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Housing & Asset-Based Solutions to the Child Care Crisis

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TABLE OF CONTENTS

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INTRODUCTION

Child care is a crucial pillar of our economy, generating more than $152 billion in economic activity and supporting more than 2.2 million jobs in 2022,[1] yet it operates far below its potential with over half of U.S. families currently living in child care deserts. Child care plays an essential role in fostering economic stability, maximum employment, and upward economic mobility for families nationwide, with more than two-thirds of children under five requiring care because both parents are in the workforce.[2]

SYSTEMIC CONTEXT FACING HOME-BASED CHILD CARE

6.4 million children ages 0 to 5 are currently being served by over 1 million paid home-based child care providers, and yet this is a fragile ecosystem.[3]

HIGH DEMAND FOR CARE	HOUSING INSTABILITY & WAGES	BARRIERS TO CAPITAL	DECLINING SUPPLY
Families wait months to access care and often pay more than they can afford.	Providers face high rents, tight profit margins, and often misaligned policy environments that increase risk of housing and business instability.	Providers continue to struggle to enter financial systems that sustain small businesses and promote economic stability and mobility.	Providers struggling and closing means that communities lose essential care infrastructure, undermining economic growth.
▪ In 2024, **19%** of adults in the U.S. had young children.[4] ▪ More than **66%** of children under five require care because their parents are in the workforce.[5] ▪ 2025 article states that **52%** of parents reported that it took 2 months or more to find an appropriate caregiver for their child. And often when they find it, it is a financial burden for their family.[6]	▪ In 2023, **42%** of child care providers reported being somewhat or very worried about not being able to pay their rent or morgage in full.[7] ▪ High rents (and fixed revenue) and landlord restrictions jeopardize home-based child care businesses' ability to operate. ▪ The median hourly wage of a U.S. child care worker was **$14.60** in 2023 vs. $23.11 for all U.S. workers.[8]	▪ In 2020, only **23-27%** of home-based child care providers were approved for Paycheck Protection Program (PPP) loans vs. about half of centers who applied.[9] ▪ **66%** of home-based child care providers who rent their homes cited in 2023 an inability to afford a down payment as the biggest barrier to homeownership.[10] ▪ Credit and documentation barriers prevent providers from investing in housing or business stability.	▪ Approximately **51%** of Americans live in a child care desert.[11] ▪ The U.S. lost over **48%** of licensed family child care homes from 2005 to 2017.[12] ▪ In 2022, **37%** of family child care providers said they are considering leaving the field.[13]

According to the U.S. Chamber of Commerce Foundation, states are losing billions in economic activity because of insufficient child care infrastructure.[14] Despite its vital economic role, the child care sector—particularly home-based child care—is vastly under-resourced due to systemic financial and policy barriers. Addressing these challenges through targeted investments in housing, capital access, and infrastructure can unlock economic mobility for providers and stability for working families.

INTERSECTIONS OF IMPACT
Philanthropy's Role in
Housing-Based Child Care Solutions

Home-based child care providers play a vital role in the care ecosystem, serving millions of young children, particularly in communities with limited access to center-based care. There are currently more than 1 million paid home-based child care businesses across the U.S.[15] caring for nearly 6.4 million children ages zero to five.[16] They care for nearly 30% of all children under three in nonparental care,[17] often in communities with the least access to center-based options. These providers, and small businesses, are essential in low-income communities because they often offer parents greater affordability, proximity, trust, and more flexible care hours—especially for low-income and shift workers relying on them to participate in the workforce.

Home-based child care's economic potential is inextricably tied to gender equity and housing justice, as the provider workforce is composed of more than 90% women.[18] These women often operate on razor-thin margins while navigating systemic barriers that heighten their housing precarity. Single mothers constitute a large share of the workforce relying on informal home-based child care,[19] intensifying the consequences when providers face housing instability. When providers lose housing, they often lose both their home and business, disrupting not only their livelihoods but also the continuity of care for the families they serve. As a result, this instability jeopardizes women's economic advancement and reverberates across the broader workforce by limiting reliable child care options for other working parents. Addressing housing affordability for providers is essential to ensuring equitable access to child care, economic stability for women and entrepreneurs, and resilient local economies.

"The families who use home-based child care are often low-income. Often the most familiar, flexible, convenient, personal, and affordable options for families, home-based providers frequently meet the needs of children and families not otherwise served by the current child care system, illustrating the unique, intersectional importance of their work."

—**Home Grown**

Systemic underinvestment into home-based child care businesses is a solvable problem. Philanthropy and government are uniquely positioned to align sectors and resources to invest in proven strategies to address home-based child care providers' needs–fostering housing, small business, and economic stability and enhancing providers' critical role in our workforce and economy.

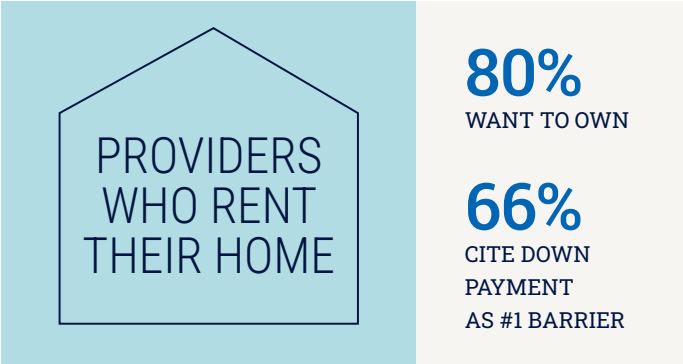
The number of home-based child care providers, a critical part of the child care ecosystem, has decreased over the past two decades, making it harder for families to find affordable care. Driven by a systemic underinvestment in housing, capital access, and policy support, the number of licensed home-based child care homes in the U.S. dropped by over 48%[20] between 2005 and 2017, although a recent analysis shows a slight increase in 2024.[21] With approximately 51% of Americans living in a child care desert,[22] demand for care vastly outpaces available supply. The decline over the past couple of decades raises concerns about equitable access to child care and the sustainability of diverse, critical care options that allow parents of all incomes and work schedules to fully participate in the workforce.

