

Bringing Low-Hassle Loans to More Childcare Providers

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Expanding the reach of a non-profit micro lender to support small business owners

Accion East's Childcare Provider Initiative offers low-hassle business loans for licensed home-based childcare providers who are frequently isolated from other sources of capital and resources. By supporting these providers, Accion's loans help more individuals get into and stay in business. This expands both the supply of much-needed, affordable early childhood care services for families across New York City, and employment and business development opportunities for home-based providers, who are often parents themselves. ideas42's NYC Behavioral Design Center (BDC) designed postcards and a testing protocol to help Accion reach English-speaking childcare providers, who were less responsive to their campaigns than similar Spanish-speaking childcare providers. In addition, we made recommendations to support Accion's outreach strategy, to enhance their likelihood of reaching childcare providers interested in and ready for a loan.

Summary

The lack of affordable, high-quality childcare in the U.S. is a pressing economic and social problem. New York City has made great strides in serving four-year-olds through Universal Pre-K and is expanding programs for three-year-olds, but there is a large unmet need for affordable infant and toddler care. According to the NYC Comptroller, center-based care for infants costs over \$21,000 per year. For reference, this amount is three times the cost of college tuition at a CUNY campus.

Home-based providers are a much more affordable childcare option, but supply is an issue: The existing providers and centers together can serve fewer than one quarter of the city's children from newborn to three years old. Investing in home-based providers so they can hire, train and retain staff, update their space and materials, and expand their business to serve more children, is an important part of the solution.

Accion East is a non-profit micro lender with a mission to provide low- to moderate-income business owners—often individuals of color and women—with access to capital and financial education. Too often, these entrepreneurs turn to credit cards, informal lenders or predatory lenders for additional capital because banks may not consider their business a legitimate small business (or even because the entrepreneurs don't think of themselves as a small business so they never consider applying for a small business loan). Accion's Childcare Provider Initiative offers fixed rate business loans to licensed, home-based childcare providers that are more affordable than the informal or predatory lenders and far more affordable than credit card interest rates. These loans have fewer requirements, strings, and hassles than typical loans. For example, clients do not need to fill out paperwork to apply for a loan, and they learn if they're approved within 48 hours. In addition, the minimum credit score for these loans is 525—

Highlights

- ▶ Micro-loans for home-based childcare providers help expand much needed early childcare services in NYC.
- ▶ English-speaking providers applied for loans at lower rates than Spanish speakers.
- ▶ A behaviorally designed postcard helped increase uptake of beneficial loans.

significantly lower than typical loans—and individuals with no scores, such as recent immigrants, are eligible. Accion’s childcare loan recipients also have access to financial education support services and Accion’s referral network of small business support organizations to further strengthen and grow their businesses.

Accion’s outreach efforts have succeeded in reaching Spanish-speaking childcare providers in the South Bronx, but staff have not seen a proportionate number of applications or uptake among English-speaking childcare providers across the city. Their data suggested that this discrepancy reflected gaps in their outreach strategies, rather than a dearth of English-speaking childcare providers who could benefit from the loan program.

Childcare providers generally learn about this loan program through Accion’s direct mail campaign, word of mouth, and referral partners. Accion partnered with ideas42’s NYC Behavioral Design Center (BDC) to apply a behavioral lens to their outreach strategy in order to reach more English-speaking care providers, and help more women grow their businesses and income while providing essential jobs and childcare for their neighbors.

Understanding why English-speaking childcare providers were less likely to apply for Accion loans

At the start of our partnership with Accion, it was unclear whether and how English-speaking childcare providers differed from Spanish-speaking providers. Were they less likely to notice mail from a sender like Accion? Were they more likely to decide the program was not for them? Perhaps English-speaking providers simply had different needs from Spanish-speaking providers, and their choice not to apply for the loan was the appropriate one for them.

To understand what may inhibit applications from English-speaking providers and, importantly, confirm that there was a need for such a program, we reviewed the literature on effective direct mail campaigns for loans, interviewed five English-speaking childcare providers, and interviewed a staff member at a partner organization who runs workshops for licensed childcare providers and often discusses Accion’s loans with them. Our interviewees included providers who had never heard of Accion and those who had, including current clients. This work revealed four key insights:

- 1. Direct mail is an effective strategy for reaching childcare providers who have a clear idea of how they would put the money to use.** While all of our interviewees reported checking their mail systematically, the providers most likely to notice Accion’s postcards about the loans were those who already had plans to expand or make improvements to their business. Conversely, providers who had other sources of funding (such as grants), or intended to keep their business as it was were unlikely to take a closer look at the postcard.

- 2. Interviewees felt that loans are a bad idea, unless they help you reach a goal.** Even those who took out a loan with Accion felt that loans were undesirable, unless they had a specific goal in mind for the loan that would improve their lives and enable them to pay it back. Many loan recipients planned to use their loan to increase the number of children they could take care of at once by expanding their physical space or hiring more staff, which would help them increase their revenues and enable them to pay back the loan.
- 3. The childcare providers we spoke to were unlikely to learn about the loan through word-of-mouth.** Few of our interviewees spoke to family, friends or peers about the financial side of their business or about their interest in the loan. Instead, they went online to read testimonials and confirm Accion's legitimacy. Current English-speaking clients did not talk to peers about the loan they received.
- 4. Accion's postcard design made interviewees feel like it was worth applying.** The existing postcards highlighted that the application process was easy and quick, and that anyone with a credit score of at least 525 (or a zero credit score) is eligible. These two details were reported as motivating.

