

# Nine steps to headache-free fee collections

## Ideas from the field

For three decades *Exchange* has been surveying directors about fees and fee collections. From the ideas they have shared, we have developed nine steps that lead to effective and relatively painless collection of parent fees. Over the 30 years, what is remarkable, is how little the basic keys to success have changed. This 2010 version of the nine steps incorporates some new ideas, and much endorsement of classic principles, from **Dan Lawler** at Children's Choice Learning Centers in Dallas, **Bob Siegel** of Easter Seals in Chicago, and **Fred Citron** with Montgomery Early Learning Centers in Philadelphia. Directors who have shared their ideas in the past are listed at the end of the article.

### Step 1

#### Spell out fee policies on day one

When enrolling a new family, explain to parents how the smooth operation of the center is dependent on all fees being paid on time. Fee payment schedules and procedures should be clearly presented verbally and then provided to parents in writing.

This discussion should cover not only when and how to pay fees, but also what actions the center will take when payments are delinquent, and what

steps parents can take in advance when they know they will have difficulty paying fees in a timely manner.

To avoid future misunderstandings and to underline the importance of these policies, many centers have parents sign a copy of the fee policies at enrollment. Since 98% of your parents make paying for quality child care on time a priority and don't want their care destabilized by late payments of others, you may want to have your fee policies endorsed by your parent group to add to their credibility.

### Step 2

#### Keep in close touch with parents

Parents in two situations are most likely to fall behind in paying fees. First, there are parents who are unhappy with the program and, therefore, feel little motivation to pay their fees on time. Second, families who are experiencing financial difficulties may be too embarrassed to ask for special consideration and, as a result, start falling behind.

One of the most effective steps you can take to avoid fee delinquencies is to maintain good relationships with parents. As director, you need to detect signs of disgruntlement early and deal

with them before they get out of hand.

Likewise, if a director is on good terms with parents, they will feel more comfortable approaching him when they are in difficult straits. Directors have found that when they show understanding and work out a formal schedule of deferred fee payments at the outset of a problem, they are far more likely to experience success in collecting fees than when they only find out about a problem after parents start falling behind. In addition, working with parents in advance builds loyalty, whereas confronting parents in arrears often leads to resentment.

Many directors feel uncomfortable asking parents to pay their fees. If that is the case, you should focus on your pride in the service you are providing and thus not feel the least embarrassed about asking for remuneration. However, if it is just too hard for you to do this, designate someone else to take on this role, rather than continuing to do it without conviction.

Some centers offer a scholarship to reduce fees for families in crisis situations. However, for every dollar offered as a scholarship, there needs to be an equivalent dollar raised and set aside in

a scholarship fund. Alternatively, some centers lower fees temporarily with the understanding (agreed to in writing) that the amount of the reduction will be made up over a set period of time when the crisis is over. Other centers assist families in securing assistance from public agencies, church groups, or other charitable organizations.

### Step 3

#### Take the pain out of paying

The easier you make it for parents to pay their fees, the less likely it is that you will run into problems. Here are steps some centers take to ease the paying:

- Send out invoices with stamped return envelopes so parents can write out their checks and drop them in the mail, or better yet, send out invoices via e-mail (saving printing and postage costs at the same time).
- Offer parents the option of paying electronically — by credit card or via automated payments through their bank. Remember to factor the charges you may incur for these conveniences into your budget.
- Consider offering a discount for parents willing to pay well ahead. Some centers have had success with this; others avoid it as they see the discount as cutting into their revenues.
- Have a locked box with a mail slot in the entryway so that parents can drop off their payments when they pick up their children.

### Step 4

#### Collect fees in advance

Today, most centers require parents to pay for service before it is provided. This makes it easier for the center to keep ahead of the curve in paying its

own bills. There is some variation in how advance payment policies are administered. Some centers collect fees as much as two months in advance; some collect fees the first day of every month; some collect fees on Wednesday for the following week's service; and some collect on Monday for that week's service.

From an administrative point of view, collecting fees for a month in advance is clearly advantageous — there are fewer payments to process and less opportunities for payments to be late.