This brief introduces the vital role of home-based child care as community infrastructure. It explores ways philanthropy can work with government, nonprofit and other stakeholders to invest in solutions for housing stability, homeownership, and asset building to increase the financial health and upward mobility of the largely women home-based child care providers who play critical roles in our economy. Key strategies discussed include:

- Expanding access to flexible, affordable capital and technical assistance tailored to home-based child care providers as small business owners
- Expanding housing stock and accessibility for home-based care through developer incentives, Community Land Trusts (CLTs), real estate management, and non-predatory rent-to-own models
- Investing in housing stabilization and improvements for home-based child care providers through grants, subsidies, and eviction prevention measures
- Aligning local zoning, permitting, and housing policies to recognize and support the dual-use nature of provider homes
- Mobilizing philanthropic and public-sector leadership to co-invest in cross-sector initiatives that support home-based child care as a critical part of the child care ecosystem

INVESTING IN HOUSING FOR HOME-BASED CHILD CARE PROVIDERS IS A DUAL INVESTMENT IN ECONOMIC RESILIENCE AND OPPORTUNITY

Housing for home-based child care providers plays a dual role as both their home and their place of business. Homeownership is a goal for over 80% of the providers who rent[23] as it is a significant driver of geographic stability and wealth accumulation, and providers can leverage equity in a home for major expenses like home improvements required to maintain licensing and adhere to regulations. However, according to the 2022 RAPID survey conducted by the Stanford Center for Early Childhood, 66% of home-based child care providers who rent their homes cited an inability to afford a down payment as the biggest barrier to homeownership. The median hourly wage of a U.S. child care worker was $14.60 in 2023, while the median for all U.S. workers was $23.11.[24] The economic obstacles these entrepreneurs often face from things like high housing costs, fixed revenue and market barriers often hinder their ability to build savings or achieve wealth. Small profit margins undermine economic well-being and restrict funding for training or staff respite.



"Stable housing means a place of my own that is safe and enjoyable for children. There is room for them to play both inside and outside. I want to have parks nearby and things for children to do."

—**Home-Based Child Care Provider 2025**[25]

Before offering solutions, philanthropy and government must understand the challenges faced by the home-based child care ecosystem and the majority women entrepreneurs and caregivers leading this work. The decline in home-based child care providers can be attributed to a number of factors, including economic insecurity, high housing and operating costs, restrictive zoning, landlord or homeowners' association (HOA) barriers, as well as inequitable access to affordable capital. Lack of access to capital negatively affects small business owners' potential for growth and further limits available resources. Investments to reverse the home-based child care provider decline and expand care availability will boost workforce participation, narrow skills gaps for parents seeking career advancement, and drive overall economic growth in local communities.

Several proven models address the unique housing and asset-building challenges faced by home-based child care providers as they strive for financial resilience and wealth building, and more investments into these models and funding of additional pilots tailored to this ecosystem are needed. Successful homeownership programs offered by credit unions, Community Development Financial Institutions, or other financial institutions for low- to moderate-income clients create valuable insight into programs tailorable for this sector.

Examples of these programs include:

- Low-rate mortgages with deposits or loan loss reserves
- Down payment assistance
- Community Land Trusts, which acquire and steward land for long-term community use

By fostering and investing in solutions to challenges faced by the home-based child care providers, philanthropy, financial institutions, and government can unlock the full potential of the child care industry, benefiting families, small businesses, communities, and supporting an abundant economy.

BARRIERS & OPPORTUNITIES

Sustaining and growing the home-based child care industry requires coordinated public-private investments into the infrastructure and ecosystem of care, including supportive policies, sustainable public funding, comprehensive services, and access to affordable capital.

Because these providers operate out of their homes, investing in both their business capital and housing options is crucial for supporting asset building. Asset building exists on a continuum, with unique obstacles for providers who rent versus those who own their homes.

The home-based child care industry faces significant challenges due to high housing (facility) and operational (staff, equipment and daily) costs, restrictive zoning or HOA policies, and the pressure to offer accessible, flexible, and affordable care for working families who are often already stretching their budgets. Despite these systemic obstacles, home-based child care businesses can be profitable and resilient when supported by well-resourced infrastructure, affordable housing options, and favorable policy environments. Additionally, business stabilization measures such as direct subsidies, tax credits, or contracted child care slots can enhance their viability, although the availability of these resources depends on geographic location and public funding.

The challenges and opportunities facing home-based child care providers also vary significantly by state and between urban and rural communities. For example, in California, a large in-home child care setting can serve up to 14 children,[26] while in New Jersey, the maximum is 5.[27] Urban providers often contend with high housing costs, competition for limited space, and complex zoning or regulatory environments, which can impede the establishment and sustainability of home-based care. In contrast, rural providers frequently experience geographic isolation and fewer professional support or peer networks. Limited broadband access and transportation barriers in both settings can further hinder participation in training, technical assistance, or subsidy programs. Tailored solutions that recognize distinct urban and rural contexts, as well as state-specific regulatory environments, are essential to ensure equitable access to high-quality home-based care for all families.

There are **FOUR KEY CHALLENGE AREAS** with opportunities for philanthropic, government, and other coordinated cross-sector action to address them:

- Housing costs and stock
- Economic stability and mobility while renting
- Affordable capital access
- Policy barriers and investments in the infrastructure supporting these small businesses

KEY AREAS WITH CHALLENGES & OPPORTUNITIES FOR ACTION

AREAS FOR INVESTMENT & IMPACT	OBSTACLES	OPPORTUNITIES
 **HOUSING COSTS & STOCK**	▪ Dual personal and business housing expenses ▪ Shortage of affordable housing that meets child care environmental and regulatory standards ▪ Regulatory standards require costly home modifications	▪ Proven housing programs tailored to meet the unique needs of in-home child care businesses ▪ Targeted grants, financial assistance, or tax relief ▪ Cross-sector partnerships for affordable housing, using incentives to integrate child care into housing planning and development
 **ECONOMIC STABILITY & MOBILITY WHILE RENTING**	▪ Rising rents, landlord bias, and lack of equity-building opportunities ▪ Lost financial investments in rental spaces ▪ Limited access to credit and capital impedes wealth building	▪ Tailored, non-predatory rent-to-own and shared equity programs ▪ Comprehensive service models that promote financial stability and mobility tailored to in-home child care providers ▪ Rent reporting, credit building, and matched savings account programs ▪ Legal aid and technical assistance to help navigate documents and resources
 **AFFORDABLE CAPITAL ACCESS**	▪ Biased lending practices and unaligned financial products ▪ Narrow profit margins and lack of business bank accounts ▪ Income documentation challenges and credit barriers	▪ Pooled capital to offer loans, grants, and credit enhancements ▪ Flexible loan products tailored to provider needs ▪ Loan loss reserves and interest buydowns to reduce lender risk
 **POLICY & SYSTEMS INFRASTRUCTURE**	▪ Prohibitive local zoning laws, HOA restrictions, and fragmented licensing regulations ▪ Inconsistent regulatory environments ▪ Lack of coordinated infrastructure to support policy alignment, provider advocacy, and scaling of proven innovations	▪ Statewide and local advocacy networks ▪ Policy toolkits and legislative models that document successful reforms and offer replicable templates for change ▪ Strategic communications and media partnerships to build public will ▪ Champions for policy reforms that explicitly address workforce equity for women providers

