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Inmates Charged Fee After Leaving Jail

by HERB WEISBAUM

After paying their debt to society, released inmates are finding themselves dinged by a hidden fee.

Prisoners are often given money when they leave jail. It could be the cash they came in with, money they earned at a prison job or funds deposited by friends or relatives. Recently, prepaid debit cards have replaced cash and checks as the way to return these funds to prisoners. Private companies market these cards as a cheaper, more convenient and secure way than checks for the institution to provide funds upon release.

But these cards can come with a cost - one paid by the inmate.

"So you could go to jail overnight with a \$20 bill in your pocket and when you're released the next day, you're given a release debit card and it has a \$10 monthly fee," said Aleks Kajstura, legal director at the Prison Policy Initiative.

Paul Wright, director of the Human Rights Defense Center, calls the practice "offensive and unfair" and he describes the fees as "pretty outrageous" - higher than what people pay for similar prepaid cards in the outside world. He wants them banned.

Both groups filed petitions with the Consumer Financial Protection Bureau (CFPB) this week, asking the agency to step in and regulate this little-known marketplace. They want the CFPB to ban all fees associated with these release debit cards, or at least require the correctional facility to provide the option of cash or a check.

In its petition, the Human Rights Defense Center calls the fees "predatory" because they are not based on the cost of providing the services. These companies are profiting from "a highly vulnerable prison population," they claim.

As proof, they provided this survey published by the Association of State Correctional Administrators last June. It shows the fee structures at 33 agencies that responded:

- Account maintenance fees as high as \$3.50 a week and charged even if there is no activity on the card
- Balance inquiry fees from 50 cents to \$1.50 at an ATM and as much as \$3.95 by phone
- Cash withdrawal at an ATM fees of \$2 to \$3.50
- Fees to close the account and refund all the money on the card that range from \$9.95 to \$30

"By banning fees and providing alternatives, facilities can help prisoners prepare themselves to re-enter society with a greater level of control over the often meager financial resources to which they have access," Wright told NBC News.

In their petitions to the CFPB, the two groups point out that this is an "involuntary market" where the "consumer" - former prisoner - has no choice about whether to use a prepaid card and no way to shop around for the best deal on terms and fees.

NBC News contacted four of the companies that provide these debit cards to prison systems across the country: Jpay, Keefe Commissary, Numi Financial and Rapid Funds Solutions. We heard back from Daren Jackson, president of Rapid Fund Solutions, which provides a product called ReleasePay.

"We provide a nice service, a convenient way for someone to get cash 24/7," Jackson said. "They'd pay more at a check-cashing store."

Jackson said his company and many of his competitors offer several ways to access the money on the card without paying a fee. He said that at some institutions, a third of the cards are used fee-free.

"I welcome CFPB regulation," he said. "It would be great if there's more clarity about the rules."

A growing market

Release debit cards are relatively new, but they're being adopted by an increasing number of state and local correctional facilities. The federal prison system also uses them.

The North Carolina Department of Public Safety now uses prepaid cards. The released prisoner pays \$3 to activate the card.

Department spokesman Keith Acree says writing checks was incredibly labor-intensive. These checks were also problematic for those released from custody.

"A lot of inmates had no way to cash a check when they got out," Acree explained. "The debit card is a more attractive option because they can go to an ATM and access their money."

The \$3 activation fee wasn't much of an issue for them, Acree said. The bigger issue was the fact that many people were unable to cash their checks.

With about 650,000 prisoners released from state and federal prisons and an estimated 12-million people processed through local jails nationwide each year, there's a built-in market for these cards. But there's also a cost, one that's usually passed along to the inmates.

"These companies have a literally captive market where prisoners frequently complain of being overcharged, but do not have proper regulatory tools to protect themselves," said Paul Wright at the Human Rights Defense Center. "It would be one thing if people were given the option of cash, a check or a debit card with fees, but there is no consumer choice. I find the whole process offensive and unfair."

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