Pat Taylor doesn’t believe in going into debt. She keeps her bills in a freezer bag under her bed, next to old photo albums, and believes in paying them on time religiously. For Taylor, living within your means is part of being a good Christian.

Lately, Taylor, 64, has felt torn between that commitment and her desire to be a loving, supportive mother for her son Eddie.

Eddie, 38, is serving 20-year prison sentence at Bland Correctional Center for armed robbery. He’s doing his time at a medium-security Virginia state prison located 137 miles northwest of Johnson City, across the dips and valleys of the Blue Ridge Mountains here in the heart of Appalachia. The cost of supporting and visiting Eddie keeps going up, so Pat makes trade-offs.

More and more often, it falls to families of prison inmates to pick up the rising cost of basic items like toiletries and winter clothes. Adding to the squeeze, private companies often charge exorbitant fees to send the money.

In 12 years, JPay Inc. has taken over much of the market for sending money to prisoners — it's now the only option for 450,000 inmates.

JPay shares its profits with prison systems, boosting the costs paid by families and forcing them to choose between sending money and paying their bills.

Some people arrive in jails with negative account balances thanks to fees assessed by the prison system. This forces families to pay large sums before their locked-up relative receives any money to spend.

To get funds to incarcerated relatives, families once relied on mailing money orders, a low-cost option. Since JPay took over financial services in many prisons, money orders are slower and families feel pressured to use a higher-fee option offered by JPay.

Between gas to make the trip and overpriced sandwiches from the prison vending machine, visiting Bland costs about $50, a strain on her housekeeper’s wages. So she alternates, visiting Eddie one week and sending him money the next.

To get cash to her son, Pat used to purchase a money order at the post office for $1.25 and mail it to the prison, for a total cost of less than $2. But in March of last year, the Virginia Department of Corrections informed her that JPay Inc., a private company in Florida, would begin handling all deposits into inmates’ accounts.

Sending a money order through JPay takes too long, so Taylor started using her debit card to get him funds instead. To send Eddie $50, Taylor must pay $6.95 to JPay. Depending on how much she can afford to send, the fee can be as high as 35 percent. In other states, JPay’s fees approach 45 percent.

After the fee, the state takes out another 15 percent of her money for court fees and a mandatory savings account, which Eddie will receive upon his release in 2021, minus the interest, which goes to the Department of Corrections.

Eddie needs money to pay for basic needs like toothpaste, visits to the doctor and winter clothes. In some states families of inmates pay for toilet paper, electricity, even room and board, as governments increasingly shift the costs of imprisonment from taxpayers to the families of inmates.

"To give him $50, I have to send $70 off my card," says Taylor, who moved to a smaller apartment on the outskirts of Johnson City in part because of the rising cost of supporting Eddie.

JPay and other prison bankers collect tens of millions of dollars every year from inmates' families in fees for basic financial services. To make payments, some forego medical care, skip utility bills and limit contact with their imprisoned relatives, the Center for Public Integrity found in a six-month investigation.

Inmates earn as little as 12 cents per hour in many places, wages that have not increased for decades. The prices they pay for goods to meet their basic needs continue to increase.

By erecting a virtual tollbooth at the prison gate, JPay has become a critical financial conduit for an opaque constellation of vendors that profit from millions of poor families with incarcerated loved ones.

JPay streamlines the flow of cash into prisons, making it easier for corrections agencies to take a cut. Prisons do so directly, by deducting fees and charges before the money hits an inmate's account. They also allow phone and commissary vendors to charge marked-up prices, then collect a share of the profits generated by these contractors.

Taken together, the costs imposed by JPay, phone companies, prison store operators and corrections agencies make it far more difficult for poor families to escape poverty so long as they have a loved one in the system.

"It's not just the money transfer that's the problem, it's the system it enables to shift costs onto families," says Lee Petro, an attorney who helped litigate for a national cap on some prison phone rates. Without companies like JPay, he says, "it would be much harder to take money from families and make families of inmates pay their own keep."

In 12 years, JPay says it has grown to provide money transfers to more than 1.7 million offenders in 32 states, or nearly 70 percent of the inmates in U.S. prisons.

For the families of nearly 40 percent of those prisoners, JPay is the only way to send money to a loved one. Others can choose between JPay and a handful of smaller companies, most of them created by phone and commissary vendors to compete with the industry leader. Western Union also serves some prisons.

JPay handled nearly 7 million transactions in 2013, generating well over $50 million in revenue. It expects to transfer more than $1 billion this year. (The company declined to provide any financial details; those included in this article are culled from public records and interviews with current and former employees.)

“We invented this business,” said Ryan Shapiro, 37, the company’s founder and CEO, in a phone interview in June. “Everyone else tries to imitate what we did, and they don't do it as well.”