HOUSING COSTS & STOCK

OBSTACLES PROVIDERS FACE

- Dual personal and business housing expenses
- Shortage of affordable housing that meets environmental and regulatory standards
- Regulatory standards require costly home modifications

The high cost of housing—combined with a shortage of affordable, safe homes that meet child care licensing requirements—poses a major threat to the sustainability of home-based child care businesses and the stability of their workforce. Between March 2021 and December 2022, one in four home-based providers reported struggling to afford their rental housing, with even higher rates among Latino (36%) and Black (35%) providers.[28] More than 40% reported fearing eviction or foreclosure. Rising housing costs continue to pressure providers, with national median rent increasing nearly 18% in 2021 and remaining more than 20% higher than pre-pandemic levels through 2024,[29] despite recent slowdowns in year-over-year growth. This is especially alarming given that many providers rely on their homes as both a business site and a personal residence.

"We are still renting, but we are looking into options for how we can get our own place. I don't know how we could do this without help. We need a place to care for children, but most places we can afford are small or not meant for children."

—Home-Based Child Care Provider 2025[30]

Inadequate public funding and most families' inability to pay the true cost of care leaves providers with extremely slim profit margins. Wages are often too low to support major investments or large savings, let alone qualify for a mortgage. In addition, the costs of meeting licensing and safety requirements—such as installing age-appropriate furnishings, modifying bathrooms and kitchens, and creating secure outdoor play areas—further erode the child care provider's capacity to build savings. For renters, these investments are especially precarious: If they're forced to move, they often lose the money spent upgrading a home they do not own and must start over again.

66% **TWO-THIRDS**
OF RENTING IN-HOME CHILD CARE PROVIDERS CITED AN **INABILITY TO AFFORD A DOWN PAYMENT** AS THE PRIMARY BARRIER TO BUYING A HOME.

Homeownership can offer greater business security and long-term wealth, but it is often out of reach because income from running a child care business falls short in most markets. Two-thirds (66%) of renting in-home child care providers cited an inability to afford a down payment as the primary barrier to buying a home, according to the RAPID survey by Stanford Center for Early Childhood.[31] Even providers with aspirations to own face steep financial hurdles: rising home prices, insurance premiums, and property taxes coupled with low public investment into home-based child care infrastructure. These challenges are particularly acute for providers serving low-income neighborhoods, where reimbursement rates are often low and the need for trusted, flexible, affordable care is highest. Without targeted financial support and investment into the home-based child care sector, homeownership remains out of reach for most providers relying solely on child care income.

Philanthropy and government can play a catalytic role in addressing reliably affordable rental housing, pathways to homeownership, and the sustainability of the home-based child care ecosystem by advancing holistic housing solutions that recognize providers as both educators and tenants who also support the economy and the workers in the community. By centering providers' lived experience and investing in scalable models, we can build a more resilient, equitable child care system—one rooted in stability, dignity, and opportunity for all.

HOUSING COSTS & STOCK

OPPORTUNITIES FOR ACTION

- Proven housing programs tailored to meet the unique needs of in-home child care businesses
- Targeted grants, financial assistance, or tax relief
- Cross-sector partnerships for affordable housing, using incentives to integrate child care into housing planning and development

Philanthropy and government can increase investments in financial health and housing programs tailored to women entrepreneurs and child care providers—and expand incentives, direct or tax subsidies, and grants for home-based care businesses—to ensure providers have the stability and resources they need to operate and grow. Essential investments in increased outreach, technical assistance, and underwriting flexibility make these programs more effective.

TAX BENEFITS AND DIRECT FINANCIAL ASSISTANCE

A compelling example of how local investments can bridge the gap between housing needs and child care sustainability comes from Austin, Texas, where the **City of Austin** partnered with **Home Grown** to create a grant program offering direct financial assistance to home-based child care providers. The grants, approximately $2,500 each or equivalent to annual property tax costs, help providers address housing-related costs such as rent, mortgage support, and home modifications required for licensing.[32] This initiative was launched in response to state legislation that waived property taxes for child care facilities but excluded home-based providers. The City stepped in to fill the gap, providing targeted relief that helped prevent provider displacement, supported business continuity, and ensured that many providers serving low-income families could continue operating in safe, high-quality environments.

TAILORED HOMEOWNERSHIP PROGRAMS LIKE DOWN PAYMENT ASSISTANCE

Beyond targeted efforts, existing public homeownership programs can more intentionally meet the unique needs of home-based child care providers. There are already movements tailoring housing and homeownership programs to teachers and educators, which could expand to tailoring programs for home-based child care providers. Similarly, while many federal, state, and local programs aim to support affordable homeownership, child care providers often face barriers that prevent full access, such as irregular income documentation, limited awareness, and challenges related to operating a business within the home.

Public policy can adapt to support this sector. For example, the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program provides grants to states and localities for activities like down payment assistance and home rehabilitation—resources easily tailored to providers' dual-use housing needs.[33] Lenders could make mortgage products insured by the Federal Housing Administration or offered through the U.S. Department of Agriculture's Single Family Housing Direct Loan program more accessible to self-employed providers, especially in rural communities.[34] Additionally, State Housing Finance Agencies could customize first-time homebuyer programs with down payment assistance and low-interest loans to reflect child care providers' unique financial profiles and licensing-related costs to further a necessary economic service.

Multiple state and local initiatives point to the potential for more targeted public homeownership solutions. In California, several jurisdictions offer essential worker homebuyer assistance programs that could serve as a model for inclusion of home-based providers. **San Francisco's Family Child Care Facility Acquisition Program**, created by the Department of Early Childhood in 2024 and administered by the **Low Income Investment Fund (LIIF)**, offers $100,000 in down payment assistance.[35] The program is offered to first-time homeowners who live in specific zip codes and accept child care subsidies. In addition to funding, LIIF also provides homeownership support, budgeting and planning assistance, guidance for navigating fire department regulations, and

support when working with realtors and lenders. In parallel, nonprofit organizations in California are piloting homebuyer education and credit counseling programs designed for the self-employed, including in-home child care providers, to improve access to conventional mortgage products.

