VERMONT LAW AND GRADUATE SCHOOL

Master of Arts in Public Policy

EXPANDING CAPITAL ACCESS FOR JUSTICE-IMPACTED ENTREPRENEURS IN INDIANA AND THE MIDWEST

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A Thesis Submitted
in Partial Fulfillment of the
Requirements for the Degree
Master of Arts in Public Policy

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South Royalton, Vermont
April 2025

ABSTRACT

Justice-impacted individuals face entrenched barriers to economic mobility, particularly when pursuing entrepreneurship as a pathway to reentry and long-term self-sufficiency. This study investigates how inclusive lending models—such as Community Development Financial Institutions (CDFIs), microfinance platforms, and public loan funds—affect capital access, business sustainability, and economic reintegration for formerly incarcerated entrepreneurs in Indiana and the broader Midwest. Using a convergent mixed-methods design, the research integrates macro-level quantitative data on lending trends and recidivism with qualitative interviews from entrepreneurs, lenders, and program leaders.

Findings reveal persistent exclusion from traditional financing channels, driven by low credit scores, lack of collateral, racial and gender bias, and insufficient technical support. While some participants overcome these challenges through bootstrapping and peer support, most describe limited access to mentorship, credit-building tools, and reentry-informed capital. These insights illuminate how systemic disparities in finance interact with the realities of reentry, particularly in under-resourced regions like South Bend.

The study concludes with policy recommendations to expand inclusive financial infrastructure, embed credit-building in reentry services, and scale mentorship-based training programs. Grounded in both data and lived experience, these findings offer a path toward a more just and accessible entrepreneurial ecosystem—one that treats economic reintegration not as an exception, but as a right.

CONTENTS

I. INTRODUCTION

Entrepreneurship has long been viewed as a vehicle for economic opportunity and upward mobility. For justice-impacted individuals—those who have been incarcerated or involved in the criminal legal system—starting a business can also be a powerful tool for reentry, self-determination, and healing. However, these entrepreneurs often face compounding barriers rooted in stigma, restricted financial access, and fragmented reentry services. In Indiana and the broader Midwest, these challenges are particularly acute due to limited lending infrastructure and inconsistent program support.

This study investigates how microfinance lending models shape the economic trajectories of justice-impacted entrepreneurs. Specifically, it asks: What types of capital access are available to individuals with criminal records seeking to launch or grow small businesses? Which models show the most promise in terms of sustainability and scalability? And how do justice-involved entrepreneurs navigate—and often resist—the structural barriers they face?

To answer these questions, the research employs a convergent mixed-methods design, combining quantitative analysis of alternative lending trends and reentry data with qualitative interviews from entrepreneurs, program leaders, and lending intermediaries. The interviews provide critical insight into real-world experiences, contextualizing the broader data and illuminating both systemic gaps and grassroots innovations.

Ultimately, this project aims to inform public policy by amplifying the voices of justice-impacted entrepreneurs and identifying pathways toward more equitable financial systems. Through this lens, capital access is not just an economic issue—it is a matter of justice, agency, and inclusive recovery.

II. METHODOLOGY: CONVERGENT MIXED-METHODS DESIGN

This study employs a convergent mixed-methods design to examine how microfinance lending models affect business sustainability and economic mobility for justice-impacted entrepreneurs in Indiana and the broader Midwest. By integrating quantitative and qualitative data collected in parallel, the study provides a holistic view of financial barriers and the effectiveness of various lending approaches.

The quantitative component draws on secondary datasets related to alternative lending trends, small business financing, and justice-involved economic indicators. These data establish macro-level patterns in financial inclusion, loan access, entrepreneurial outcomes, and recidivism.

The qualitative component consists of semi-structured interviews with justice-impacted entrepreneurs, policy experts, microlenders, and CDFI representatives. These narratives contextualize the statistical trends and offer insight into how lived experiences align with—or diverge from—quantitative patterns.

Findings from both strands are integrated at the interpretation stage to identify points of convergence, explain discrepancies, and generate policy recommendations rooted in both data and experience.

III. QUANTITATIVE DATA COLLECTION

This study draws from publicly available secondary sources to analyze patterns in capital access for justice-impacted entrepreneurs across Indiana and the broader Midwest. Primary data sources include SBA loan statistics, CDFI Fund reports, Bankrate lending trends by race and gender, Kiva's borrower data, and evaluations from reentry entrepreneurship programs such as Defy Ventures and the Prison Entrepreneurship Program. Where direct data on incarceration status was unavailable, proxy indicators such as credit score, race, and economic disadvantage were used—approaches supported in the literature (Agan & Starr, 2018; Hwang, 2024).

The analysis relied on descriptive statistics and pre-existing outcome metrics, such as loan approval rates, disbursement volumes, recidivism, and post-release employment. No original statistical modeling was conducted. Instead, quantitative insights were synthesized to identify gaps, structural disparities, and emerging trends. These findings are further contextualized through qualitative interviews, detailed in the following sections.

IV. QUANTITATIVE ANALYTICAL APPROACH

While no original statistical modeling was conducted, this study synthesizes existing quantitative findings from government agencies, nonprofit evaluations, and lending institutions. Reported statistics, charts, and demographic breakdowns were reviewed to identify ecosystem patterns, capital access disparities, and systemic barriers facing justice-impacted entrepreneurs. These quantitative insights serve as a foundation for the findings that follow and are later contextualized through qualitative interviews that explore real-world impacts and local variations.

V. QUANTITATIVE FINDINGS: CAPITAL ACCESS AND PROGRAM OUTCOMES

Entrepreneurship as a Reentry Strategy

Justice-impacted individuals face severe employment discrimination and labor market barriers nationwide. Approximately one-third of U.S. adults (around 79 million people) have a criminal record, which often triggers background checks and stigma in hiring (U.S. Chamber of Commerce, 2024). As a result, unemployment among formerly incarcerated individuals is about 27%—over five times higher than the general population and higher than the peak of the Great Depression (Couloute & Kopf, 2018). For some subgroups, such as Black women with incarceration histories, the unemployment rate approaches 40% (Couloute & Kopf, 2018). Employers are significantly less likely to hire applicants with a record, with one foundational study showing that a felony record can cut employer callback rates by nearly 50% (Pager, 2003, as cited in Couloute & Kopf, 2018). Despite these barriers, formerly incarcerated people want to work—over 93% of prime working-age individuals are either employed or actively job-seeking upon release (U.S. Chamber of Commerce, 2024).

These labor market exclusions are closely linked to recidivism. Nationally, approximately 39% of individuals released from prison are reincarcerated within three years (Defy Ventures, 2022). In Indiana, the three-year recidivism rate is 34% (Indiana Department of Correction, 2021). Employment has been consistently shown to reduce this risk: one study found that recidivism dropped from 52% to 16% among individuals who maintained employment for at least a year (U.S. Chamber of Commerce, 2024).

