutions with a regional and/ or multi sectorial focus. Their activity include the provision of portfolio guarantees to special credit lines, namely **university students loans**.

The final beneficiaries are SMEs, Individual Entrepreneurs.



# Impact of the Mutual Guarantee System in the economy



**114,003**

Supported entities



**16,647** million euros

Guarantees issued <sup>(1)</sup>



**33,258** million euros

Investment supported



**1,495,225**

Jobs supported



**3,758** million euros

Outstanding guarantees

Data reference period: December 2019.

<sup>(1)</sup> Includes unused contracted ceiling and renewals



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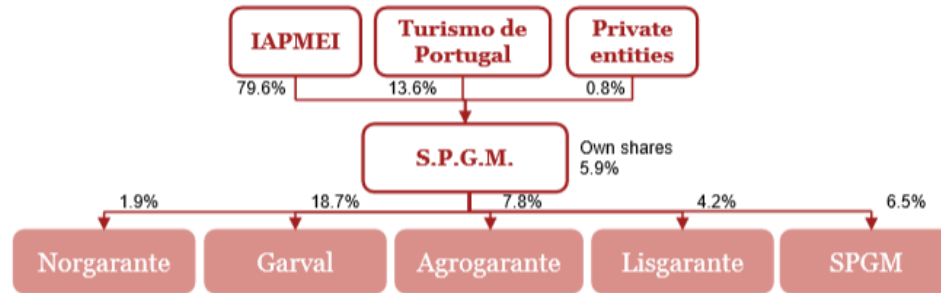
**SPGM is the coordinating entity of the Mutual Guarantee System in Portugal whose main tasks involve the management of the FCGM, credit lines management and development of the mutual guarantee societies**



- Established in 1994, from a **public initiative**, by means of the IAPMEI, SPGM is the **coordinating entity of the Mutual Guarantee System in Portugal**
- Mission: to support the development of Portugal through the provision of **financing solutions, in particular by debt**, under price and term conditions that are appropriate to the stage of development of companies and projects, enhancing the entrepreneurial capacity, investment and job creation

Established in 1994, SPGM lead to the creation of the Mutual Guarantee System.

After the establishment of the first 3 MGS (Norgarante, Lisgarante and Garval), SPGM ceased the provision of guarantees and transferred this activity solely to MGS.



The activity of MGS has a regional coverage: Norgarante (North), Lisgarante (South and Madeira Island), Garval (Center and Azores Islands)

In turn, Agrogarante has a national coverage but with industry focus (agricultural, agribusiness, forestry and fisheries)

- Most of SPGM's capital is held by public shareholders (~93.26%)
- SPGM holds a stake in 4 Mutual Guarantee Societies (MGS), having a shared service center to both MGS and FCGM



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# Eligibility criteria



<b>Type and Description</b>	<p>The Human Capital Operational Program (POCH) and the Foundation for Science and Technology, IP, made available in partnership with the Portuguese Mutual Guarantee System and the banking system, a new Credit Line for Mutually Guaranteed Higher Education Students.</p> <p>This product is designed to support access to Higher Education by improving course attendance and completion, with a view to increasing higher education participation and qualification levels.</p>
<b>Budget and Source of Funds</b>	<p>85 million euros of financing:</p> <ul style="list-style-type: none"><li>• € 71.301.247,73 of financing to be made available in the North, Center and Alentejo regions, with the reinforcement of the Mutual Counter-Guarantee Fund for counter-guarantee, co-financed by the European Social Fund through the POCH (85%) and the National Public Contribution from the State Budget (15%), in a total amount of €11.764.705,88;</li><li>• € 13.698.752,27 of financing to be made available in the Lisbon, Algarve, Azores and Madeira regions, with the reinforcement of the Mutual Counter-Guarantee Fund for counter-guarantee, funded by the Foundation for Science and Technology, IP, in € 2.260.294,12.</li></ul>
<b>Target Leverage</b>	<p>Each euro allocated in Mutual Counter-Guarantee Fund is converted into € 6 financing for final beneficiaries.</p>



# Eligibility criteria



<b>Target Beneficiaries</b>	<p>Students in public and private higher education enrolled in:</p> <ul style="list-style-type: none"><li>• Technological specialization courses (ISCED<sup>1</sup> 5);</li><li>• Graduation (ISCED<sup>1</sup> 6);</li><li>• Masters programs (ISCED<sup>1</sup> 7);</li><li>• Doctoral programs (ISCED<sup>1</sup> 8);</li></ul> <p><sup>1</sup> ISCED – Internacional Standard Classification of Education</p>
<b>Intermediaries</b>	<p>Caixa Geral de Depósitos EuroBIC Millennium BCP</p>
<b>Loan Amount</b>	<p>€ 1.000,00 to € 5.000,00 per year, with the maximum amount of € 30.000 per student.</p>
<b>Maturity</b>	<p>Between 1 and 6 years, adjusted to the duration of the course.</p>
<b>Grace period</b>	<p>Up to 2 years after credit utilization.</p>
<b>Capital Repayment Period</b>	<p>Up to 10 years, starting after the grace period. No prepayment fee.</p>



# Eligibility criteria



<b>Conditions of the Portfolio Guarantee</b>	<p>80% loan guarantee with a cap rate of 15% of loan amount actually used at the end of each reporting period.</p> <p>No endorsement or warranty will be required (personal or equity). For loans over € 15,000, promissory note may be required.</p>
<b>Interest Rate</b>	<p>EURIBOR Swap rate, according to the term loan, with a spread 1,250%, it will be reduced by 0,25% for “disadvantaged” students proving to benefit from a scholarship.</p>
<b>Main Barriers for the set up and implementation</b>	<ul style="list-style-type: none"><li>• Existence of a similar products in the market;</li><li>• Banks are demanding the possibility of asking students for additional collateral to cover the part of the loan that is not guaranteed by the financial instrument;</li><li>• Territoriality of the credit line, only available in disadvantaged regions of Portugal.</li></ul>
<b>Improving the FI</b>	<p>Increase the cap rate to levels between 20% and 25%.</p>



# Results



Amount in €

Specific Fund	Specific fund global amount (Signed)	Amount Transferred to MCGF <sup>1</sup>	Nº of final recipients	Amount contracted by final recipients
European Social Fund	10 000 000	2 500 000	630	7 188 552
National Public cofinancing	1 764 706	441 177	111	1 268 568
<b>Total POCH</b>	<b>11 764 706</b>	<b>2 941 177</b>	<b>741</b>	<b>8 457 120</b>
Foundation for Science and Technology, IP	2 260 294	0	470	5 316 738
<b>Grand Total</b>	<b>14 025 000</b>	<b>2 941 177</b>	<b>1 211</b>	<b>13 773 859</b>

<sup>1</sup> MCGF - Mutual Counter-Guarantee Fund



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