STATE INVESTMENTS IN HOUSING AS CARE FACILITIES

Nevada's **CARE Nevada** initiative offers another innovative approach. The state granted COVID-19 relief funds to **Mission Driven Finance's Care Access Real Estate (CARE)**, which uses private capital to purchase houses for family child care, while the grant funds support: 1) property renovations to create ideal family child care houses and 2) providers as they build their businesses in the CARE Nevada houses. As of May 2025, 18 houses were leased at discounted rents to providers, who receive wraparound support to launch and maintain successful child care businesses in these purpose-built spaces.[36] These additional family child care houses increased the number of large family child care providers in Clark County by 50%.

In **Minnesota**, state and local grants fund community-based programs offering solutions to reduce the child care shortage in their state, including support for funding for child care business start-ups and facility modifications or improvements needed for licensing.[37] These efforts can improve access to existing public loan programs and demonstrate the value of sector-specific technical assistance.

Collectively, these examples signal a growing recognition that housing stability, which includes the facilities for home-based child care providers, is foundational to sustaining the home-based child care workforce. They also underscore the untapped potential of adapting existing federal, state, and local housing tools—including down payment assistance, flexible mortgage products, and home improvement grants—to reflect the realities of providers' dual residential and business roles.

LAND ACQUISITION AND LOAN FUNDS TO MITIGATE COST

In addition to individual homeownership strategies, structural models that reduce overall housing costs can also play a key role. For example, **Community Land Trusts (CLTs)** can support affordable homeownership, small businesses, and nonprofit facilities through land acquisition and separating the cost of the land from the buildings on it, lowering the cost of homes in perpetuity. Communities could adapt the

CLT model to create a pipeline of affordable, regulation-ready homes for in-home child care, helping reduce both acquisition and operating costs for providers.

Cross-sector partnerships can further accelerate these efforts by enhancing asset and wealth building for child care providers. For example, the **Brighter Futures Fund**, managed by the **Low Income Investment Fund (LIIF)**, is a $20 million loan facility that offers low-interest loans to child care programs in cities like San Francisco, New York City, and Washington, D.C.[38] By partnering with CDFIs, local governments, and early care and education providers, the fund is expanding access to high-quality care, with a focus on programs in underserved communities. All Brighter Futures Fund loans allowed child care providers to take ownership of a child care center, which is important for organizational stability and longevity. For example, in New Orleans, LIIF combined the Brighter Futures Fund with New Markets Tax Credits to support Wilcox Academy in opening an additional 148 seats for infants to 5 year olds co-located with four affordable housing units.[39]

Similar partnerships with employers, colleges, and universities—particularly those serving large numbers of student parents—can support home-based care with housing subsidies or guaranteed enrollment contracts for nearby providers. States can adapt bond and down payment programs to this sector, and integrate licensing support into housing programs to help streamline access and compliance for providers.

ECONOMIC STABILITY & MOBILITY WHILE RENTING

OBSTACLES PROVIDERS FACE

- Rising rents, landlord bias, and lack of equity-building opportunities
- Lost financial investments in rental spaces
- Limited access to credit and capital impedes wealth building

Home-based child care providers who rent their homes often face economic insecurity and location instability. As renters, they are vulnerable to rent escalation, eviction, and displacement. With rent costs rising in recent years, providers must either absorb those expenses or increase tuition—both of which threaten their financial sustainability and child care affordability.

"Paying rent and dealing with rent increases year after year is so hard and we must find a way to cover the cost, oftentimes trying to figure out how to do so without increasing the fees for families because they can't afford it."

—**Home-Based Child Care Provider 2025**[40]

Challenges extend beyond rent. Many providers make costly, code-compliant upgrades to rental units—such as child-safe fencing, bathroom modifications, and lighting—without any assurance of permanence in their residence that also serves as their place of business. When forced to relocate due to landlord decisions, unaffordable rent increases, or natural disasters, these investments are lost. In turn, the families they serve often lose access to trusted, community-based care.

Landlord resistance further compounds this instability. In many cases, providers are penalized for operating legally permitted businesses within rental properties.[41] Complaints from neighbors about noise, traffic, or parking, or landlord concerns about insurance can result in lease termination—even when actual impacts and risks are minimal.

These dynamics can trap renting providers in a cycle of financial uncertainty. Without the financial cushion of asset ownership or access to affordable credit, they have few tools to weather economic shocks or invest in long-term business growth. This volatility threatens not only their livelihoods but also the availability of stable, home-based child care for workers in communities already facing shortages of affordable and flexible care.

ECONOMIC STABILITY & MOBILITY WHILE RENTING

OPPORTUNITIES FOR ACTION

- Tailored, non-predatory rent-to-own and shared equity programs
- Comprehensive service models that promote financial stability and mobility tailored to in-home child care providers
- Rent reporting, credit building, and matched savings account programs
- Legal aid and technical assistance to help navigate documents and resources

There are clear opportunities for philanthropy and government to strengthen the economic security of renting home-based child care providers. Targeted investments and policy interventions can treat rent as a pathway to mobility and wealth building.

SOCIAL IMPACT INVESTMENT FUNDS AND REAL ESTATE

Innovative models like **Mission Driven Finance's CARE (Care Access Real Estate)** are already paving the way. CARE is a social impact investment fund that includes residential properties for licensed large in-home child care operations. CARE buys and renovates properties for center and home-based child care. Investors include program-related investments from the Annie E. Casey Foundation, W.K. Kellogg Foundation, and Prebys Foundation. CARE operates as a child care-friendly landlord, and the CARE residential lease includes an explicit opportunity for the child care tenant to buy the property. If there's an appreciation profit when the provider exercises the purchase opportunity, CARE splits it with the tenant as a credit at closing, which enables providers to share in equity growth while continuing to deliver care in their communities.[42] CARE's local partners provide wraparound support, such as financial coaching and technical assistance, to help providers build a thriving business and prepare for eventual home purchase. Philanthropy plays a catalytic role in making this model viable as Mission Driven Finance identifies new communities to operate in—providing the flexible, risk-tolerant capital needed to acquire properties, subsidize rents during the transition period, and fund supportive services that prepare providers for long-term success. These investments not only stabilize the provider's housing situation but also strengthen the broader child care infrastructure by rooting care in communities that desperately need it.