However, for parents who have low-income jobs or who are paid on a weekly basis, paying a month in advance may be onerous — and predictably result in some late payments. Some centers have dealt with this dilemma by establishing a monthly fee policy and then working out biweekly or weekly payment plans for parents who can't pay on a monthly basis.

### Step 5

#### Collect a deposit

It is now common practice for centers to collect a security deposit equivalent to two weeks' or one month's fees. This fee is held and applied toward a parent's final fee payment. For centers, this deposit provides some assurance that a family will not leave owing fees.

However, once again, in some communities it may be difficult, if not impossible, for parents to come up with a registration fee, advance tuition, and deposit at enrollment. Some centers allow parents to build up this 'escrow' a bit at a time for up to 8 weeks.

In instituting a deposit, be sure to investigate applicable state laws. Many states require that interest be paid to parents for deposits while that money is in the hands of the organization.

### Step 6

#### Enforce late payment penalties

Many centers have successfully discouraged late payments by charging penalties. Factors to keep in mind regarding payment penalties include:

- If you enact a payment penalty, enforce it automatically whenever there is a violation. If you enforce it only occasionally, you will send the message that parents don't need to worry about it.
- Consider a progressive penalty. If you have a one-time penalty, once the fine has been levied, there is little incentive to pay up. One center surveyed charges \$1 for every day a payment is late, another charges \$3 every two days.
- Whatever your penalty is, make sure it complies with state usury laws.

### Step 7

#### Act quickly

Quickness counts. As one director recounted, "I have found that I can avoid most serious problems by contacting delinquent parents immediately with a gentle reminder. Once a family falls more than a month behind, they seldom catch up."

For a parent who is late in paying only rarely, a written notice of delinquency will probably suffice. However, for chronic late payers, immediate personal contact may be required. Those who make a practice of not paying bills on time are not likely to be influenced by form letters, no matter how threatening.

When negotiating with a parent over a late payment, it is important not to show anger or disrespect. Work at maintaining the dignity of the parent, and your own dignity will remain intact.

## Step 8 Stop providing care

The ultimate penalty, when all remedies have been exhausted, is to stop providing services for families who fail to pay their fees. Most centers have seldom, if ever, found it necessary to exercise this option, as its mere threat is often sufficient to produce action.

Directors exercise varying degrees of patience before expelling a family. Most centers stop providing care after a parent falls a month behind, many after two weeks, and some as quickly as one week. Ideally, your deposit policy and your termination policy should be coordinated so that the deposit covers any unpaid balances upon termination.

Another safeguard against this step goes back to keeping in close touch with parents. If parents see a difficult stretch coming and let the director know, chances are, that within reason, a plan can be worked out to stretch out payments. When a parent doesn't communicate and simply stops paying, this is a different matter.

## Step 9 Take legal action

If a parent leaves your center owing you money, you have several approaches to consider to collect the balance due — you can continue pursuing payment on your own, you can turn the debt over to a collection agency, or you can sue in small claims court. Of these options, the first is least promising. If you haven't been able to convince a parent to pay while they were using your services, your chances of collecting after they leave are minimal.

Turning the account over to a collection agency is a painless alternative

that may yield some results. Of course, you will have to share at least half of what is collected with the agency. And you need to be careful in selecting an agency because they will represent you in the community. If they use inappropriate collection techniques, this will reflect on your center.

Some centers have had success in suing parents in small claims court to recover unpaid fees. The advantage of this approach is that these courts operate informally — lawyers aren't required, both parties simply discuss the case with the judge. Directors have had much success in winning judgments in small claims court. One drawback of this approach is that winning a judgment does not guarantee payment. One director reported that in two decades they have taken parents to small claims court three

times, won all three, and then never collected a penny. Other centers have found it necessary to go to the local sheriff to have judgments enforced.

## Summary

While these nine steps may seem a bit on the extreme side, especially in a caring profession, they do avoid stress and loss of income. Centers that consistently enforce the early steps in the process rarely need to resort to the stronger measures. Centers that demonstrate their willingness to go all the way seldom experience losses. Most importantly, centers that work closely with parents, and support them in times of stress, are rewarded with strong parent loyalty.

## Credits

The following center directors have contributed ideas to this article:

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