Given the discrimination and structural exclusion in traditional employment, many formerly incarcerated individuals turn to entrepreneurship. Hwang and Phillips (2024) found that justice-impacted individuals are approximately 40% more likely to pursue entrepreneurship than their peers without criminal records. Another national analysis found that 24% of individuals with criminal histories reported being self-employed at some point, a rate considerably higher than commonly assumed (Finlay et al., 2022). This trend is often framed as “necessity entrepreneurship”—a strategy that emerges when wage work is inaccessible (Basiouny, 2024). Entrepreneurship can yield higher income, flexibility, and stability: formerly incarcerated Black men who pursue self-employment often achieve better outcomes than those who accept low-wage jobs (Basiouny, 2024). Estimates suggest that increasing entrepreneurship in this population could reduce recidivism by 5.3% (Williams, 2022).

Several national programs reinforce the potential of entrepreneurship as a reentry tool. The Prison Entrepreneurship Program (PEP), operating primarily in Texas, combines in-prison business education with post-release mentorship and employment support. Since its inception, PEP has graduated more than 3,300 individuals. According to its 2022 evaluation, 100% of PEP graduates gain employment within 90 days of release, and the average “prison-to-paycheck” time is just 20 days (Initiative for a Competitive Inner City [ICIC], 2018). At the one-year mark, PEP reports nearly 100% job retention, and a three-year recidivism rate under 9%. For those who complete the full suite of post-release services, recidivism drops to approximately 4%—far below the Texas state average of 21% (ICIC, 2018; Nijhuis & Eberhardt, 2019). PEP graduates have also launched more than 500 businesses, with a survival rate exceeding local averages (ICIC, 2018).

Defy Ventures, which operates in multiple states including Illinois, reports similar success. Over 80% of participants are employed within three months of release, and the one-year recidivism rate is consistently under 10% (Defy Ventures, 2022). The program blends business training with personal development and mentoring. Defy has served over 7,900 "Entrepreneurs-in-Training," and many have gone on to launch small businesses or work as "intrapreneurs" in existing organizations (Defy Ventures, 2022).

In Indiana, entrepreneurship programs are fewer but growing. The Reentry Entrepreneurship Development Initiative (REDi), run by the Indy Chamber, has served more than 700 justice-involved individuals since 2017 (Griffin, 2022). The program includes workshops, coaching, and pitch competitions, and has helped launch at least 35 businesses across the state—primarily in Marion County but also reaching broader communities. Although recidivism data for REDi participants is still being gathered, early outcomes suggest strong business retention and the creation of employment opportunities for others in the community (Griffin, 2022).

Another notable Indiana initiative is the South Bend Entrepreneurship and Adversity Program (SBEAP), operated by the McKenna Center at the University of Notre Dame. SBEAP offers a structured 12-month program for individuals facing economic or systemic hardship—many of whom have criminal legal involvement. Its model combines training, one-on-one consulting, mentorship, community networking, and access to microcredit (McKenna Center, n.d.). The program is deeply rooted in South Bend's local ecosystem, leveraging partnerships with nonprofits, businesses, and universities to support participants. While SBEAP serves a broader adversity-focused population, it includes justice-impacted entrepreneurs and is one of the few structured reentry-supportive business development programs in Northern Indiana.

Other efforts include pilot business courses at correctional facilities, workforce development partnerships, and microloan support. These programs remain geographically uneven and limited in scale, but they demonstrate the state's growing capacity to support entrepreneurship as a viable reentry strategy. As these initiatives expand, they offer a path to stability and self-determination—especially when wage labor remains out of reach. Given that the Indiana Department of Correction (2021) identifies employment as one of the strongest predictors of reduced recidivism, supporting justice-impacted entrepreneurs should be a central component of the state's reentry infrastructure.

CDFIs and Inclusive Lending Models

In response, Community Development Financial Institutions (CDFIs), nonprofit microlenders, and public-private partnerships have emerged as critical access points. These lenders offer flexible terms, technical support, and smaller loans—often designed for borrowers who fall outside traditional criteria.

In Indiana, groups like Brightpoint and the Business Ownership Initiative report that more than 50% of their borrowers are women or people of color—demographics with high overlap with the justice-impacted population (Journal Gazette, 2023; Indy Chamber, 2023). However, small-business-focused CDFIs are few and far between in Indiana, and their reach is largely urban (U.S. Department of the Treasury, 2022).

Models like CDFI Friendly South Bend address this gap. Rather than acting as a lender, it connects local entrepreneurs with CDFIs willing to lend in Indiana. This matchmaking model has already helped secure several million in financing, including loans for minority-owned startups like Property Bros LLC (CDFI Friendly South Bend, 2022).

The City of South Bend's Revolving Loan Fund (RLF) also provides crucial support. Funded by Community Development Block Grants, it considers alternative collateral and uses mentorship as a credit-enhancing criterion. Alejandro Saucedo, a justice-impacted entrepreneur, received RLF funding to grow his business and secure a major state contract (South Bend Small Business Showcase, 2023).

Online platforms like Kiva U.S. round out the inclusive landscape. In 2020, 67% of Kiva borrowers were women, 64% were people of color, and most had low or no credit scores (Kiva, 2022). While Kiva does not track justice-involvement directly, its design serves many of the same structural needs.

While alternative lenders like Kiva help address gaps in access, their reach remains limited, particularly in states like Indiana where CDFI activity lags far behind national benchmarks. Moreover, most programs do not disaggregate lending data by justice involvement, making it difficult to assess their true impact on reentry populations. These limitations underscore the importance of examining the structural inequities embedded in mainstream finance—particularly how race and gender intersect with criminal legal involvement to shape lending outcomes.

Racial and Gender Disparities in Lending

Justice-involved individuals face compounding barriers in traditional lending markets, especially when intersecting with race and gender. National data highlight stark disparities: in FY2023, only 4.6% of SBA 7(a) loan volume went to Black-owned businesses and 8.5% to Hispanic-owned businesses, compared to 42.3% for white-owned businesses (Small Business Administration, 2023a). These inequities persist even when controlling for business size, industry, and credit profile (Darity, Gaither, & García-Pérez, 2020). Similarly, women-owned businesses—despite representing more than 40% of all U.S. enterprises—received just 28.4% of SBA loan dollars (Bankrate, 2023).

For justice-impacted individuals of color, the convergence of racial bias and criminal history produces especially severe credit exclusions. Black households with an incarcerated family member report average credit scores more than 200 points lower than white households without any justice involvement (Davis, 2021). In some cases, never-incarcerated Black adults have similar credit profiles to white adults who have served time (Darity et al., 2020).

Justice-involved women experience unique financial burdens. Studies have shown that women affected by incarceration often carry higher debt levels—particularly from caregiving and medical obligations—and lower credit scores than men, making them less likely to qualify for affordable loans (Hersch & Meyers, 2018; Scroggins & Malley, 2010). These disparities are magnified by gendered income gaps and asset inequality.

