



Reimagining Opportunity: Financial Inclusion for Customers with Criminal Records

Washington, D.C. Convening | April 2018

Capital Impact Partners and Mission: Launch hosted
“Reimagining Opportunity: Financial Inclusion for
Customers with Criminal Records,” a convening to
**discuss the role of financial institutions
in improving the economic mobility
of returning citizens.**

Incarceration marks people with a label that makes it difficult to reestablish stability in mainstream society. Long after the end of prison sentences, when returning citizens – individuals re-entering society after incarceration or with a criminal record – are supposed to be finished paying their debt to society and reenter mainstream civilian life, they experience structural barriers that impede their ability to reintegrate into their communities.

By 2030, it is estimated that 100 million Americans will have an arrest and/or conviction record, and presently 1-in-3 adults have been in contact with the U.S. criminal justice system. Washington, D.C. has one of the highest incarceration rates in the United States; about 20,000 D.C. residents are in the criminal justice system and approximately 68,000 have criminal records. Having a record impacts nearly every building block towards economic security—employment, housing, education, family reunification, and access to public assistance.

Capital Impact and Mission: Launch saw an opportunity to bring together local and regional financial institutions, nonprofits, civil society organizations, and local Washington, D.C. government officials to use the District as a microcosm and identify and develop solutions to help reduce recidivism and give returning citizens a chance to start anew.

**In the United States,
1-in-3 adults have
been in contact
with the criminal
justice system.**

Brennan Center for Justice

Hosts

Ellis Carr

President and CEO,
Capital Impact Partners

Laurin Leonard

President & Executive
Director, Mission: Launch

Teresa Hodge

Co-founder & Director
of Strategy & Innovation,
Mission: Launch

William Cobb

Deputy Director,
Campaign for Smart
Justice, American Civil
Liberties Union

Moderators

Ronald Kelly

Director of Impact Strategy,
Capital Impact Partners

Lauren Counts

Senior Director of Strategy,
Innovation, and Impact
Management, Capital
Impact Partners

DeAnna Hoskins

CEO, Just Leadership



Criminal Justice

- ▶ Communities of color are disproportionately represented in the criminal justice system.
 - In Washington, D.C. alone, 1-in-4 Black men are/or have been incarcerated and face challenges on their return.
- ▶ When someone is imprisoned it affects not just that individual, but also their families.



Financial Services

- ▶ Returning citizens experience high-cost financial services, in which they pay higher premiums for services.
- ▶ Services such as life insurance can be denied to returning citizens because of their past.



Affordable Housing

- ▶ Limited housing options exist for returning citizens:
 - Public housing is not available to returning citizens;
 - Background checks exclude returning citizens from other housing options; and
 - Returning citizens do not generally have the finances to afford renting a home at market value.
- ▶ Affordable housing can also help ease the burden for families of justice-involved people because of the decrease in their overall income during imprisonment.
 - One immediate technique to support returning citizens would be to provide affordable housing loans to real estate developers, to expand the pool of affordable options.

“ People don’t go to prison,
families do. ”

Laurin Leonard, *President & Executive Director, Mission: Launch*



The Needs of Returning Citizens

Returning citizens face significant financial (both personal and business) hurdles: managing finances in and out of prison; job discrimination as a result of incarceration or a criminal record, with a resulting lack of personal capital; gentrification impacting the communities to which they return; and a lack of affordable housing, particularly in urban areas. Societal barriers that keep returning citizens from establishing stability can result in repeated involvement with the criminal justice system, which can be hard to break. Within five years of release, about three-quarters of formerly incarcerated people are rearrested. There are also legal barriers to services like food stamps and voting rights. The costs of these barriers are heavy, including diminished long-term accumulated wealth, devastated health outcomes, and eroded relationships.

Of the needs of returning citizens, the two that can have the most impact are affordable housing and financial services. These foundational services impact all aspects of an individual's wellbeing.

Banking and Financial Services

Access to banking and financial services is of the utmost importance for returning citizens and their families, as this provides capital and credit to get back on their feet. Underserved communities, such as Wards 7 and 8 in Washington, D.C., have limited access to bank branches and ATMs; instead there is a high prevalence of check cashing services and pawn shops. Expanding banking and non-predatory financial services – such as no-fee bank accounts, mobile banking, and flexible credit – can support justice-involved individuals to regain financial stability.

