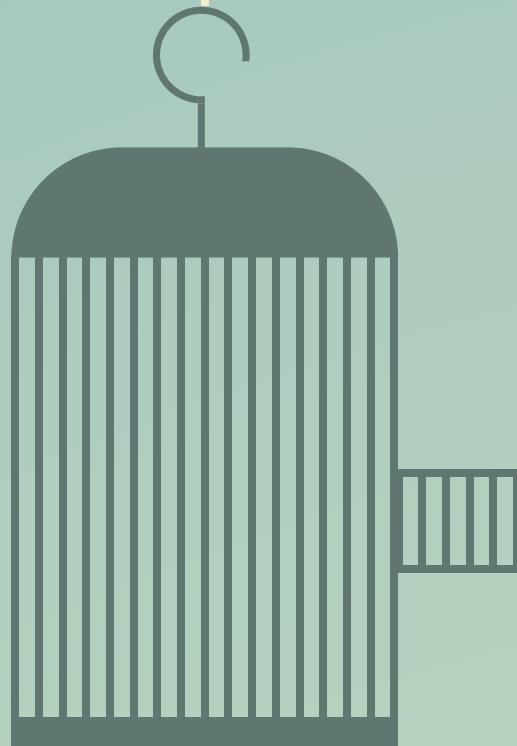


SECURED LENDING AND *FELONS*

BY DAVID RAINS



Several commercial
finance executives band
together to give former
inmates a second chance.

The immediate thought that comes to mind when you see the topic of this article might be fraud or, more specifically, white-collar crime. Perhaps it might be what a client should be labeled if he steals your cash and ends up in prison. Outside of this scenario, rarely do many of us think about this segment of the population as they are out of sight and out of mind. The challenge with that thought process is most of that population will be released at some time. The costs can be very high for both the victim and the felon. However, I would like to highlight a different perspective that is having a positive effect on a certain group of felons, a number of secured lending volunteers, and society as a whole.

The Prison Entrepreneurial Program (www.PEP.org) was established in 2004 by an investment banker who saw potential in this neglected segment of the population, which most people have an aversion to helping. That vision has compounded into a program which has now seen more than 360 businesses launched by its

graduates, with five of those generating more than a million dollars in annual revenue. More importantly, unlike the average prison population, PEP graduates tend to stay out of jail. The normal statistics for felony recidivism are over 50% of individuals released from prison return within the first five years of release, almost 25% after three years. The recidivism rate for PEP graduates is around 7%, over a 300% improvement. It would be difficult for even the most skeptical among us to doubt the PEP's economic impact, as illustrated in the snapshot below.

What differentiates PEP from every other prison-reform program is its focus on both pre-release and post-release training. PEP starts with training incarcerated felons in the basics of business and entrepreneurship, along with the positive life skills to which many inmates have never been exposed. Upon completion of the 7-9 month program inside and subsequent release, the men are taken to a PEP re-entry home for up to an additional nine months, where they are pro-

vided with clothing, living essentials, continuing training and accountability. Every PEP graduate is now being gainfully employed within 30 days of release. This is so important as many doors are shut to convicted felons, an obvious component of the recidivism cycle. Through the volunteer work of area executives, all PEP graduates find work quickly.

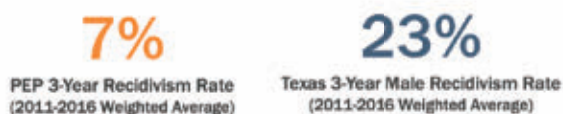
It was for these reasons that Jason Floyd of Amerisource, Steve Hausman of Triumph Business Credit and I were enticed to become repeat attendees in PEP training curriculum. Jason Floyd was the first of us involved, back in 2004 (the year of PEP's inception). Here is a synopsis of his experiences with the program spanning 14 years.

"I received a personalized invitation in the mail from Catherine Rohr (the founder of PEP) to come to prison and be a judge for an inmate business plan competition. I had to wonder out of a city of four million plus, why I had received an invitation? That day I spent in prison some 15 years ago is not one I will soon forget. I learned these men weren't just undesirables

EXECUTIVE SUMMARY

Since its inception in 2004, 2,180 individuals have graduated from PEP.

Reducing Recidivism



Texas Economic Impact



Economic Opportunity



Net Fiscal Impact



locked away for the betterment of society, they were human beings and ‘but for the grace of God, there might I be’. They had families, stories, hopes and dreams.