These race- and gender-based disparities are further reinforced by the structural design of mainstream lending systems. Even when justice-involved individuals seek financing, they encounter rigid underwriting frameworks that fail to account for the compounded impacts of incarceration. Understanding how these systems function—and whom they exclude—is essential to addressing the credit barriers faced by this population.

Exclusionary Underwriting Practices

Traditional underwriting standards rely heavily on credit scores, collateral, and personal guarantees—criteria that systematically disadvantage formerly incarcerated applicants. Research finds that incarceration alone reduces credit scores by approximately 50 points on average, with each additional year behind bars lowering scores further by about 32 points (Aneja & Avenancio-

León, 2019). These drops often push applicants into subprime credit tiers, where they face higher interest rates and greater likelihood of denial.

Collateral requirements further compound this exclusion. Households impacted by incarceration have roughly 50% less wealth than unaffected households (Brown, 2022). Among Black families with an incarcerated member, median net wealth falls as low as $1,100—compared to $15,300 among white families—leaving little to pledge for loans or down payments (Brown, 2022). Personal guarantees, a common business loan requirement, are difficult to obtain for justice-impacted entrepreneurs who lack access to wealthier guarantors (Phillips, 2022).

Until recently, SBA loan applications included blanket questions about justice involvement that disqualified applicants outright. In 2023, the SBA removed these categorical restrictions, acknowledging that prior justice involvement is not a reliable predictor of loan default risk and should not be a disqualifying factor (Small Business Administration, 2023b).

While this policy change marks meaningful progress, it does not erase the broader financial damage incarceration inflicts. Beyond formal restrictions, justice-involved individuals often return home with deeply compromised credit histories and limited access to mainstream financial systems—barriers that persist even in the absence of explicit discrimination.

Financial Exclusion and Credit Invisibility

Incarceration often leads to significant financial damage that continues well beyond release. Individuals accumulate unpaid debts, court fines, and delinquent accounts during incarceration, which negatively affect their credit reports. The Consumer Financial Protection Bureau (2022) notes that justice-impacted individuals are disproportionately likely to have damaged or nonexistent credit upon reentry, limiting access to housing, employment, and financial services.

Additionally, long prison sentences can lead to credit invisibility. Approximately 11% of adults in the U.S. are considered credit invisible or unscorable, and the rate is considerably higher for people emerging from incarceration (Brevoort, Grimm, & Bhutta, 2015). This invisibility blocks access to even basic credit products such as secured cards or installment loans, perpetuating financial exclusion.

The consequences of credit invisibility rarely end with denied loans—they often extend to the most basic forms of financial participation. This makes it critical to examine how banking systems further restrict access for individuals returning from incarceration.

Banking Access Gaps

Access to banking is a foundational step toward financial inclusion, yet many formerly incarcerated individuals remain excluded from mainstream institutions. Nationally, the unbanked rate stood at 4.5% in 2021 (FDIC, 2022), but estimates for justice-involved individuals are significantly higher due to factors like mistrust of financial institutions, past account closures, or ChexSystems flags. Upon reentry, individuals often lack the documentation or financial history required to open new accounts (Consumer Financial Protection Bureau, 2022).

A Wall Street Journal investigation found that formerly incarcerated people frequently rely on prepaid debit cards issued by prisons at release—cards that carry fees and offer limited financial functionality (Dezember, 2020). Without access to a checking account, individuals are cut off from many forms of employment, credit-building tools, and affordable financial services.

These individual-level barriers are not isolated—they reflect broader systemic disparities that disproportionately affect justice-impacted individuals across key financial metrics. Comparing these outcomes to those of the general population reveals just how deep and far-reaching the exclusion truly is.

Disparities Compared to the General Population

The following indicators illustrate the measurable disadvantage faced by justice-involved individuals in comparison to their non-justice-involved peers:

- Loan Denials: Households with an incarcerated member are more than twice as likely to have a loan denied (23.4%) than those without such involvement (11.2%) (Brown, 2022).
- Credit Scores: Formerly incarcerated individuals experience an average 50-point drop in credit score due to incarceration, with each additional year in prison reducing scores further. This places many in subprime credit tiers, while median scores in the general population have now surpassed 700 (Aneja & Avenancio-León, 2019; CFPB, 2022).
- Wealth: Median wealth among incarceration-affected households is less than half that of unaffected families (Brown, 2022).
- Banking Access: While 95.5% of U.S. households hold a bank account, many returning citizens remain unbanked due to systemic screening and stigma (FDIC, 2022; Consumer Financial Protection Bureau, 2022).

These gaps, taken together, highlight the quantitative extent of economic exclusion facing justice-involved populations—and suggest that improving financial inclusion is essential to reducing recidivism and supporting long-term reentry.

While these national disparities are striking, understanding how they manifest at the state level is equally critical—particularly in Indiana, where high rates of incarceration intersect with limited financial infrastructure. A closer look at state-specific data reveals how these challenges play out on the ground and where targeted solutions may be most needed.

Indiana-Specific Data

In Indiana, statewide economic indicators reflect the national trends. The state's unbanked rate was 5.6% in 2021—above the national average (FDIC, 2022). Given the known correlations between incarceration, poverty, and financial exclusion, this figure likely underestimates the challenge for returning citizens in the state.

Programs such as Old National Bank's "12 Steps to Financial Success," offered inside Indiana correctional facilities, aim to improve financial literacy and banking trust among incarcerated individuals prior to release (American Banker, 2023). Yet local credit access remains limited. Each year, over 12,000 individuals are released from Indiana prisons, and 35% return within three years—a figure that rises to 60% among those who remain unemployed (Indiana Department of Correction, n.d.). Credit invisibility, loan denials, and limited banking access all contribute to this economic precarity.

While reforms like the SBA's 2023 rule change may improve entrepreneurship opportunities for some Indiana residents with records, financial infrastructure in the state remains underdeveloped for this population. Continued investment in CDFIs, reentry-focused financial coaching, and state-level credit tracking will be essential to improving outcomes.

Against this backdrop of limited access, alternative lending models have stepped in to meet the needs of justice-impacted entrepreneurs. These institutions—often mission-driven and community-rooted—offer a glimpse of what a more inclusive financial ecosystem could look like.

Alternative Lending Solutions and Microfinance

Justice-impacted individuals face steep barriers in traditional credit markets, often disqualified by credit score cutoffs, lack of collateral, or justice-related red flags. In response, alternative lenders—particularly Community Development Financial Institutions (CDFIs) and online microfinance platforms—have emerged as vital sources of capital for this underserved population.

Nationally, CDFIs have distributed over $267 billion since their inception, with business loans averaging $121,000 and approval rates far exceeding those of traditional banks for borrowers of color and low-income applicants (CDFI Fund, 2022). These institutions use more flexible underwriting models, often providing technical assistance alongside financing, and are disproportionately accessed by borrowers with subprime credit or limited financial histories. For instance, in 2021, 76% of CDFI borrowers were people of color, and 47% were low-income individuals (CDFI Fund, 2022).