It is important that returning citizens feel respected and comfortable with the banking process. Working with returning citizens to identify goals and a vision for how they intend to utilize their funds helps them build assets. Lenders need to look beyond the traditional banking application eligibility requirements,

and consider other skills and abilities that returning citizen applicants may have that will support them in repaying their loans, such as family income.

Addressing identity theft – a major concern for returning citizens – in partnership with the D.C. Public Defender Services can give returning citizens peace of mind. In addition, sensitivity is needed to the social factors that may inhibit returning citizens from getting to banks, such as an inability to take time off from work or a lack of childcare.

Other barriers and disparities exist in returning citizens' struggle to access banking services and products. There are differences between white and Black people's ability to access financial resources. The racial barrier creates disparities in communities in the form of investments and lines of credit.

“ We need partners that are closer to the work because they are closer to the solution. ”

Ellis Carr,
President and CEO
Capital Impact Partners

Promising practices

Collaboration and purposeful investment create pathways for returning citizens to learn and take advantage of services to build their financial stability. Partnerships like those created by the D.C. Department of Employment Services' Project Empowerment, a life skills and workforce development program, leverage the tools and resources from multiple organizations to help those needing training and education to succeed.

Expanding community-based lending to areas with limited access to banking and financial services can be paired with efforts to increase financial literacy and family communication about finances. Creating services such as accounts that have low or no maintenance fees would make it easier for returning citizens to access capital. Partnerships to educate and inform returning citizens and their families about specific programs and products, such as tax credits, can help level the playing field with communities with more resources.

Tax credits for low-income residents exist, but are significantly underutilized by returning citizens. Specifically, 20,000 D.C. families have not claimed at least \$40 million in federal tax refundable monies annually from tax credits, largely as part of the Earned Income Tax Credit.



Panelists stated that access to banking services is critical for returning citizens' successful reintegration into community.

Entrepreneurship

As Teresa Hodge, Mission: Launch co-founder says, it is fiscally irresponsible to leave people locked out of the workforce, yet that is the reality for a significant number of returning citizens. Many justice-involved people are unbanked or underbanked, which creates difficulty when trying to access financial services. Programs exist that promote entrepreneurship, one of few employment options open to returning citizens; however, even the best product or service idea will not lead to a successful venture without adequate financial literacy and access to financial services. Returning citizens also face barriers in accessing startup capital through traditional means, such as friends and family networks.

Promising practices

The Incarceration Incorporation Entrepreneurship Program (IIEP), an entrepreneurship course run by the D.C. government, supports returning citizens in gaining eligibility for bank loans. Programs like this focus on how justice-involved citizens can gain access to capital and thereby create pathways to success.

Lorenzo Stewart, CEO of VOW Transportation, is an Aspire to Entrepreneurship Program graduate. The Aspire Program – housed within the D.C. Department of Small and Local Business Development (DSLBD) – supports entrepreneurship among returning citizens. This 6-8 month program gives participants tools and mentorship to help them move forward financially. Participants learn how to build their credit and leverage their resources for collateral to help them open up their own businesses. Stewart was given a \$10,000 grant and later received a loan from City First Enterprises in order to open his own paratransit/transportation business, and now has contracts with large institutions. A priority for VOW is hiring other returning citizen based on their qualifications, evaluating potential candidates not on their criminal records, but on their skill sets.

Looking to the Future



Financial institutions identify fear and perception, priorities, and socio-political apathy as the top concerns holding them back from better supporting returning citizens. Together, financial institutions and community partners in the Washington, D.C. Metropolitan area are bridging the gap of financial support for returning citizens through improving:

Financial literacy and services

- ▶ BankOnDC
- ▶ Capital Area Asset Builders
- ▶ Credit Builders Alliance
- ▶ Washington Area Community Investment Fund

Advocacy

- ▶ Cities for Financial Empowerment Fund
- ▶ Latino Economic Development Center

Partnerships with organizations that work directly with justice-involved individuals

- ▶ D.C. Department of Small and Local Business Development
- ▶ D.C. Mayor's Office on Returning Citizens
- ▶ Mission: Launch

Through partnerships with organizations that work with returning citizens on a daily or regular basis, solutions can be found to address their needs. These partnerships need to be cognizant of their privilege, power, and resources. This is an issue that cannot be solved for just one person, there needs to be a system in place that can create opportunities for all returning citizens. Convenings on this topic will help in developing a practical, needs-based approach to providing better financial services and products to the justice-involved community. Capital Impact and Mission: Launch will continue to partner to move this conversation forward and work with organizations nationwide to find ways to support returning citizens in communities across the country.