In Colorado, **Rural Homes**, an affordable housing developer that included two homes specifically designed for in-home child care in a new worker housing community, partnered with CARE.[43] Dedicating units for home-based child care reduces commute times, lowers housing costs, and embeds care directly within the communities it serves, which strengthens provider-family relationships and deepens community roots. Rural Homes and CARE created this innovative model in partnership with **Home Grown** and a coalition of early care and education advocates, who together shaped the vision and supported the design of a policy framework that prioritizes child care access alongside housing affordability. CARE purchased the two houses from the developer and is leasing them to child care providers selected by local partners. By aligning cross-sector partners—including local governments, housing authorities, and philanthropic funders—the Rural Homes approach offers a replicable model for integrating child care units in housing developments.

INTEGRATED SERVICE MODELS

Philanthropy and government can leverage and invest in current integrated and comprehensive service models that focus on financial health and economic mobility to meet financial health and access needs for home-based child care providers. For example, **LISC's Financial Opportunity Centers (FOCs)** are community-based programs designed to help low- to moderate-income individuals and families achieve financial stability and build wealth by providing integrated services including employment and career counseling, one-on-one financial coaching, and access to income support.

LISC launched a pilot program, in collaboration with LISC Phoenix and supported by the Robert Wood Johnson Foundation, designed to meet the distinct needs of home-based child care providers on pathways to housing stability.[44] This program focuses on:

- **Housing Stability:** Developing solutions to help providers secure stable housing, whether through homeownership or access to appropriate rental spaces.
- **Financial Empowerment:** Integrating financial education, coaching, and capital access to address barriers such as poor credit, lack of down payment funds, and debt.
- **Tailored Resources:** Bringing together partners in housing, financial education, and small business development to create a replicable model for supporting home-based child care providers nationwide.

RENT-TO-SAVINGS AND WEALTH PROGRAMS

Federal guidance allows residents of public housing and Section 8-assisted housing to operate certain home-based businesses, including child care. However, this allowance is subject to local zoning laws, local housing authority approval, and it requires landlord approval with lease terms and safety regulations. Some housing authorities actively encourage it as a pathway to economic self-sufficiency, particularly through programs like the **Family Self-Sufficiency (FSS)** initiative. However, implementation varies, and providers may face additional regulatory or administrative hurdles depending on local policy.

Programs like FSS and **Enterprise's Renter Wealth Creation Fund** help renters build capital and financial resilience through their monthly rent payments. These initiatives can transform rent from a sunk cost into an asset-building tool, allowing participants to accumulate savings, improve credit scores, and prepare for long-term financial goals such as homeownership or business investments. The Enterprise Renter Wealth Creation Fund links rent to cash back and long-term appreciation opportunities.[45] FSS is a component of the U.S. Department of Housing and Urban Development's (HUD) efforts to help Housing Choice Voucher holders and residents of public housing make progress towards economic security. FSS helps renters increase their earnings and grow their financial capabilities using financial incentives and coaching. FSS enables participants to save a portion of their rent payment as their earned income increases.[46]

Philanthropy can play a catalytic role in scaling these approaches—funding pilots, underwriting risk, and investing in wraparound supports that address the unique intersections of caregiving, small business ownership, gender, and housing. Together, these models demonstrate that when financial tools and housing solutions are designed with women home-based child care entrepreneurs in mind, they not only stabilize providers' lives but also secure care for the working families who rely on them.

AFFORDABLE CAPITAL ACCESS

OBSTACLES PROVIDERS FACE

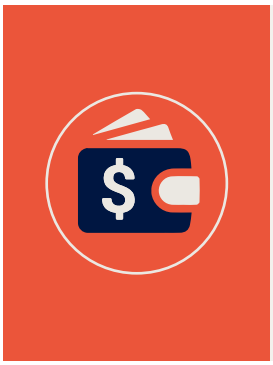
- Biased lending practices and unaligned financial products
- Narrow profit margins and lack of business bank accounts
- Income documentation challenges and credit barriers

Several factors limit access to capital for home-based providers. During the COVID-19 pandemic, approval rates for federal relief programs like the Paycheck Protection Program (PPP) were significantly lower for home-based providers than for child care centers. According to the First Five Years Fund, only 23-27% of in-home child care businesses who applied for PPP loans were approved, compared to about half of center-based providers who applied.[47] Banks most commonly cited poor credit scores and the absence of business bank accounts as reasons for denial.

Without a formal business structure—such as forming a Limited Liability Corporation (LLC)—providers can face difficulties in separating personal and business finances, which, in turn, can undermine creditworthiness, make it harder to access capital, and increase personal liability in the event of business disputes or debt. Home-based child care entrepreneurs are often judged by traditional standards that fail to capture the viability and social value of their businesses. Biases—implicit or otherwise—can lead to unjust lending decisions that stifle growth and limit opportunities. Furthermore, many investors and financial institutions lack a nuanced understanding of the child care sector's business model and what drives its success. This gap in knowledge leads to underinvestment and missed opportunities to support a critical component of the broader economy.

Despite these challenges, investing in child care infrastructure yields powerful returns. Research conducted by the Center for High Impact Philanthropy shows that **every dollar invested in early care and education yields between $4-$12 in long-term returns** through increased workforce participation, child development gains, and reduced public costs,[48] including higher lifetime earnings, increased workforce participation, and lower public expenditures. These findings underscore the urgency of expanding capital access for in-home child care providers—not as an act of charity, but as a strategic investment in economic resilience and equity.

In short, without equitable and accessible capital, many in-home child care providers lack the resources necessary to launch or expand their businesses and remain locked out of homeownership. Addressing capital access issues and innovating affordable, targeted products is essential for building a sustainable and inclusive child care system. Home-based child care requires targeted interventions, such as financial products that meet the sector's unique needs, investments into loan loss reserves and interest buy down programs to remove barriers to capital, and changes in the narrative around the risk of lending to these small business owners.



AFFORDABLE CAPITAL ACCESS

OPPORTUNITIES FOR ACTION

- Pooled capital to offer loans, grants, and credit enhancements
- Flexible loan products tailored to provider needs
- Loan loss reserves and interest buydowns to reduce lender risk

Models are being tested across states and communities, offering concrete examples that philanthropy and government can adapt and scale to close capital access gaps for home-based child care providers.