Online microfinance also plays a growing role. Kiva U.S., for example, has distributed over $60 million in zero-interest loans to more than 8,000 entrepreneurs since 2011. Their average loan size is just under $8,000, and 63% of recipients in 2022 were women, 41% Black, and 18% Latino or Hispanic American. Most had credit scores below 650 or were entirely “credit invisible,” illustrating how alternative models can reach those excluded from the mainstream (Kiva, 2023). With a repayment rate of 96%, Kiva challenges assumptions about the lending risk posed by low-credit borrowers.

Despite this success, CDFIs remain under-resourced. A 2022 Treasury report found that Indiana receives just one-tenth the CDFI loan volume per capita compared to capital-rich states (U.S. Department of the Treasury, 2022). These "CDFI deserts" leave many regions—especially rural and post-industrial areas—without equitable access to credit.

Indiana's CDFI landscape reflects this imbalance. While national capacity remains limited, local institutions have begun to adapt inclusive lending practices—demonstrating both the potential and the persistent shortcomings of access in justice-impacted communities across the state.

Inclusive Lending in Indiana

Indiana illustrates both the promise and limitations of inclusive finance. Brightpoint Development Fund and the Business Ownership Initiative (BOI) offer microloans and coaching to borrowers who would typically be denied by banks. These CDFIs report that over half their clients are women or people of color—groups that strongly overlap with the justice-impacted population (Indy Chamber, 2023; Brightpoint, n.d.).

CDFI Friendly South Bend provides a matchmaking model—identifying local borrowers and connecting them to out-of-state CDFIs. Since launching in 2021, it has facilitated millions in financing for small businesses, including justice-impacted entrepreneurs like the founders of Property Bros LLC (CDFI Friendly South Bend, 2022). In Bloomington, a similar initiative partners with developers, small businesses, and housing providers to increase capital flow without functioning as a direct lender (CDFI Friendly Bloomington, n.d.).

The City of South Bend's Revolving Loan Fund (RLF), supported by federal block grants, offers lower credit score requirements and accepts nontraditional collateral—tools that directly reduce access barriers. One notable recipient, Alejandro Saucedo of Indiana's Elite Cleaning, used RLF funds after being denied by traditional lenders. The capital allowed him to win a major public contract and hire additional staff (South Bend Small Business Showcase, 2023).

Indiana has also received $99 million in federal SSBCI funds, with over a third earmarked for underserved businesses. This includes the $29 million Legend Fund, which provides low-cost capital to mission-aligned lenders and aims to close equity gaps in business ownership (Indiana Economic Development Corporation, n.d.).

Still, the state lacks comprehensive tracking of loans to justice-involved borrowers, limiting our ability to measure equity outcomes. Efforts like the Federal Home Loan Bank of Indianapolis's $5 million CDFI Rate Buydown Advance are steps in the right direction, but broader infrastructure and data systems are needed to ensure the financial inclusion of justice-impacted individuals (FHLBank Indianapolis, 2024).

Conclusion

Taken together, the data clearly demonstrate that justice-impacted individuals face substantial, quantifiable barriers to capital access—far exceeding those faced by the general population. They are more likely to be unbanked, carry lower credit scores, experience higher loan denial rates, and possess significantly less wealth to meet underwriting standards. While entrepreneurship has emerged as a promising reentry strategy—particularly when supported by inclusive lending mechanisms such as CDFIs, RLFs, and microfinance platforms—these solutions remain fragmented and under-scaled. Even with positive outcomes from programs like Defy Ventures and CDFI Friendly South Bend, Indiana continues to trail national benchmarks in

CDFI penetration and lacks systemic tracking of justice-specific financial outcomes. These limitations underscore the need for not only broader investment but also deeper understanding of how individuals experience and navigate these barriers on the ground. The following section presents qualitative insights drawn from interviews with justice-impacted entrepreneurs and ecosystem leaders, revealing the personal strategies, structural obstacles, and community-based supports shaping reentry through entrepreneurship.

VI. QUALITATIVE DATA COLLECTION

The qualitative component consisted of five semi-structured interviews with individuals possessing firsthand knowledge of the challenges and supports for justice-impacted entrepreneurs. Interviewees were selected via purposive sampling to represent a range of perspectives: program alumni, program administrators, and finance professionals. Each interview lasted approximately 60–90 minutes and followed a guide of open-ended questions covering topics such as personal or observed barriers to obtaining capital, experiences with entrepreneurship training programs, perceived gaps in services, and recommendations for policy or practice changes. Notably, the interviews included:

1. *Clinton "CeCe" Bell* – a South Bend resident who, after incarceration, completed the Dismas House reentry program and participated in Notre Dame's SBEAP entrepreneurship bootcamp. Bell now works as a Community Relations Manager at Dismas House and provided insights into how entrepreneurship training and supportive housing influenced his reentry journey.
2. *Sean Benner and Whitney Aalfs* – representing dual perspectives as co-founders of M.I. Industries in South Bend and as justice-impacted individuals. Both Whitney and Sean are formerly incarcerated and currently in reentry. They are also life partners, working together to build their business. While Sean is listed as the formal business partner on official paperwork, Whitney plays an equally integral role in all aspects of operations and is a paid employee. Their joint interview explored how stable employment, mutual support, and hands-on learning can serve as a foundation for entrepreneurship, as well as the ways employers and partners can create inclusive opportunities for justice-impacted individuals.

3. *Melissa O'Dell* – Executive Director of Defy Ventures Illinois, who offered expertise on running entrepreneurship programs for currently and formerly incarcerated people. O'Dell discussed program outcomes in Illinois (which serves as a comparative case for the Midwest region), including business launches by program graduates and reduced recidivism, and her perspective on the training and support elements that are most critical to success.
4. *Sam Centellas* – Executive Director of CDFI Friendly South Bend, a local initiative to connect South Bend entrepreneurs with CDFI financing. Centellas provided a finance-sector viewpoint on the structural barriers in conventional lending and described how the CDFI Friendly model (including programs like Capital Coaching and Credit Builder) works to bridge capital gaps for entrepreneurs who don't fit traditional credit profiles.
5. *Alejandro Saucedo* – Founder of Indiana's Elite Cleaning, a small business in Northwest Indiana. As a local Latino entrepreneur who built his company "from the ground up," Saucedo spoke to the challenges of accessing startup capital as a newcomer. He shared how he navigated financing (including utilizing the City of South Bend's revolving small business loan fund) and emphasized the importance of mentorship and networking in growing his business.

All interviews were conducted with informed consent and documented through detailed note-taking. This data provided context-rich insight into real-world reentry entrepreneurship, complementing and grounding the quantitative analysis.

