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TESTIMONY OF

**SAM PRAWER, DIRECTOR OF GOVERNMENT AFFAIRS
MAINE DEPARTMENT OF CORRECTIONS**

January 27, 2025

In Support of:

LD 97, An Act to Facilitate the Improvement of Credit Scores of Residents of Department of Corrections Facilities

Senator Beebe-Center, Representative Hasenfus and distinguished members of the Joint Standing Committee on Criminal Justice and Public Safety, I am Sam Praver, Director of Government Affairs at the Maine Department of Corrections (DOC). I am here today providing testimony in strong support of LD 97, An Act to Facilitate the Improvement of Credit Scores of Residents of Department of Corrections Facilities. This is a department bill designed to facilitate an innovative reentry initiative, and I'm excited to be discussing it with you today. The Department thanks Representative Sayre for sponsoring this bill on our behalf.

The bill before you today originates from a proposal brought to our team at Bolduc Correctional Facility by Midcoast Federal Credit Union. Their offer, to provide our residents with the opportunity to participate in a Credit Builder Loan Program. The basic idea of the program is simple, to help residents currently participating in work release programming establish or improve their credit profiles in a controlled manner. Given that a positive credit history is essential to so many critical aspects of daily life (it can impact the ability to acquire housing, a car, or even employment) and the basic reality that residents are not building that history while incarcerated, our department immediately saw the potential for this program as a tool to help to increase positive outcomes and reduce recidivism.

The basic structure of the program is as follows. A qualified resident opens a savings account with the participating credit union and transfers funds from their personal account at the correctional facility into that savings account to cover a predetermined loan amount. Then the union will prepare the loan documents to align the final payment with the resident's anticipated release date. Typical repayment schedules are no longer than six months. Any funds deposited into the account are placed on hold to secure the loan. The loan proceeds are also deposited back into the savings account, and an automatic payment is established for the monthly payments.

This innovative program essentially allows residents to build a credit history with minimal risk to the lender, but it is not something we're able to accomplish smoothly under current law. The reason is that there are a number of statutes requiring that resident money must be handled through specific accounting practices and that portions of monies received by residents must be diverted. This bill would allow a narrow carve-out to those provisions, exempting credit builder loans from the various requirements to pay obligations from any money received. From the Department's perspective this narrow exception makes sense, given that these loans do not, in practice, provide residents with access to any more money than they already have. Furthermore, the money that residents are putting up front to secure the loan is money for which any applicable obligations have already been withdrawn.

It's critically important to be clear on the follow points. Residents who participate in the Credit Builder Loan Program do not profit from their participation, the loan money is not intended for any purpose other than repaying the loan, and



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residents are only able to participate by using money that remains after they have paid applicable fees, fines, and restitution.

I also should take a brief moment to be clear about another aspect of this bill. Although it was brought to our team at BCF by Midcoast Federal Credit Union, this is a program we would like to make available across our minimum security facilities and which is not limited to a single financial institution. The language of this bill allows us to partner with any financial institution as defined in Title 9-B, section 131, subsection 17.

Our teams that work with the incarcerated population are often faced with a hard reality. That despite all the hard work we do to provide, and continue our expansion of, programming, education, treatment, credentialing, and job readiness, one of the key factors to ensuring success upon reentry is largely out of our control. The ability to secure housing. Whether renting an apartment or applying for a mortgage, creditworthiness is going to be a key factor to success. While some people may be in our system for a short enough period that they have relevant credit history, others who have been with us for significant periods of time or who lacked means prior to entering our system, may have none, or may have a history that doesn't reflect the work they've done to address the circumstances that lead to poor credit.

The Credit Builder Loan Program is fundamentally a tool designed to help increase the likelihood of successful reentry, mitigate the life factors that lead to recidivism, and help our residents establish lives that allow them to be productive members of society. This program, like everything we do under the Maine Model of Corrections, is about making communities safer and restoring lives.

For the reasons stated above, the department respectfully asks for the committee's support in this proposal.

This concludes my testimony.

I am happy to answer questions.

Sam Praver
Director of Government Affairs
Maine Department of Corrections