

Finances After Prison A Collaborative Approach

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Returning citizens have the best chance at success in the community if they have the tools they need upon release. Having a high school or equivalent degree, completing job training, gaining access to housing, medical care, and employment, and achieving financial capability are all essential parts of becoming a productive citizen.

The Challenge

Individuals who are incarcerated are often ill-prepared to address financial realities of life in the community, can repeat poor financial decisions, and are vulnerable to scam artists.

Most inmates have never had a bank account. They may have grown up in households where everything was “cash only,” and never worked a job for which they received a regular paycheck, with the option for direct deposit and 401(k) savings.

After being released from prison, one individual remarked to our staff that “people aren’t ready for the real world. Understanding that costs on the street are higher than in prison came as a huge surprise to me. You need to live within your means. But budgeting doesn’t come naturally, especially when you’ve had everything you needed provided to you for decades.”

This man was stunned that he’d have to pay \$225 for a new pair of eyeglasses, whereas inside an institution, they cost him only \$30.

Another individual immediately became a victim of identity theft upon release. He opened a bank account with assistance from his Community Corrections Center (CCC) and bought a cell phone. Someone called him the next day to say “You opened a bank account on Monday with us and we need to verify your Social Security number.” He didn’t realize this was a scam and provided his Social Security number. His sister overheard the conversation and immediately helped him take some preventative measures, with help from the CCC staff, but this incident highlights the vulnerability of reentrants who are not warned about scams and identification theft.

We have heard of cases of formerly incarcerated individuals discovering that -- upon getting copies of their credit reports -- they had been become victims of identity theft. Sometimes the perpetrator is someone close, including families or friends.

Individuals coming out of prison sometimes want to open their own businesses but they do not always see the connection between stable finances and good credit and the ability to achieve their dreams.





The Department of Corrections (Corrections) did not have the expertise or resources to provide up-to-date, real world budgeting and money and credit management training to those individuals returning to the community.

The Role of Personal Finance in Recidivism



In Pennsylvania, about 90 percent of people incarcerated are eventually released back into society. That equates to about 20,000 people each year reentering communities across the commonwealth. One of the many challenges faced by men and women returning to society – sometimes after decades of incarceration – is their unfamiliarity with financial concepts and tools. Opening a banking account, using a credit card, or saving money can be overwhelming and intimidating. Often, reentrants make mistakes with finances because of a lack of knowledge, thus creating problems in their personal lives that can lead to narrower ranges of choices and bad decisions. History has shown these bad decisions have led to additional criminal charges and incarceration.

Corrections' research has shown that 73 percent of "successful reentrants" (those out three or more years) had an account with a bank or credit union. Of unsuccessful reentrants (those recidivating before three years) only 39 percent had accounts.¹ While Corrections did not dig into the WHY of those statistics, it does tell us that we are onto something good.

The research also showed that successful reentrants had accrued about \$5,000 in debt, while unsuccessful reentrants only had about \$2,000.² This outcome shows the willingness of financial companies to extend credit to an individual. Credit, when used appropriately, can help individuals get back on their feet. Whether it is to buy a work wardrobe, or a car to get them to and from a job, individuals need to understand how to use credit wisely.

Creation of an Interagency Collaborative Approach

As part of Pennsylvania's Consumer Financial Protection Initiative, announced by Governor Tom Wolf in 2015, state government agencies engaged in financial education formed a working group called the Pennsylvania State Agency Financial Exchange (PA \$AFE).

In the fall of 2016, the Department of Corrections and Department of Banking and Securities (DoBS) began discussions about creating a unique interagency collaboration to address the challenges of reentrants making educated decisions about money. Our two agencies formed two unique partnerships the following year, designed to provide a new skill set to a reentrant's toolbox for success: financial capability.

At first, our discussions focused on inmates sentenced as juveniles to life in prison without parole, who became known as "juvenile lifers." Pennsylvania had more than 500 juvenile lifers in its State Corrections Institutions (SCI), the largest population in the country.