VII. QUALITATIVE ANALYTICAL APPROACH

The qualitative analysis drew from interviews with justice-impacted entrepreneurs, program leaders, and finance professionals. Interview notes were reviewed and coded using an inductive thematic approach. Codes were developed based on recurring language, experiences, and observations across participants, then grouped into broader themes such as trust and stigma, navigation challenges, and program impact.

Themes were refined through cross-case comparison and triangulated with quantitative findings and existing literature to assess alignment or divergence. Particular attention was given to how participants described navigating systemic barriers, accessing support, and sustaining entrepreneurial efforts post-incarceration. Insights from this analysis directly informed the structure of the qualitative findings and shaped both the thematic findings and the recommendations that follow.

VIII. QUALITATIVE FINDINGS: THEMES FROM STAKEHOLDER INTERVIEWS

Drawing from the five in-depth interviews, I identified several key themes that shed light on the nuanced challenges and effective strategies for expanding capital and support for justice-impacted entrepreneurs. Despite the diverse roles of my interviewees – ranging from a program alum to a finance executive – their perspectives converged on many points. Below, I synthesize the major themes, supported by direct insights from the interviews (attributed to the individuals by name), and discuss how these human stories augment and illuminate the quantitative findings. The themes below represent both barriers and success factors, as described by those navigating reentry, running programs, or managing capital access systems.

Theme 1: Stigma, Trust, and Credibility – "Proving we're not a risk."

A dominant theme was the stigma associated with a criminal record and the resulting lack of trust from potential lenders, investors, and even customers. Whitney Aalfs and Sean Benner, both justice-impacted individuals and founders of M.I. Industries, shared that navigating entrepreneurship while in recovery and reentry came with deep emotional tolls and institutional skepticism. Whitney noted that stigma remains a barrier in many industries: "Fuck the stigma."

Their business, one of five teams in the U.S. specializing in industrial ovens, launched with support from a partner who contributed a $5,000 investment and ongoing administrative help. Still, Sean and Whitney struggled to obtain a business credit card due to their short credit histories and have not yet found grants they qualify for. Despite these challenges, Whitney emphasized the value of building something legitimate, stating, "Not all money is good money or clean money." For them, the effort of running a legal and growing business is worth it—especially when compared to past experiences with informal or semi-licit income. She also reflected on the emotional strain of sustaining a business in the face of constant stress: they “feel like quitting almost daily,” but continue to build something together.

Sean pointed to broader patterns of distrust from financial institutions, observing: “A loan is taking a chance on somebody and they're making a decision based on who you are on paper.” Their story illustrates how even those with good personal credit scores and business viability may be deemed unworthy of capital solely due to systemic barriers tied to incarceration history.

Sam Centellas of CDFI Friendly South Bend echoed this structural issue. While his organization focuses solely on capital—not mentorship or training—he emphasized that access alone isn’t enough. Without programs that build business knowledge, entrepreneurs may struggle to qualify for or effectively use capital. Sam recommended credit-building strategies, such as $500 cash-secured credit cards backed by local funding pools, as one entry point for entrepreneurs with limited credit histories.

Melissa O’Dell of Defy Ventures cautioned against defining outcomes solely in terms of recidivism: “It’s very reductionist to look at only recidivism.” Instead, she emphasized measuring fulfillment, business viability, and social impact—offering a broader understanding of what success looks like for justice-impacted individuals in business.

Theme 2: Importance of Training, Mentorship, and Wraparound Support

Training and mentorship emerged as critical components of successful reentry entrepreneurship. Clinton Bell described how the South Bend Entrepreneurship and Adversity Program (SBEAP) emphasized entrepreneurship as a mindset first, with formal business supports coming later. While the bootcamp did not provide seed funding or direct financial partnerships, participants received guidance on pursuing resources and were encouraged to start small using sweat equity. The city even covered business registration fees.

Clinton appreciated the flexible structure and community orientation of the program, although he acknowledged that optional attendance and the lack of accountability structures may contribute to inconsistent long-term outcomes.

Though Sean and Whitney did not participate in a formal entrepreneurship program, they were included in community conversations around reentry and business at Dismas House. Whitney, in particular, reflected that without structured guidance, learning the basics of entrepreneurship—like taxes, bookkeeping, and funding applications—was overwhelming. She stated that reentry and entrepreneurship programs should "help you learn how to do it all."

Alejandro Saucedo, a Dismas and SBEAP graduate, offered a case study in self-discipline and resourcefulness. "I saved up my capital, then gave up all other distractions... meaning a full-time job." He rejected the part-time "side hustle" model, choosing instead to go all in on his venture. "A safety net can hold you back," he said. He wrote his business plan while incarcerated and launched Indiana's Elite Cleaning after saving $15,000 through paid work during his time at the South Bend Community Reentry Center.

When Alejandro was finally offered a major toll road cleaning contract—but needed $80,000 in equipment to fulfill it—CDFI Friendly South Bend stepped in and provided the capital. He described this turning point simply: "That changed everything." His story underscores that capital access must follow—and not precede—entrepreneurial discipline, community accountability, and training.

Theme 3: Navigating Bureaucracy and Regulations – "The system isn't designed for us."

Bureaucratic complexity surfaced as a recurring barrier. Sean and Whitney expressed hesitancy about borrowing, noting the complexity of grant eligibility and the emotional weight of taking on debt. As Whitney shared, they "don't want to owe anyone money."

Clinton did not describe firsthand legal barriers, but others noted broader issues that impact justice-impacted entrepreneurs. For example, some licensing boards in Indiana and neighboring states bar people with felony convictions from entering certain trades, even when the offense is unrelated to their proposed business. Melissa O'Dell shared that Defy Ventures includes navigation support for these systems in their programming—helping participants prepare applications, seek legal advice, and avoid common pitfalls.

Sam Centellas reiterated that CDFI Friendly does not offer technical assistance. "We don't offer wraparound support. We just help lending happen." He emphasized the importance of local infrastructure—legal aid, accounting support, and technical training—to complement lending pathways. Without those, access to capital doesn't translate into long-term success.

Theme 4: Second Chances Pay Off (Success Stories and Employer Buy-In) – "When given a chance, we deliver."

Across interviews, participants reflected the belief that second-chance entrepreneurship is both possible and worthwhile. Whitney shared, "My kids are proud of me." Sean and Whitney have remained committed to their growing business, even while balancing recovery, stigma, and financial uncertainty. Their story shows that grit and partnership can serve as scaffolding for business stability.

Alejandro's path was also rooted in mission and growth. His cleaning business began with Dismas House support and a few early clients. When offered a $300,000 contract with the

Indiana Toll Road, he leveraged his earlier discipline and partnership with CDFI Friendly to make the contract possible. Reflecting on broader gaps in support, he noted: “If we had a REAL program, that would make all the difference.” He also noted a lack of training in navigating public contracts: “Who is teaching folks to read the 450-page RFP?”