STATE AND CDFI PARTNERSHIPS

While all states receive federal funding for child care (primarily through the Child Care and Development Fund) and 48 states transfer a total of $5 billion annually from the Temporary Assistance for Needy Families (TANF)[49] funds to child care, only a limited number of states have targeted, state-level programs that specifically address capital access and technical assistance for home-based child care providers. In recent years several states increased legislative and budgetary action to stabilize and expand the child care sector, including home-based providers. California, Illinois, Minnesota, Washington, New York, Michigan, and Oregon have leveraged state funding, grants, and business support to address the needs of home-based child care providers. These strategies include direct grants, business and licensing support, and efforts to expand access to capital and technical assistance.

Because home-based child care providers can operate as both individuals and businesses, some states leveraged the significant opportunity for business-oriented CDFIs to play a greater role in solutions to capital access. These CDFIs, with expertise in small business lending and technical assistance, can develop tailored financial products and services—such as flexible working capital, facility improvement loans, and business planning support—that address providers' dual personal and business needs.

For example, in New York, state agencies partnered with CDFIs to play a vital role in expanding child care access, particularly in designated child care deserts—areas where the demand for child care far exceeds the available supply. CDFIs are mission-driven financial institutions that specialize in delivering fair, accessible financing and technical assistance to underserved communities, including child care providers. In New York, CDFIs work closely with state agencies and philanthropic partners to pool capital and offer flexible loans, credit enhancements, and occasional grants to support child care facility development and expansion.

These efforts are bolstered by significant public investment, including over $100 million in federal American Rescue Plan Act (ARPA) funds administered by the **New York State Office of Children and Family Services (OCFS)** to address child care deserts.[50] While previous efforts were coordinated through time-limited initiatives like the Child Care Expansion Consortium (CHEX), today's investments are delivered through ongoing CDFI-led programs and cross-sector partnerships.

CDFIs help administer funds by:

- Identifying eligible providers and projects in child care deserts using state mapping tools and regional priorities
- Offering affordable, flexible loans and tailored technical assistance to help providers open, expand, or improve licensed facilities
- Reducing investment risk for other lenders through credit enhancements or limited grants to attract additional private capital

These sustained efforts mobilized millions of dollars in investments to increase child care supply, particularly in economically disadvantaged communities. Acting as financial and technical bridges, New York's CDFI intermediaries channel targeted resources into communities where they are most needed, supporting providers and closing systemic gaps in access to high-quality care.

MICROLENDING MODELS

In addition to large-scale CDFI partnerships, microlending programs also demonstrate how small-dollar loans can

strengthen providers' financial stability. **Grameen America**, for example, offers first-time loans of up to $2,500 alongside financial education, peer support, and weekly loan deposits. Loan repayments are reported to major credit bureaus, enabling participants to build credit and long-term financial mobility. Targeting women in underserved communities who are excluded from the mainstream financial system, Grameen's model illustrates how microlending can be expanded into geographies with high concentrations of home-based child care providers struggling with housing stability and business lending.

TAILORED FINANCIAL PRODUCTS AND ALTERNATIVE UNDERWRITING

Partnerships with credit unions and other mission-aligned financial institutions can create innovative pathways to homeownership and business capital for home-based child care providers and other self-employed entrepreneurs. In parallel, targeted technical assistance can support providers in formalizing their business operations—including guidance on establishing an LLC, creating separate business bank accounts, and developing a business credit profile. Helping in-home providers transition into formal business structures not only strengthens their financial position but also limits personal liability and improves their eligibility for loans, grants, and other forms of capital.

For example, **JUST Community** in Austin, Texas, offers a powerful example. JUST's alternative underwriting model is rooted in community trust and social capital—allowing them to say "yes" to business loans others may not approve with a 99% repayment rate across more than 14,000 loans totaling over $33 million.[51]

In a recent pilot, JUST partnered with University Federal Credit Union (UFCU) to help a long-time participant—an entrepreneur who had spent nine years in the JUST community, received technical assistance on their business model and plan, and spent three years preparing to become mortgage-ready—purchase her first home. JUST contributed 20% of the home cost as a direct investment, bridging the income and asset gap that often excludes self-employed individuals from traditional mortgage products. UFCU developed a mortgage product specifically designed to serve these borrowers, and crucially, structured it as eligible for sale to Freddie Mac and Fannie Mae, making it scalable for broader use. This collaboration shows how alternative underwriting and long-term community investment can move entrepreneurs from financial stability to generational wealth. It also highlights a model for other regions that is adaptable to other financial products, such as business loans, by combining the deep relational capital of organizations like JUST with the institutional capacity of mainstream financial partners.

FACILITIES AND CAPITAL FUNDS

LIIF, through the **Child Care Facilities Fund** and in partnership with San Francisco's Department of Early Childhood, serves as the central resource and starting point for early care and education (ECE) facilities development in San Francisco. The organization coordinates with city agencies and other partners to leverage additional funding sources and ensure a holistic approach to supporting ECE facility development, with a focus on preserving and expanding child care slots in underserved neighborhoods. Through the Child Care Facilities Fund, LIIF provides targeted outreach and technical assistance to in-home child care homes and child care centers, especially for expansion, property acquisition, and renovation needs. LIIF administers a range of grants—pre-development, capital for new development, start-up, move-in, renovation, and repair—to increase and maintain licensed ECE capacity, including for home-based providers. Providers can use grants for repairs, construction, renovations, equipment purchases, and emergency needs.

> "I've never heard of down payment assistance, but I heard that my brother-in-law received some help to pay for his house, but I don't know what this was. They don't talk to us about this in school, you never learn about it. We need people to share information with us so that we can be knowledgeable."
>
> —**Home-Based Child Care Provider 2025**[52]

POLICY & SYSTEMS INFRASTRUCTURE

OBSTACLES PROVIDERS FACE

- Prohibitive local zoning laws, HOA restrictions, and fragmented licensing regulations
- Inconsistent regulatory environments
- Lack of coordinated infrastructure to support policy alignment, provider advocacy, and scaling of proven innovations

The policy and governing landscape for home-based child care providers is confusing and fragmented, creating additional barriers to establishing and maintaining businesses. Local zoning laws, permitting requirements, and multiple licensing standards often hinder service providers' ability to operate in residential areas. In addition, many women providers face policy gaps tied to their dual roles as caregivers and entrepreneurs—such as lack of access to paid family and medical leave, limited eligibility for child care subsidies for their own children, and other supports commonly available to traditional employees—which compound financial strain and make it harder to sustain their businesses.