Lessons from test mailings

Following these interviews, we began an iterative design process for a new outreach strategy. We designed new postcards, refined them through user testing, and tested two new designs against one of Accion's existing postcards by mailing each version to a randomly selected subset of the mailing list and comparing response rates (an A/B test). Responses to two of the three postcards were particularly promising.

Both new postcards shared a key design feature: a photo of a childcare provider interacting with children. The provider is smiling at a child reading from a book. The success of this image aligns with one of our findings from user testing: Most providers we surveyed began their businesses because they love taking care of children. Making sure the kids they care for are developing well and learning is the most important part of their job. Both postcards also featured a salient and actionable 'call to action'—(calling Accion), and the 525 credit score requirement.

The postcard that generated the most responses (64% of responses, postcard 1 below) highlighted the ease and speed of the application process as well as the range of possible loan amounts. In addition, it included a statement explicitly recognizing the stress in providers' lives, institutional logos reflecting Accion's accreditation and recognition by a government agency (which likely enhanced its credibility), and a list of examples of uses for the loan.



IS A CHILD CARE LOAN FOR YOU?

- ✓ Must be a licensed child care provider
- ✓ Personal credit score 525+, no (0 FICO) credit qualifies
- ✓ Up to \$20,000 will help you improve or grow

Other requirements may apply.

WHAT WOULD YOU DO WITH UP TO \$20,000?

- 👍 Advertising and Marketing
- 🛋️ Furniture, Toys and Equipment
- 🎓 Educational Materials and Supplies
- 📄 Professional Trainings and Licenses
- 🔧 Upgrades and Renovations

LESS STRESS, MORE ACCION!

🕒 Prequalification takes 5 minutes

PUT YOUR DREAMS INTO ACCION!

☎️ 1-800-357-1500

➔ us.accion.org/childcare

Accion has offices in NYC, Boston, Orlando and Miami and serves businesses across the country online.

POSTCARD 1

The second most successful postcard (see Postcard 2), which garnered 25% of the total responses, leveraged social proof by including a statement about how many childcare providers Accion has helped in New York. Additionally, the postcard highlighted a client testimonial, with a link to more testimonials and technical loan details.



TO FIND OUT IF YOU QUALIFY FOR A LOAN AND LEARN MORE, CALL US AT 1-800-357-1500

IS A CHILD CARE LOAN FOR YOU?

- Must be NYS licensed
- Must have a personal credit score of 525+ or no credit score

Other requirements may apply.

ABOUT OUR LOANS

- Little to no paperwork required
- Loans for \$1,000 to \$20,000
- Get pre-qualified in 48 hours
- Affordable fixed rate starting at 8.99%
- Monthly repayment up to 5 years
- No pre-payment penalty

SEE WHAT OTHER BUSINESS OWNERS HAVE TO SAY ABOUT OUR LOANS

➔ us.accion.org/our-clients/

Accion is a non-profit organization that has supported business owners like you for 25 years.

POSTCARD 2

Recommendations to enhance outreach

While our postcard design, user testing and A/B test revealed lessons about how to communicate with childcare providers, expanding Accion’s reach and impact among childcare providers even further will require a multi-pronged approach across communication channels. With this in mind, we developed a number of recommendations to support Accion’s efforts to engage more home-based providers.

The first set of recommendations included **guidance on how to use A/B testing** to refine Accion’s messaging, and some ideas regarding design features to test in the future, including the **timing of mail campaigns**. For example, there may be moments, such as over the summer or the beginning of the school year, when providers are more likely to be thinking about expanding or improving their business, and therefore, more likely to notice and respond to a loan promotion postcard from Accion.

A second set of recommendations focused on Accion’s **use of client stories**. Client stories and quotes enhance credibility and reduce uncertainty for potential clients regarding: what to expect from Accion, whether the loan is “for them,” and the benefits of getting a loan. We recommended that Accion collect testimonials frequently and use them across communication efforts.

Given that most interested recipients browse the internet to identify loan options, and/or to learn more about Accion and its loan program, we focused a number of recommendations on the organization’s **online presence**. Web pages about the loan program should be accessible, user friendly, and expand on the information provided in postcards. For example, we recommended enhancing the visibility of the childcare loan program on the primary Accion site—the page that visitors likely first encounter after searching for “Accion,” to ensure that key information is easy to access and salient. We also advised Accion to user test web pages with providers from its target audiences to ensure that the information is clear and useful.

Our final set of recommendations focused on **referral partners**, such as family child care networks, membership organizations, and small business support organizations. Referral partners are a critical channel for reaching potential candidates for Accion’s loans. While postcards and other mass marketing strategies can help increase awareness of the loan program, and may reach some childcare providers at the right time (i.e. when they are making decisions about whether and how to finance upgrades and improvements), leveraging referral partners’ relationships with clients can allow Accion to reach providers in a more targeted and timely manner. Consequently, we recommended expanding the range and number of partners, and strengthening relationships with them. Ongoing outreach and communication can ensure the program stays top-of-mind for partners, and that they are able to share accurate information about its requirements and benefits.

Moving Forward

Accion shared that they’re excited about revising and expanding their outreach based on what they learned in our partnership. Accion’s VP of Business Development noted that the initial results sparked new ideas and conversations among their team about implementing and measuring campaigns.

This project concluded right before the COVID-19 pandemic hit New York in full force, so in the immediate-term, Accion is focusing on ensuring that current loan recipients are able to protect themselves and their clients from the virus. Interruption in childcare as a result of the pandemic has severely impacted millions of people, from small business owners and their staff to the families they serve. As childcare businesses are able to open their doors again, appropriately targeted loans and other financial support (and advice) will be more important than ever for the resilience of these struggling small businesses, which are so critical to both the economic stability and well-being of their communities.

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