While Clinton has not yet launched a business, his participation in SBEAP and leadership at Dismas House exemplify what Melissa O’Dell of Defy Ventures refers to as 'intrapreneurship'—demonstrating entrepreneurial thinking and initiative within an organization. He has been offered employment and promoted based on his growth mindset, and continues to explore future business opportunities, including the development of a proprietary app to support public speakers. He continues to support others in their reentry journeys.

These interviews reflect a consistent truth: justice-impacted entrepreneurs succeed when community trust, education, and capital converge. As Whitney put it: “Look for your support. There are hundreds of thousands of folks who have come out of prison and are making it.”

IX. DISCUSSION & SYNTHESIS

Framing the Integration

This study finds strong alignment between quantitative lending disparities and qualitative accounts of capital exclusion. Systemic barriers—including short credit histories, criminal records, and racialized perceptions of risk—interact to undermine access to financing for justice-impacted entrepreneurs. These barriers are well-documented in national datasets, which show that Black, Hispanic, and low-income business owners are significantly more likely to be denied loans, even when controlling for business performance (Bankrate, 2023; SBA, 2023).

Capital Access Barriers: Convergence of Data and Experience

Access to capital remains one of the most consistent and consequential barriers for justice-impacted entrepreneurs—one that is both statistically measurable and experientially validated. Quantitative data show that Black, Hispanic, and low-income business owners are significantly less likely to be approved for loans and more likely to be denied credit outright, even when controlling for business viability, revenue, and repayment history (Bankrate, 2023; U.S. Small Business Administration, 2023). These patterns reflect deeply embedded structural exclusions that intersect with incarceration history, particularly through mechanisms like short or nonexistent credit histories, lack of collateral, and low household wealth (Aneja & Avenancio-León, 2019; finEQUITY, 2022).

The lived experiences shared by Whitney Aalfs and Sean Benner offer a powerful case study of how these dynamics manifest in real time. Despite having strong personal credit and a viable business model, they were denied a business credit card—solely due to limited credit length, a barrier not uncommon for individuals who spent time incarcerated. This aligns with

Darity et al.'s (2020) findings on the credit suppression effect of incarceration and reinforces the gap between eligibility in theory and access in practice. Their inability to find grant programs they qualified for also reflects the broader issue of opaque, restrictive eligibility frameworks, particularly in reentry contexts (National Community Reinvestment Coalition, 2020).

Sam Centellas, Executive Director of CDFI Friendly South Bend, offered insight from the capital provider side. While his organization works to expand access through alternative financing, he emphasized that many applicants still lack key "readiness" markers such as proper documentation, tax filings, or credit baselines. Capital exclusion, then, is not just about denial—it is about design. Systems that assume conventional creditworthiness effectively lock out those who have faced incarceration, particularly without tailored technical assistance or financial coaching. These insights directly address one of the guiding research questions: Which models show the most promise for sustainability and equity? The answer lies not only in opening capital pipelines, but in redesigning the on-ramps.

Program Strengths and Limitations: The Value of Support and Its Gaps

Entrepreneurship programs have emerged as a high-impact intervention for justice-impacted individuals—particularly when paired with mentorship, housing support, and holistic services. This study finds alignment between national program outcomes and qualitative stakeholder narratives, suggesting that training programs can meaningfully reduce recidivism, improve employment, and create pathways to economic agency. Nationally, initiatives like the Prison Entrepreneurship Program (PEP) and Defy Ventures report sharply lower recidivism and higher post-release employment compared to baseline populations, along with broader economic gains such as increased tax contributions and higher average wages (Prison Entrepreneurship Program, 2022; Defy Ventures, 2023; ICIC, 2018).

Qualitative interviews strongly reinforced these quantitative trends. Clinton Bell described how the South Bend Entrepreneurship and Adversity Program (SBEAP) fostered entrepreneurship as a mindset—prioritizing personal development, community orientation, and purpose alongside technical business literacy. This aligns with Melissa O'Dell's argument that reentry entrepreneurship programs should not be framed narrowly as "recidivism reduction machines," but rather as long-term investments in leadership, healing, and systems change (O'Dell, personal communication, 2024). These perspectives reflect a shift in how success should be measured—away from narrow compliance-based metrics, and toward personal and collective transformation.

Yet despite their promise, most programs remain undercapitalized and under-resourced—particularly at the "growth" stage. Participants like Sean, Whitney, and Alejandro described needing to "bootstrap" their early ventures while working full-time jobs, often without access to seed funding, mentorship continuity, or grant support. While this resourcefulness is admirable, it also reveals a policy failure: resilience should not be a prerequisite for viability. Program design often assumes participants can simultaneously recover from incarceration, stabilize housing, and build a business—with little structured financial support. As Clinton noted, the flexible design of programs like SBEAP can promote accessibility, but may also contribute to uneven outcomes when accountability or follow-through is lacking.

These findings suggest that entrepreneurship programs work—but only when embedded within broader ecosystems of trust, funding, and long-term mentorship. This echoes the study's second research question: which models show scalability and sustainability? The answer lies not only in replicating curriculum, but in structurally embedding programs into workforce systems, community colleges, and reentry housing programs to provide continuity across a participant's reentry journey.

Trust, Credibility, and the Power of Social Capital

Beyond credit scores and collateral, this study finds that trust and credibility—both social and institutional—serve as invisible currencies for justice-impacted entrepreneurs. While largely absent from quantitative data, trust consistently emerged in interviews as a prerequisite for success: not only in securing capital, but in rebuilding personal identity post-incarceration. Participants described how lenders often perceived them as "high-risk," regardless of their discipline, credit score, or business viability. As Sean Benner noted, "They're making a decision based on who you are on paper"—a phrase that underscores how both credit scores and criminal records become reductive proxies for character and competence (Aalfs & Benner, personal communication, 2024).

These narratives point to a deeper flaw in traditional financial systems: the inability to recognize potential beyond past missteps. Quantitative studies support this dynamic, showing that many returning citizens choose not to apply for credit at all, anticipating rejection based on stigma rather than substance (Bankrate, 2023; Third Way, 2023). This self-exclusion creates what might be called a "hidden market" of entrepreneurs who opt out—not due to a lack of motivation or business ideas, but due to learned distrust and institutional signaling that they do not belong.

In this context, social capital functions as a critical counterweight to financial exclusion. Clinton Bell and Alejandro Saucedo described how relationships—with mentors, peer networks, or reentry programs—provided both practical support and symbolic validation. For Saucedo, a single decision by CDFI Friendly South Bend to back his contract bid transformed not just his business, but his belief in what was possible: “That changed everything” (Saucedo, personal communication, 2024). These moments of trust-building are not ancillary to capital access—they are the scaffolding upon which access depends. Melissa O’Dell of Defy Ventures reinforced this perspective, arguing that metrics like recidivism fail to capture what matters most: dignity, purpose, and long-term belonging (O’Dell, personal communication, 2024).

