

D. Why Offer Reentry Loans?

CBA members serving this growing population of returning citizens identified that lack of access to credit due to poor or no credit is a major barrier to successful reentry. One way that nonprofits can support returning citizens is through providing safe and affordable Reentry Opportunity Loans. While few organizations are currently offering this type of loan, and loans are just one option of many that can support an individual's reentry, loans do have the potential to help meet their immediate needs. Additionally, loans can provide a structured path to build a credit profile and open up doors to other asset building opportunities.

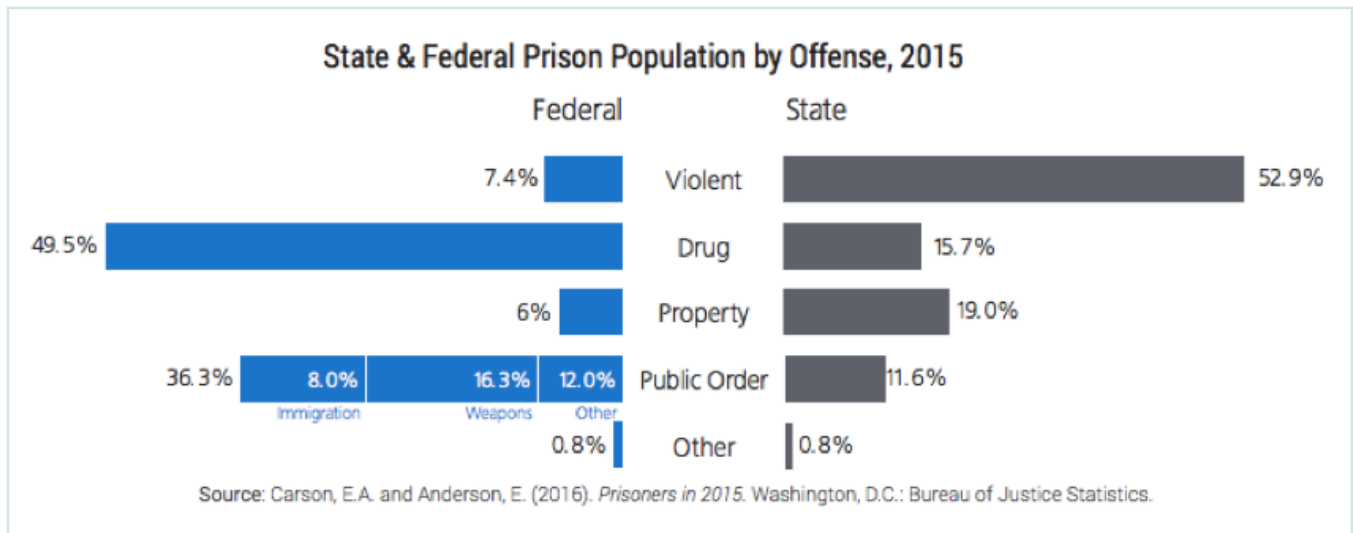
Nearly one in three Americans (over 77 million people) have a criminal record.³ Over the past three decades, the incarcerated population has largely increased due to the war on drugs and mandatory minimum sentences (see figure on Population Under Control of the U.S. Corrections System).⁴ The U.S. pours more money into the criminal justice system than it does towards housing, transportation, and education. Ironically, the populations that lack access to these foundational needs are disproportionately those who end up incarcerated. One report estimates that 40 percent of all crimes can be directly attributed to poverty and 80 percent of the population that is incarcerated is low-income.⁵ People of color are also disproportionately impacted by criminal justice system—they are more likely to be arrested and face harsher sentences than their white peers. If current trends continue, one in three black males, and one in six Latino males born in 2001 will go to prison during their lifetime.⁶

³ DeVuono-Powell, S., Schweidler, C., Walters, A., & Zohrabi, A. (2015). Who pays? The true cost of incarceration on families. Oakland, CA: Ella Baker Center.