Shapiro says working with corrections includes extra costs for security and software integration. He says he charges only as much as he must to maintain a razor-thin profit margin. But others provide similar services for less.

NIC Inc., a competitor that helps states set up their websites, charges a flat fee of $2.40 in Maine to send money to inmates. Until recently, Arkansas charged 5 percent to send money through the state’s own Web portal. Floridians pay a fee of 3.5 percent to handle traffic tickets online.

Despite its kudzu-like growth, JPay so far has avoided scrutiny by consumer regulators.

In response to questions for this story, however, the New York Department of Financial Services’ consumer division is reviewing the company’s practices, according to a person familiar with the matter. The person spoke on condition of anonymity because he is not allowed to discuss active investigations.

JPay’s rapid rise stems in part from the generous deal it offers many prison systems. They pay nothing to have JPay take over handling financial transfers. And for every payment it accepts in these states — prisoners typically receive about one per month — the company sends between 50 cents and $2.50 back to the prison operator. These profit-sharing arrangements, which vendors offer as deal-sweeteners in contract negotiations, are known in the industry as “commissions.”

JPay’s payments to Illinois last year came to about $4,000 a month, according to documents obtained under the state’s open records law.

Jails often deduct intake fees, medical co-pays or the cost of basic toiletries first, leaving the account with a negative balance. This prevents inmates from buying “optional” supplies like stationery or sturdier shoes until they have paid down the debt.

Such charges levied by jails for common items are not new. The practice began prior to the rise of JPay, mainly with phone companies and operators of prison stores. But by automating the process, prison bankers make it a lot easier.

JPay was founded in 2002, just as the U.S. prison population neared the apex of a three-decade climb that more than quadrupled the number of inmates in state prisons. Shortly thereafter, as the economy went into recession, state budgets were squeezed and officials looked more aggressively for ways to cut spending on prisons.

Already, private vendors had stepped in with a solution: They would charge prisoners sky-high prices for phone services, snack foods, hygiene products and clothing, then return a large cut back to the prisons — often 40 percent or more.

Shapiro was the first entrepreneur to see how financial services might provide another stream of revenue. For a fee, he offered to deliver cash in ways that saved time and effort for corrections agencies, and often to give them a portion of the proceeds, just as the phone and commissary companies were doing.

“When we started, the states were very much saying to us, ‘There’s no need for procurement here because there’s no one else doing what you do,’ ” Shapiro said in a 2012 interview. Ten years later, he said, all of them were asking companies to submit bids for the work.

That doesn’t mean the door is open to competitors. Most states, including Virginia, now contract with JPay or its main competitor under a master agreement negotiated by Nevada in 2011 on behalf of a multi-state consortium. Participating states can simply sign on to the deal with one or both of the companies without the hassle of separately determining the best company for the job.

JPay is protected from other market forces, as well. When states offer its music players and tablet computers for sale to inmates, they often confiscate radios that people already own, according to inmates in Ohio. This leaves inmates dependent on JPay’s music downloads, which can cost 30 to 50 percent more than the same songs on iTunes, inmates say.

The profit-sharing arrangements are at the core of JPay’s origin story, Shapiro said in 2012. A couple of years out of college, he spent months driving around upstate New York, pitching JPay to “every sheriff, whether they had five inmates or 100 inmates” — without success.

Then someone in Passaic County, New Jersey, suggested that they offer the county 10 percent of their revenue, “so the jail would be less of a tax burden on the community.” The warden signed up on the spot.

Critics including Alex Friedmann, associate director of the Human Rights Defense Center, an inmates’ advocacy group, says the profit-sharing amounts to a legal kickback. “They charge exhorbitant fees then kick back a percentage of their revenue. … The company doesn’t need that for profit,” Friedmann said.

Shapiro says he prefers the term “commission” because “the word kickback has a negative connotation, and it seems like some person is making that money and pocketing it and buying a Chevrolet or something, when in fact it's going to use for the benefit of inmates — basketball hoops, volleyball, whatever."

Most states put their share of the cash in an "Inmate Welfare Fund" that is supposed to be used for inmate benefits beyond what is guaranteed to them by law. As incarceration rates climbed, however, the definition of "inmate benefit" drifted, says Justin Jones, who was director of the Oklahoma Department of Corrections until last year.

"The Legislature allowed us to broaden the definition of inmate welfare and it got to the point, almost anything they would fund through appropriations could now be paid for as inmate welfare," he says. "It ended up where we started using that money if an inmate went out to medical on an emergency and medical was end-of-year short," he says. "We bought air conditioners, ice machines, X-ray machines."

Jones was not a fan of the system. If legislatures want to impose longer prison sentences or "if they create new crimes, then the legislature should appropriate dollars for that," he says. "I should not have to go in and redefine and stretch the definition of inmate welfare accounts."

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