In 2012, the United States Supreme Court held in *Miller v. Alabama* that it is unconstitutional to sentence a juvenile offender to mandatory life-without-parole.³ In practical terms, this means that those juvenile offenders previously sentenced to mandatory life-without-parole can seek resentencing by the trial court. Since 2016, 112 juvenile lifers have been released.



Beyond the juvenile lifer population, our two agencies also began to discuss financial concerns with inmates in the transitional housing units (THUs) and through reentry service offices (RSOs), as well as residents of community corrections facilities who were no longer incarcerated. Their challenges with money represent a broad variety of issues, from never having had a banking account or credit card, to not understanding how credit history can affect the ability to find employment and housing, to never having been exposed to the technology of financial services, including automatic teller machines (ATMs) and online banking.

Our agencies formalized a partnership through a Letter of Understanding in February 2017.



The Approach to Financial Education in Correctional Facilities

While DoBS has a vast repository of knowledge and resources spanning topics from consumer protection to financial basics to investor education, it was important to address Corrections' specific needs, and tailor content to this unique audience. In addition, by bringing in Corrections' stakeholders representing the spectrum from intake/entry, incarceration, transition to release, community corrections and parole, we developed an approach which focused on the unique needs Corrections expressed.

First, the content is targeted based on their time left until reentry. In short, those beginning a sentence need to understand how to monitor their credit while incarcerated, so they are not further "in the hole" when they get out and can make restitution payments. Those nearing reentry need to understand banking basics and budgeting.

Next, DoBS wanted to make sure that what was developed was scalable and sustainable, given limited resources. Also, understanding that one presentation couldn't change a lifetime of habits, DoBS worked to create a holistic and tiered approach.

Taking a triage approach based on Corrections' need, DoBS initially offered a seminar entitled "Credit and Banking Basics." The seminar covers credit reports and scores, why credit is important, and the basics guidelines for how to use a bank or credit union. Demand from inmates also allowed DoBS to offer "Creating a Spending Plan" (aka budgeting), "Protecting Yourself from Identity Theft and Scams" (mostly for juvenile lifers), and surprisingly, "Investing 101."

The education has been provided in-person in classroom and large-meeting settings, as well as webinars. All programs have been delivered by a DoBS outreach specialist.

The focus of these courses was on juvenile lifers, and those living in the THUs or accessing RSO's. Some institutions invited DoBS present to the inmate general population and some had the agency present to the Veterans Service Units, being piloted at three state prisons.

DoBS also prepared a short DVD for the SCIs to run bi-weekly in their dayrooms. The DVD topics covered "Credit Reports and Scores," "Banking Basics," "Cybersecurity," and "About the Department of Banking and Securities."



Creation of a Public-Private Collaborative Approach to Financial Education for Reentrants

In addition to educational programming delivered in correctional facilities, a second partnership of state government agencies and non-profit organizations delivered programming to reentrants in the community.

Using the Financial Reality Fair concept designed for high school students by the National Credit Union Foundation⁴, Corrections, DoBS, the Pennsylvania Credit Union Foundation, with contributions from the PA Insurance Department, the PA Housing Finance Agency, and individual credit unions launched the PA Financial

Reality Fair for reentrants. Hundreds of community volunteers, trained by credit union officials, helped to make the PA Financial Reality Fairs possible.

The goals of the PA Financial Reality Fairs are to:

- Address one of the barriers facing reentrants as they return home from prison by teaching them how to plan a budget
- Help to reduce recidivism by providing reentrants with financial tools needed to achieve self-sustaining independency
- Improve the transition for reentrants from prison to community
- Share reentry best practices with citizens and other state corrections departments

At the PA Reality Fairs, reentrants were provided the opportunity to learn about:

- The importance of and basics about working with a financial institution like a credit union or bank
- The importance of credit reports and credit scores
- How to create a personal budget and spending plan

The PA Financial Reality Fairs helped reentrants learn how to manage a “real-life” budget, including paying for rent and utilities, their court costs, restitution and, for many, child support. Financial counselors at each location assisted the reentrants as they moved through the workshop, managing life expenses.