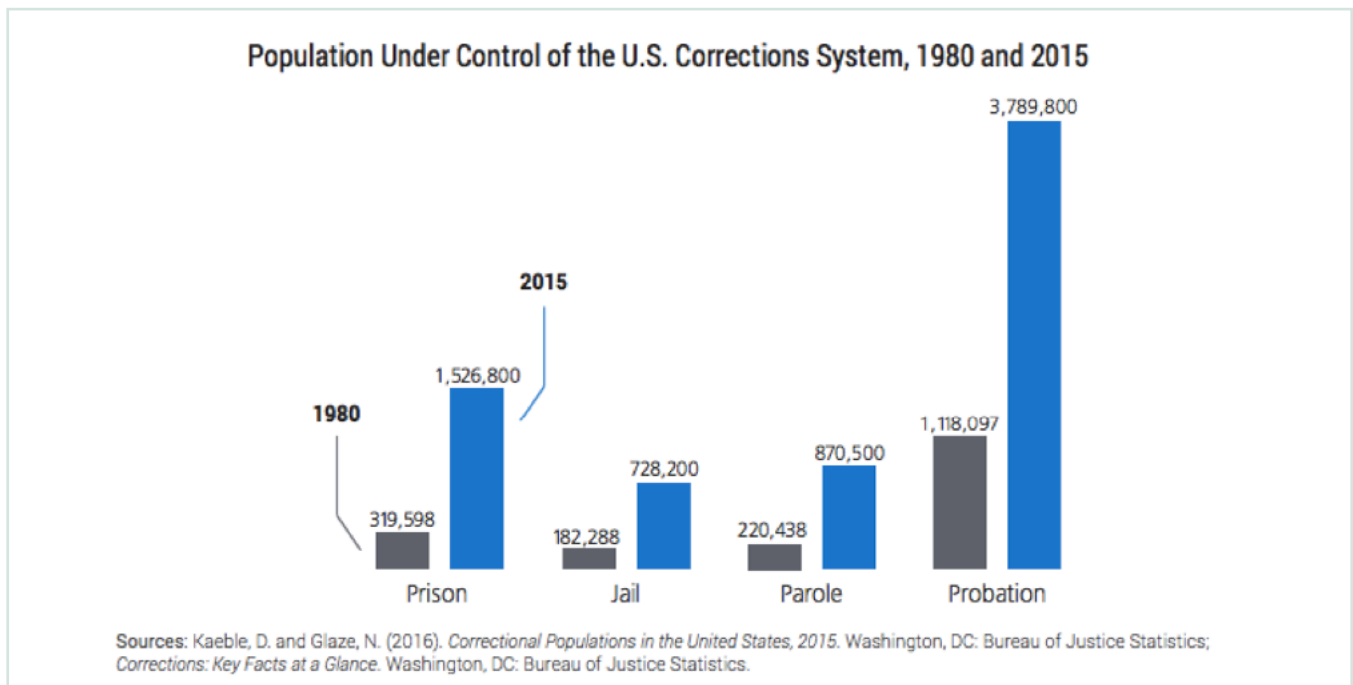
⁴ DeVuono-Powell et al, 2015

⁵ DeVuono-Powell et al, 2015

⁶ Haglar, Jamal. "8 Facts You Should Know About the Criminal Justice System." Center for American Progress, May 28, 2015. Retrieved from <https://www.americanprogress.org/issues/race/news/2015/05/28/113436/8-facts-you-should-know-about-the-criminal-justice-system-and-people-of-color/>



Mass incarceration perpetuates cycles of poverty and inequity, and impacts entire households and families. The majority of incarcerated men are parents. Time behind bars can cause severe economic and emotional stress on the individual and their family. On top of that, once an individual is released, they face many barriers to reentry including limited employment and housing options, health challenges, and social stigma. Returning citizens also face many costs that follow them from their time in jail including fines, fees, restitution, and past accumulating debt, as well as new costs associated with setting up their life⁷—clothes, security deposits, first and last month’s rent, and transportation. Support—financial and social—may be hard to come by, as many public assistance programs do not serve people with a criminal record.⁸



⁷ See section on Common Types of Debt Held by Returning Citizens

⁸ For more on these barriers, see section on “Understanding the Target Population”

Organizations seeking to provide reentry opportunity loans have an opportunity to meet a huge unmet need, yet they must do so in consultation and partnership with community-based organizations and coalitions that specialize in supporting returning citizens. Because returning citizens have a wide spectrum of needs with varying levels of urgency, loans may not be the appropriate tool for all individuals or all needs. Lessons learned from alternative nonprofit lenders and practitioners in the reentry field included in this toolkit can provide insight for best practices in designing and implementing a Reentry Opportunity Loan.