These insights echo the broader findings of this study: that capital access is not only a technical hurdle, but a relational one. Programs that prioritize peer mentorship, storytelling, and public-facing platforms (such as pitch competitions) serve not just as training opportunities—but as vehicles for identity repair and public credibility. In answering this study’s core question about what models are most effective, the evidence here suggests that those embedding social trust alongside financial tools offer the most holistic—and scalable—impact. Moving forward, ecosystem design must treat dignity, visibility, and community trust as essential infrastructure.

System Design Flaws and Data Blind Spots

A critical weakness in entrepreneurship policy is the invisibility of justice-impacted entrepreneurs within system-level data. While equity efforts often focus on race, gender, or income, federal datasets—including those maintained by the SBA, Census Bureau, and CDFI Fund—fail to track whether small business applicants have a history of incarceration or justice involvement. As a result, public initiatives such as the State Small Business Credit Initiative (SSBCI) and SBA microloan programs cannot assess how many justice-impacted entrepreneurs they are serving—or overlooking (Bushway et al., 2021; U.S. Department of the Treasury, 2022).

This invisibility has cascading effects. It undermines accountability: without disaggregated data, funders and program designers cannot evaluate whether equity goals are being met for one of the most marginalized groups in the economy. It limits policy learning: successful models like the Prison Entrepreneurship Program and Defy Ventures remain siloed rather than scaled. And it perpetuates structural neglect: what cannot be measured is easier to ignore.

Interview participants echoed these system gaps. Licensing restrictions, unclear eligibility requirements, and bureaucratic complexity were cited as consistent barriers. Although some states have reformed occupational licensing laws, over 25,000 legal provisions still impose restrictions nationwide (Mercatus Center, 2020; Institute for Justice, 2022). Alejandro Saucedo's question—"Who is teaching folks to read the 450-page RFP?"—encapsulates how well-meaning programs often remain inaccessible in practice. Justice-impacted individuals don't just face exclusion from capital—they must navigate systems that were never designed with them in mind.

Addressing these gaps will require more than incremental fixes. Institutional redesign is needed: simplified and transparent applications, user-centered eligibility guidance, and the inclusion of justice-involvement indicators in program evaluations. The absence of tracking mechanisms also hampers efforts to build an evidence base. Mixed-methods approaches like this one can help illuminate what quantitative systems miss, but they are not a substitute for structural accountability. In the interim, programs can pursue options like voluntary self-reporting, anonymous audits, or research-practitioner partnerships to help close the data gap and make justice-impacted entrepreneurs visible by design, not exception.

Implications for Policy, Practice, and Ecosystem Design

The findings presented here carry several critical implications for policymakers, funders, and ecosystem builders. First, capital alone is insufficient. Sustainable outcomes require a full continuum of support—including credit-building, technical assistance, and mentorship—delivered in coordinated and culturally competent ways. When these elements are combined with stable housing and community trust, outcomes improve not marginally but significantly.

Second, justice-impacted individuals remain both underserved and undercounted. Institutions must address this invisibility by reforming data collection and explicitly designing programs with justice-system involvement in mind. This includes targeted supports (like guaranteed microloans or tailored technical assistance) as well as broader eligibility reforms, such as the recent removal of SBA exclusions for individuals on probation or parole (U.S. Small Business Administration, 2024).

Third, entrepreneurship must be elevated as a legitimate reentry strategy—not treated as an exception or last resort. Many justice-impacted individuals prefer self-employment for its flexibility, autonomy, and alignment with personal transformation. Scaling this pathway through public investment, policy alignment, and reentry-led programming could reduce recidivism, boost local economies, and drive community ownership of economic development.

Finally, relationship-based models hold the greatest promise for long-term impact. Initiatives like CDFI lending partnerships, Defy Ventures cohorts, and peer-led programming offer more than capital—they offer trust, identity repair, and belonging. Programs that integrate capital access with personal development and lived-experience leadership are best positioned to address the full complexity of reentry through entrepreneurship.

In short, the future of second-chance entrepreneurship will be defined not by pilot programs or isolated initiatives, but by whether institutions can embed justice into the design of capital systems themselves.

Conclusion

The convergence of statistical evidence and lived experience affirms that justice-impacted entrepreneurs face unique but surmountable challenges. Financial exclusion, regulatory complexity, and social stigma are not simply individual problems—they are systemic failures that require systemic solutions. The programs and people highlighted in this study offer a roadmap for how change is already happening—locally, relationally, and incrementally. With better policy, smarter data, and greater investment, these models can evolve from isolated successes into the foundation of a truly inclusive entrepreneurial ecosystem.

X. POLICY AND PROGRAM RECOMMENDATIONS

The analysis presented in this thesis reveals that capital access for justice-impacted entrepreneurs cannot be resolved through financial products alone. Policy responses must match the complexity of the challenge by addressing regulatory exclusions, data invisibility, under-resourced support systems, and deeply embedded distrust. The following recommendations are grounded in stakeholder insights and best practices from the field, and offer a path forward for Indiana and other states seeking to foster second-chance entrepreneurship.

Expand and Fund Entrepreneurship Training Programs for Returning Citizens

Entrepreneurship training programs represent one of the most effective tools for reducing recidivism and building long-term economic stability. Programs like Defy Ventures and the South Bend Entrepreneurship and Adversity Program (SBEAP) have demonstrated strong outcomes in employment, personal development, and community reintegration (Defy Ventures, 2023; South Bend Entrepreneurship & Adversity Program, 2023). These programs should be expanded across Indiana, with targeted investment in rural and under-resourced regions.

Training should include technical instruction, credit-building education, business licensing navigation, and pitch preparation. Alumni such as Clinton Bell and Whitney Aalfs should be engaged in program delivery roles to enhance credibility and build trust. Community colleges (e.g., Ivy Tech) and university extension offices (e.g., Purdue Extension) can serve as delivery sites to integrate entrepreneurship into workforce pathways. Where possible, programming should be coupled with formal referral pipelines to CDFIs and reentry-friendly lenders.

Establish a State-Funded Microloan Program and Loan Guarantee Fund

Justice-impacted individuals consistently report difficulty accessing seed capital due to short or poor credit histories, lack of collateral, and limited personal savings (Consumer Financial Protection Bureau [CFPB], 2022; finEQUITY, 2022). To address this, a state-backed microloan program should be developed, offering loans between $5,000 and $50,000 with flexible underwriting criteria. Eligibility could be tied to successful completion of approved entrepreneurship training programs.

In parallel, Indiana could implement a loan guarantee program to reduce lender risk—covering 50–75% of qualified loans made by banks or CDFIs to justice-impacted borrowers. This model mirrors pilot efforts used by the Prison Entrepreneurship Program’s Second Chance Capital Fund in Texas (Prison Entrepreneurship Program, 2022). Now that the SBA has removed criminal history exclusions from its 7(a) and microloan programs (U.S. Small Business Administration, 2024), Indiana is well-positioned to integrate state initiatives with federal lending infrastructure.