Experience to Date: First-Year Report

Early indications are promising: for example, one individual received a secured credit card upon release to help him establish and build his credit. He recently called the DoBS program provider with glee to report his credit score was going up and he had been notified again of his progress.

And in learning about personal finance, one reentrant learned for the first time: how to open a bank account to lower transaction fees; the need to pay federal, state, and local income taxes; how to budget for everyday tasks like doing his laundry; how to use coupons to save money when shopping; and how to save money every week. His advice: “Watch and learn before you do.”



In the first year of this partnership:

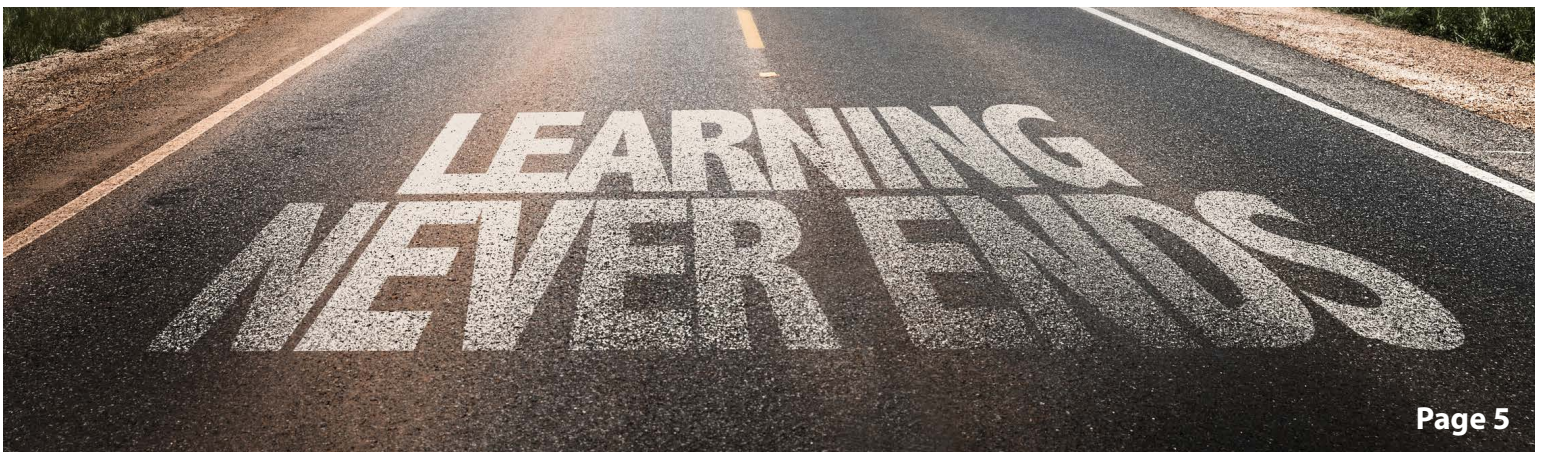
- DoBS held 102 presentations at all 25 SCIs, visiting each facility at least once. The program reached approximately 4,300 inmates, who represented a mix of THUs, RSOs, general population, and juvenile lifers.
- DoBS hosted a webinar for 125 juvenile lifers in December 2017.
- DOC also allowed DoBS to train their staff through webinars and presentations which reached 165 state employees.
- DoBS provided materials from its library of consumer education and protection brochures and one-page pamphlets.
- Community Corrections Centers (CCCs) hosted six PA Financial Reality Fairs for their residents.
- Corrections, DoBS, and several other groups hosted five more PA Financial Reality Fairs in one day (October 14). Events were held in Erie, Pittsburgh, Philadelphia, Reading, and Harrisburg for 373 participants.
- Beyond the reality fairs, five other CCCs hosted DoBS for classes, educating about 100 residents.
- Note: DoBS was also invited to the Allenwood Federal Correctional Center and gave one presentation to 135 inmates.