Additional Support for the Reentry of Returning Citizens

- ▶ Person-centered language should be used instead of language such as “ex-offender” because language can be used to treat someone inhumanely. “Returning citizen” and “justice-involved individual” are examples of phrases that humanize people who have been involved with the criminal justice system.
- ▶ Including the voices of returning citizens is crucial to ensuring that policies and practices address their full spectrum of needs and encompass all the barriers that they face.



About the Hosts



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About Capital Impact Partners

Through capital and commitment, Capital Impact Partners helps people build communities of opportunity that break barriers to success. We champion social and economic justice for underserved communities to foster good health, economic opportunity, and interconnectedness. Through mission-driven lending, incubating social impact programs, impact investing, and policy reform we partner with local communities to create equitable access to health care and education, healthy foods, affordable housing, and dignified aging for those most in need. We have disbursed more than \$2.5 billion to revitalize communities over the past 35 years. Our leadership in delivering financial and social impact has resulted in Capital Impact earning a “AA-” rating from S&P Global and being recognized by Aerie since 2005 for our performance. Headquartered in Arlington, VA, Capital Impact Partners operates nationally, with local offices in Detroit, MI, and Oakland, CA. Learn more at www.capitalimpact.org.

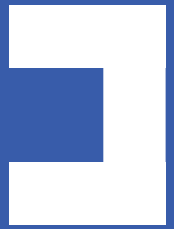
About Mission: Launch

Mission: Launch, co-founded by a directly impacted mother-daughter team, has advocated for civic technology and inclusive entrepreneurship since its founding in 2012. The organization led The Rebuilding Reentry Coalition, which brought together directly impacted individuals, corporations, government agencies and non-profits with the civic coding community through hackathons and collaborative workshops. Several open-source tools were established focused on record sealing/expungement and services coordination leading to national attention for the Washington, D.C. and Baltimore, MD regional reentry community. An MSNBC television crew attended the Rebuilding Reentry D.C. Hackathon and the co-founders, Teresa Hodge and Laurin (Hodge) Leonard, were named a “Foot Soldier of the Week” (11/9/2015) on the Melissa Harris-Perry show with Ari Melber. By way of their business and leadership development accelerator for entrepreneurs living with criminal convictions, LaunchPad, they provide technical assistance, shared workspace and leadership development training. LaunchPad was seeded by a local philanthropic partner and the U.S. Small Business Administration. LaunchPad has resulted in the formation of worker owned co-operatives, sole proprietorships and limited liability corporations throughout Maryland and Washington, D.C. Nationally, they are advisors to entrepreneurship trainers, micro-lenders and other key stakeholder groups.





BUILDING COMMUNITIES OF OPPORTUNITY THAT BREAK BARRIERS TO SUCCESS



Financial Inclusion Supports Our Larger Vision

Capital Impact Partners champions social and economic justice for underserved communities, transforming them into communities of opportunity that foster good health, economic opportunity, and interconnectedness. Through mission-driven lending, incubating social impact programs, impact investing, and policy reform, we partner with local communities to help create equitable access to health care and education, healthy foods, affordable housing, and dignified aging for those most in need.



2.5 MILLION

PATIENTS
receiving health care at
533 community health centers



253,000

STUDENTS
in 248 high-quality
charter schools



1.1 MILLION

PEOPLE
with access to healthy
food from 88 local retailers



37,000

ELDERS
aging in their community
through 190 communities



38,000

AFFORDABLE HOUSING
units in 246
communities



870,000

COOPERATIVE CUSTOMERS
served by 291
co-op businesses

WE HAVE DEPLOYED OVER **\$2.5 BILLION** TO SERVE NEARLY
5 MILLION PEOPLE AND CREATE MORE THAN **32,500 JOBS**
NATIONWIDE IN SECTORS CRITICAL TO VIBRANT COMMUNITIES.



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