Support CDFI Expansion and Financial Navigation Services

Community Development Financial Institutions (CDFIs) remain underrepresented in much of Indiana. It is recommended that the state support replication of the CDFI Friendly South Bend model in other cities such as Evansville, Fort Wayne, and Bloomington. This includes modest startup funding and technical assistance to attract external CDFIs and structure local loan pipelines (CDFI Friendly South Bend, 2022).

In addition, the deployment of trained financial navigators—embedded in reentry programs, parole offices, or workforce development centers—can directly support justice-impacted individuals in establishing bank accounts, improving credit, and preparing loan applications. These roles are especially vital in addressing trust barriers and financial illiteracy, both of which were identified as key challenges in qualitative interviews.

Partner banks could be encouraged to participate in second-chance lending initiatives under the Community Reinvestment Act, with guidance and convening provided by state agencies or chambers of commerce. Models such as the “Bank On” coalitions for unbanked populations may offer useful templates for developing reentry-focused financial products.

Reform Licensing Laws and Reduce Bureaucratic Barriers

Indiana should continue efforts to reduce occupational licensing barriers for individuals with criminal records, especially where the offense is unrelated to the profession. As of 2020, over 25,000 legal provisions nationwide restricted occupational or business licensing for people with past convictions (Mercatus Center, 2020). A rebuttable presumption of rehabilitation after a set period could be introduced, along with legislative support for individualized review processes.

Expanding eligibility for record expungement or automating parts of the expungement process may also improve access to entrepreneurship, housing, and capital. Additionally, Indiana could consider offering a “Certificate of Entrepreneurship Readiness” for individuals who complete a certified training program. This could function as a formal, state-recognized credential when applying for licenses, loans, or contracts.

To streamline access to services, the state could also develop a One-Stop Reentry Entrepreneurship Portal, allowing users to explore training, licensing, and financing opportunities in one place. Application forms should be reviewed to remove unnecessary criminal history questions that may deter participation, in line with recent SBA reforms (U.S. Small Business Administration, 2024).

Engage the Private Sector Through Incentives and Procurement Reform

Justice-impacted entrepreneurs benefit when public and private sectors collaborate. Indiana could establish a procurement preference for businesses led by or employing formerly incarcerated individuals, modeled after existing minority-owned business policies. This would create viable market pathways for program graduates, particularly in government contracting.

Private companies could be encouraged to mentor or invest in second-chance startups through targeted tax credits or public recognition. A statewide Second-Chance Business Mentorship Corps—managed by a chamber of commerce or university—could match volunteer mentors with emerging entrepreneurs. A similar structure has been piloted informally by entrepreneurs like Sean Benner in South Bend.

Programs such as Homeboy Industries in California illustrate how social enterprises can employ and incubate justice-impacted individuals at scale. In 2020, Homeboy Industries generated $6 million in revenue and paid $5.4 million in wages to formerly incarcerated employees (LA Business Journal, 2020). While Indiana lacks such an enterprise ecosystem, replicating or adapting these models locally could amplify both employment and business development impact.

Invest in Longitudinal Data Collection and Program Evaluation

Finally, improved data collection is essential. Current federal and state systems do not track how many business owners have criminal records or how reentry entrepreneurs fare over time (Bushway et al., 2021). Indiana should fund partnerships between the Department of

Correction, Department of Workforce Development, and academic institutions to track longitudinal outcomes—such as business survival, loan repayment, employment, and recidivism.

Disaggregated data by race, gender, geography, and justice involvement should inform iterative program improvements. Qualitative feedback from participants should also be systematically collected to capture non-quantifiable outcomes like dignity, purpose, and social capital. These efforts can help build a robust evidence base for sustaining and scaling second-chance entrepreneurship initiatives.

Summary

These policy recommendations reflect a central conclusion of this thesis: microfinance alone cannot overcome systemic exclusion. But when paired with education, mentorship, legal access, and ecosystem design rooted in trust and equity, justice-impacted entrepreneurs succeed.

Indiana already has models to build from. The tools exist. What's needed is investment, integration, and political will.

Second-chance entrepreneurship will not be sustained through pilot programs or goodwill alone. It will require structural commitments that embed justice into the financial systems we build—commitments that turn isolated innovation into institutional equity.

XI. CONCLUSION

This research has examined the challenge of expanding capital access for justice-impacted entrepreneurs in Indiana and the broader Midwest through a convergent mixed-methods lens. By integrating quantitative data on lending disparities with firsthand insights from entrepreneurs, program leaders, and lenders, the study offers a comprehensive view of both systemic barriers and promising interventions.

The findings confirm that formerly incarcerated individuals can and do become successful entrepreneurs—contributing to local economies, reducing recidivism, and building stronger communities. But success is not determined by grit alone. Without intentional investment in inclusive infrastructure—capital access, technical assistance, legal reform, and ecosystem alignment—most justice-impacted individuals remain excluded from meaningful entrepreneurial opportunity. That exclusion is not just a policy oversight—it is a preventable injustice with measurable costs.

Alternative lending models such as CDFIs, revolving loan funds, and microfinance platforms offer real potential, but only when paired with wraparound supports: business training, mentorship, housing stability, and community-based trust. Programs like Defy Ventures and initiatives in South Bend demonstrate how this layered approach leads to measurable outcomes in employment, dignity, and long-term self-sufficiency. The experiences of individuals like Alejandro Saucedo and Clinton Bell illustrate the human potential behind these models—and the systemic failure when they are absent.

Indiana and its neighboring states stand at a pivotal policy moment. With federal reforms removing categorical SBA exclusions and increasing momentum around reentry programming, the Midwest has a window to lead the nation in building a truly inclusive entrepreneurial ecosystem. But seizing that opportunity will require more than acknowledgment—it will require coordination across economic development agencies, reentry service providers, CDFIs, funders, and the private sector. The return on this investment is clear: lower incarceration rates, increased tax participation, safer neighborhoods, and restored lives.

This study's central conclusion is both simple and urgent: microfinance models work best when embedded in holistic support systems. Capital without training is insufficient. Training without capital is ineffectual. And both are undermined without trust, infrastructure, and systemic inclusion. Second-chance entrepreneurship must not be treated as a boutique intervention—it must be positioned as a serious, scalable reentry strategy.

Finally, economic reintegration must be rooted in human dignity. Supporting justice-impacted entrepreneurs is not just about reducing recidivism or growing GDP—it's about recognizing value, restoring agency, and reimagining what justice can look like in practice. As one program leader put it, "Jobs don't just save lives—they save souls." In that spirit, this thesis offers not just a policy roadmap, but a call to embed equity, trust, and second chances into the very systems that shape economic life in America.

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