“The majority of these men came to prison from disadvantaged backgrounds and they all had obstacles that drastically increased the odds for their ending up in prison. Moreover, there were never any expectations placed upon these men to accomplish anything; consequently, they had no expectations of themselves. I left prison that day inspired in many ways; by what these men had accomplished in a few short months, the amount of gratitude they showed me for caring enough to spend my time with them and by the spiritual presence I had felt throughout that day. I’ve been to church hundreds of times in my life, but I had never experienced ‘church’



The author with participants in the Prison Entrepreneurial Program

A&M. Today, seven plus years later, he is managing our ABL portfolio. As I

I made a personal decision during that time in prison that I would never

left prison that day inspired in many ways; by what these men had accomplished in a few short months, the amount of gratitude they showed me for caring enough to spend my time with them and by the spiritual presence I had felt throughout that day. I’ve been to church hundreds of times in my life, but I had never experienced ‘church’ like I did that day behind bars.

— Jason Floyd, Amerisource

like I did that day behind bars.

“I have since been back to prison for different PEP programs, been a mentor, taught a class in PEP’s E-School and Amerisource has sponsored several graduation events, but my most meaningful experience has come from hiring one the program’s graduates here at Amerisource. It wasn’t long before every department at Amerisource wanted to recruit him. In time, this PEP graduate received his undergraduate degree from U of H and worked his way up through the ranks. Appreciating his smarts, work ethic and attitude, we agreed to pay for him to pursue his MBA at Texas

think back on the time and resources I’ve invested in PEP over the years, it’s no stretch to say that I’ve received far more than I’ve ever given.”

Craig Canon, president of Vertex Financial, had received a flyer for a PEP luncheon at the Park Cities Club in Dallas. That flyer included a quote from Jason Floyd. Craig knew about my past and invited me to go with him. The program was very intriguing – perhaps more so for myself than Craig or any of the invited guests. I had a deep knowledge base about felons because I was one. In my younger days, I was involved with drugs, which led to multiple arrests and felony convictions.

drink or do drugs again. That was 30 plus years ago and, as anyone who has been to the CFA annual conventions with me the past 20-plus years will attest, I never drink alcohol. Now you know the reason why.

After attending several events and appreciating the experiences which Jason described, I invited one of my first clients, Steve Hausman, to go to prison with me. After Steve attended his first PEP event in 2006, we concluded that these men needed major help with their selling skills. Steve assembled a one-day sales training class using Ron Willingham’s book “Integrity Selling.” We’ve now been teaching this class



Steve Hausman addresses PEP participants.

3-4 times a year for 12-plus years to over 2000 PEP program participants. In



addition, Steve is now serving on PEP's Governing Board where he's specifically focused on microlending programs for alumni businesses.

"PEP is the best ministry for self-ish people," Hausman shared. "Often times our charitable efforts are limited to providing brief moments of hope and relief, a service which we are certainly called to do. What PEP offers is sustainable reform through visible life restoration. For volunteers like us, it's instant gratification and reward. In fact, sometimes I feel like we're ripping these guys off because they

give back to us so much more than we share with them. Our go-forward

often times our charitable efforts are limited to providing brief moments of hope and relief, a service which we are certainly called to do. What PEP offers is sustainable reform through visible life restoration. For volunteers like us, it's instant gratification and reward. Our go-forward vision is to build partnerships with retail banks which fulfill both the spirit and substance of the Community Reinvestment Act in a way that could potentially transform small business lending to local communities."

— *Steve Hausman, Triumph Business*

vision is to build partnerships with retail banks which fulfill both the spirit and substance of the Community Reinvestment Act in a way that could potentially transform small business lending to local communities."

Triumph Business Capital's parent organization, TBK Bank, has also been supporting this great cause in numerous ways. In addition to equipping dozens of team member volunteers, TBK Bank has provided financial and leadership support as well. Aaron Graft, vice chairman and CEO of TBK Bank, even gave a keynote speech at

last year's North Texas graduation dinner.

You never know what you might find in prison, but I've found that hope triumphs over despair and real-life reformation breaks the recidivism cycle of incarceration. Could the next great company leader in secured lending come from behind these bleak prison walls? If you would like to go to prison, contact one of us and we will take you to the Big House. **TSL**

David Rains is the Founder and president of Commercial Finance Consultants and FactorHelp. In the past 20 years, CFC has placed over 14% of the ABL and factoring industry while FactorHelp has been instrumental in helping over 50 start-ups enter the industry. David's contact info is dar@searchcfc.com or his office is 469-402-4000.