This complexity barrier is compounded in neighborhoods with strict zoning regulations that:

- Exclude or limit home-based businesses
- Restrict commercial activity in residential zones
- Impose parking, signage, or traffic limitations
- Require special use permits or variances, which are often costly or difficult to obtain

Local rules are typically designed to preserve the character of residential neighborhoods, but they can unintentionally limit economic opportunities, both for the residents who need to access child care to work, and for the home-based child care providers. HOA covenants and landlord restrictions can build on these challenges—pushing providers pushed out of the housing market and out of business.

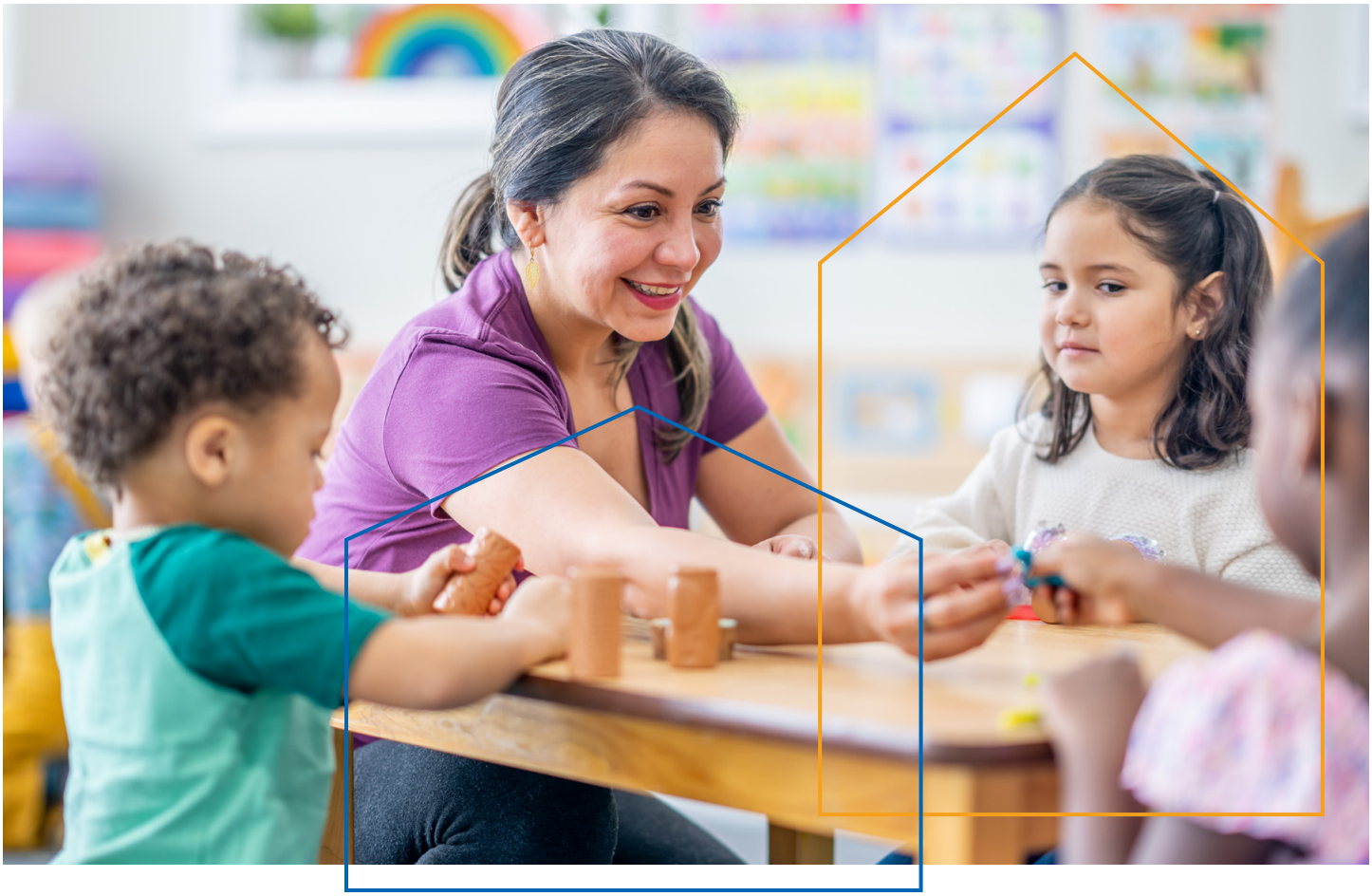
For example, in many communities, local zoning ordinances restrict or prohibit the operation of child care businesses in residential areas. These restrictions particularly affect home-based child care providers seeking to care for more than six to eight children. Some jurisdictions require providers serving more than a set number of children to obtain conditional use permits, triggering lengthy and costly processes that may involve public hearings, fees, and compliance with additional requirements such as parking minimums or fire safety upgrades.

To address this in Arlington County, Virginia, their community launched a Child Care Initiative in 2017 to identify barriers to increasing child care in the county. Prior to this work, the County limited family child care providers to a maximum of

NEW MEXICO SETS A NATIONAL PRECEDENT

New Mexico is the first state to guarantee universal, no-cost child care for every family, regardless of income. Launching in November 2025, this landmark investment is supported by the Early Childhood Trust Fund and the Land Grant Permanent Fund of New Mexico, a reserve built with taxes on oil and gas revenues. It ensures parents can access the care they need to work and thrive, while also providing registered home-based child care providers with a stable, predictable source of income that strengthens both their businesses and the state's child care sector. Additional legislative support is planned to sustain and expand the program.

This is a significant moment for New Mexican families, and the foundation for these transformational resources was built through decades of community organizing and with strong collaboration between community leaders, businesses, public officials, philanthropy, and other stakeholders.



five children, even though Virginia state law allowed up to twelve. Providers would have to go through lengthy processes to seek to serve more children in their homes. The Arlington County Child Care initiative identified barriers such as this, and has since led to the implementation of County code and zoning ordinance revisions to increase the availability, accessibility, and quality of child care.[53]

The cost of compliance compounds zoning hurdles. Licensing requirements often mandate commercial-grade upgrades—such as ADA-compliant facilities or industrial kitchen equipment—that small providers cannot afford. The ordinances, regulations, and policies disproportionately impact low-income communities and providers of color, who may lack the financial, legal, and administrative resources to pursue permits or relocate. Most home-based child care providers operate as sole proprietors, often working more than 50 hours per week. They lack time and capacity to engage in policy processes—even though those processes directly shape their economic viability. This policy vacuum means that successful innovations often remain isolated pilots, and advocates and providers in different states lack tools and technical assistance to research and identify prohibitive policies in their area. Without supportive infrastructure, start-up capital, legal support, and funding, effective models cannot scale—leaving persistent gaps in supply, quality, and equity.