Feedback from the inmates has been overwhelmingly positive. They are hungry for this information and ask many questions.

The stories we have heard and feedback received suggest there is a need for financial education within the prison system. Individuals are hungry to learn how to access tools and resources to become financially capable upon release. Independent research indicates that inmates who participate in educational programs while incarcerated are 43 percent less likely to return to prison, and post-release employment rates are 13 percent higher for people who participated in education or training while incarcerated.⁵

Survey of Inmates

Throughout the first year, DoBS surveyed participants in the program, providing a sample of 378 responses to the following questions:





1. Do you currently have a savings account with a bank or credit union outside of the State Correctional Institution?
 - Thirty-two percent responded “yes”; 68 percent “no.”
2. If yes to Question 1, did you open this savings account before your incarceration?
 - Seventy-six percent responded yes; 24 percent no.
3. If no to Question 2, how did you open your account?
 - Ninety-four percent opened the account several years ago
 - Twenty percent opened a joint account with a family member or friend
 - Twelve percent opened the account using Power of Attorney; and
 - Six percent opened an account with an internet-based bank or credit union.
4. If you do not currently have a savings account with a bank or credit union outside the State Correction Institution, would you like to open one?
 - Seventy percent responded yes; 30 percent no.
5. Have you attempted to open a savings account with a bank or credit union while incarcerated?
 - Thirteen percent responded yes; 87 percent no.
6. If yes to Question 6 and you were denied an account, what was the reason given for denial?
 - Thirty-seven percent responded that they did not possess required identification
 - Thirty-seven percent responded that they owed money to a bank or credit union (and were in the ChexSystem)
 - Seventeen percent responded that they did not have enough money for a minimum deposit
 - Twenty-seven percent responded with a variety of answers,
7. Do you have outstanding student loan debt?
 - Fifteen percent responded yes; 85 percent no.

Lessons Learned in First Year

DoBS has been working on ensuring that both inmates and Corrections staff have correct and current information related to financial services, products, and institutions, including:

- **There is no law, rule, or regulation that prohibits an inmate from having a bank account.** There are no state or federal laws that disallow an inmate from opening an account. Corrections policy states they may have one savings or investment account. Every financial institution has their own policies regarding opening accounts.
 - o **NOTE:** Current regulations in the banking industry ask for photo ID when opening an account, which means it is very difficult to open a new account from an SCI via the mail.
- **Inmates may not have multiple accounts.** Some inmates have requested that they be allowed to open investment accounts at the same place as their bank accounts, but to date, the limit is one savings or investment account.
- **Some banks may not allow inmates to open bank accounts.** Some financial institutions will not allow inmates to open accounts while incarcerated. Regulations



regarding ID encourage banks to have customers face-to-face with the bank employees when opening accounts. However, there are some banks and credit unions that WILL work with the incarcerated population. They may allow a Power of Attorney to open an account, or a family member or friend may be able to help open a joint account.

- **Inmates can receive/hold their credit reports in prison.** There is nothing that prohibits an inmate from requesting and receiving their credit reports.
- **Credit report request letters do not have to be notarized.** While a letter of residency is needed on SCI letterhead for each of the three main credit bureaus, recent changes do not make notarization necessary. The letter must state the inmate's prison ID number and dates of incarceration.
- **This program does not require that an inmate have internet or phone access.** DoBS provides mailing addresses for all communications that is distributed with the knowledge the internet and phone access is severely limited. For inmates, traditional mail may still be an easier way to request a credit report because of the ability to write in an inmate number. Internet sites do not take that into account. Another issue with internet access to AnnualCreditReport.com is that if the same computer is used by inmates to request credit reports, the same IP address is sending requests for different individuals and flags this activity as fraudulent. We are working with the credit bureaus to fix this issue by providing a list of IP addresses to [Annual CreditReport.com](#).