"Starting a business on someone else's property is kind of risky, because if you're caring for kids, and then all of a sudden, this property is foreclosed on, you have to uproot. You have to let your parents, you know, go. So, stability for me is a place that's mine, you know."

—Home-Based Child Care Provider 2025[54]

POLICY & SYSTEMS INFRASTRUCTURE

OPPORTUNITIES FOR ACTION

- Statewide and local advocacy networks
- Policy toolkits and legislative models that document successful reforms and offer replicable templates for change
- Strategic communications and media partnerships to build public will
- Champions for policy reforms that explicitly address workforce equity for women providers

To unlock the full potential of the home-based child care sector, philanthropic and public investment must focus on systems-level solutions co-created with the women entrepreneurs running these businesses, whose lived experience is essential to crafting effective, equitable reforms. Philanthropy can also play a catalytic role in advancing women-centered policies—such as access to paid family and medical leave, child care subsidies for providers' own children, and other benefits that acknowledge their dual roles as caregivers and entrepreneurs—ensuring reforms reflect the realities of those most impacted.

ADVOCACY NETWORKS AND LEADERSHIP DEVELOPMENT

National intermediaries can serve as convening entities and learning hubs, equipping states and cities to replicate what works. Transformative change requires intentional investment in infrastructure, such as women-led advocacy networks, that support coordinated action. This includes capacity to:

- Identify provider needs to address the current barriers
- Have tools and capacity to advocate to reform restrictive zoning and licensing policies
- Elevate provider voices in planning and decision-making and
- Scale proven models—such as shared services and cooperative purchasing—across communities

MODELS OF SUCCESSFUL POLICY WINS

- **California (2020):** California passed SB 234, the Keeping Kids Close to Home Act, led by the Child Care Law Center, to protect in-home child care providers' housing rights. The law ensures that in-home child care homes are allowed in all types of residential housing without requiring special zoning permits or business licenses, and prohibits landlords, HOAs, insurance companies, and others from discriminating against providers. It also gives providers the right to file complaints or sue if their housing rights are violated.[55]
- **Oregon (2021):** The Child Care for Oregon coalition helped pass SB 599, limiting landlord and HOA restrictions. Providers testified directly to legislators, helping shift narratives and policy simultaneously.[56]
- **Oklahoma (2023):** HB 2452 passed in the legislature and aims to protect in-home child care providers from local zoning regulations that would impair their ability to open and operate a licensed home-based child care program.[57]
- **Connecticut (2023):** Through advocacy by All Our Kin and partners, the legislature passed HB 6590, establishing home-based child care as-of-right, prohibiting discriminatory local zoning on family and group child care homes.[58]
- **Arkansas (2022–2023):** Advocates eliminated signage requirements for special use permits in five cities—reducing public stigma and streamlining the licensing process.

These wins underscore what's possible when policy is shaped by those closest to the challenge. They also highlight the need for sustained, strategic investment, particularly in narrative, policy design, and cross-sector coordination. By capturing these legislative models and the strategies behind them in toolkits and communications, philanthropy and advocates can equip more communities to replicate policy wins that strengthen environments for women entrepreneurs and home-based care businesses.

NARRATIVE AND PUBLIC WILL

There is power in collecting and sharing stories across communities facing similar struggles and investing in the capacity of local advocates and campaigns. Philanthropic support can amplify these efforts through their influential networks, narrative and communications support, and professional media outreach, such as op-eds and news spotlights. By also engaging stakeholders like landlords and city councils, these efforts can build broader acceptance that child care providers are trusted community assets who strengthen families and local economies.

Philanthropy and government are at an economic inflection point with the critical opportunity to modernize the systems that support home-based child care—advancing equity, increasing economic opportunity, supporting child development, and furthering family well-being with systematic infrastructure building. Leaders can unlock a more resilient and responsive child care system—one that meets families where they are–when they center provider leadership, align fragmented regulations, and invest in scalable infrastructure.

Policies that do not fully account for women entrepreneur and caregiver realities, or include their voices in design and implementation, are often ineffective or inconsistently applied, leading to gaps in care and missed opportunities for improvement. Building trust, ensuring clear communication, and providing relationship-based support are critical to overcoming skepticism and ensuring providers remain engaged with available resources and programs.

CONCLUSION

Philanthropy and government leaders have a unique opportunity to drive systems-level change by investing in the housing, capital, and policy infrastructure that home-based child care providers need to thrive.

These investments are not just about improving child care—they're about unlocking economic participation, stabilizing local workforces, and building community wealth. When home-based child care providers, who are more than 90% women, have secure housing, access to capital, and supportive policies, they can offer more care to more families, keep costs affordable, and build wealth for themselves and their communities.

INTERSECTIONS OF IMPACT

PHILANTHROPY'S ROLE IN HOUSING-BASED CHILD CARE SOLUTIONS

These proven strategies yield high returns:

- Housing affordability solutions that also create stable care environments
- Tailored financial products and technical assistance that increase in-home child care provider viability
- Policy reforms that reduce administrative and regulatory burdens
- Asset-building pathways that foster generational wealth and economic mobility

By fostering and investing in solutions to challenges faced by home-based child care providers, philanthropy, financial institutions, and government can unlock the full potential of the child care industry, benefiting families, businesses, a thriving workforce, and an abundant economy.

Philanthropy can play a catalytic role by funding pilots, filling public gaps, and building the narrative power needed to shift perceptions and policy. Government can amplify these efforts through sustainable public investment and regulatory reform.

This is a pivotal moment: As workforce shortages, care deserts, and housing instability converge, investing in home-based child care entrepreneurs offers an effective way to foster economic resilience and opportunity.

Systemic underinvestment in home-based child care is a solvable problem. With coordinated cross-sector action, we can support the homes where child care happens as the economic engines and community anchors they truly are.

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