DOBS surveyed inmates on their experiences with banking from prison. We plan to have the data to present to the three main industry associations (Pennsylvania Bankers Association, Pennsylvania Association of Community Bankers, and the Pennsylvania Credit Union Association) to ask for more assistance in helping inmates.

Goals and Objectives for Second Year

DoBS is working with Corrections to make sure every inmate is given a letter upon incarceration, orienting inmates to financial education resources in the prison libraries. DoBS is also working on an updated DVD that will cover "Debit vs. Credit," "Easy Money Loans" (aka payday and auto title lending), and "529/ABLE Savings Accounts." Included will also be a video on interest rates on various loans and several insurance videos.

The consortium of agencies and organizations involved with the PA Financial Reality Fairs plan to continue offering this program to reentrants. There are plans to do one event 2018 for community corrections (in Scranton) and one inside an institution at the Quehanna Boot Camp. Moving forward we hope to have two a year at a minimum.

DoBS has developed a survey for Corrections staff. This will help us get feedback on the quality of our presenters, the information and the materials from the eyes of staff.

While continuing to provide this service to inmates and reentrants throughout the correctional system, we will also be developing research to measure the effect of financial education on rates of recidivism.

Measuring Success of Program

We will create a sample size of female and male inmates at four correctional facilities with similar resources. All inmates will be 6-9 months from release, housed either in THUs or taking advantage of RSOs. All inmates will have expressed a desire to receive this instruction and will be divided into a pilot group of inmates who will





receive instruction and a control group of inmates who will not receive instruction. We will create a sample size of 400 from the groups. We will use the inmate's Department of Corrections Number to track their progress following release. We will coordinate with the Department of Labor & Industry about employment and about public benefits. We will also look at recidivism rates.

With those cohorts, we will conduct pre- and post-tests for the sessions and when possible, administer another post-test prior to release.

We will eventually conduct a separate survey of participants to find out what action they took as a result of the classes offered by the DoBS.

Definition of Success

Success will be measured in a variety of ways: We will see if there is a difference in recidivism rates between the two groups of inmates – those that received the financial information and those that didn't. Success will also be if we see those who received financial tools more successfully employed and not on public benefits. We will see how many individuals were motivated to take action to do something as a result of the education, such as open an account with a bank or credit union, or start a business. Lastly we'll also check satisfaction of the programing with the inmates as well as staff to insure we are offering the best information.

While research is underway to determine the long-term effects of the programs, our anecdotal evidence shows a measure of success in the sheer numbers of inmates provided this invaluable education as an important first step toward successful reentry.

Approach to Replicate this Program by Other Organizations and States

We believe this program can be transferred to other political entities and scaled to meet statewide, county, and municipal needs. Staff members from the Department of Corrections and the Department of Banking and Securities are available to give in-person presentations and webinars on this program to trade associations, state government agencies, and service providers. As we develop data on program outcomes and/or adjust the program, we can share with stakeholders.

Endnotes

¹ PA Department of Corrections research.

² Ibid.

³ The Supreme Court did not determine if the decision should be applied retroactively, and left that question to the states. In 2013, the Pennsylvania Supreme Court decided in *Commonwealth v. Cunningham* that Miller was not retroactive. In January 2016, however, the United States Supreme Court disagreed. It held in *Montgomery v. Louisiana* that Miller should, in fact, be applied retroactively and thus apply to cases decided prior to the 2012 ruling.

⁴ Reality Fairs: Interactive Teen Financial Literacy Tool <https://www.ncuf.coop/how-we-help/fairs-simulations/reality-fairs/reality-fairs.cmsx>

⁵ Lois M. Davis, et.al., "Evaluating the Effectiveness of Correctional Education (Santa Monica, CA: RAND Corporation, 2013)