

Should Your Credit Report Cost You a Job?

US News & World Report - July 29, 2009 - This sounds like a cycle of pure misery:

- First, you get laid off
- Then, you're one of the 4.4 million Americans who in June saw their job searches stretch out six months or more
- The bills keep rolling in including car payment, house payment, medical bills
- Your credit card balance is ballooning

You interview for a job and you're one of the top candidates, but a late-stage credit check has the employer going with another hire.

The bottom line: You need a job to improve your financial situation, but your finances are now hurting your ability to get a job.

A House bill introduced earlier this month aims to prevent such a situation. The Equal Employment for All Act would prohibit employers from using the details of a consumer credit report in making hiring decisions, with exceptions for financial firms and government agencies, as well as jobs requiring certain security clearances. The legislation follows efforts by some states to sharply limit employers' ability to consider a person's creditworthiness in hiring.

While credit checks historically were used to screen applicants for financial and government jobs, the practice has spread.

More than 40 percent of employers run credit checks on job candidates, according to some research.

Rep. Steve Cohen, who introduced the bill, points to a report that a third of workers making less than \$45,000 a year have poor credit scores linked to:

- Bankruptcies
- Loan delinquencies
- Divorce
- Medical problems
- Unemployment

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The bill would give some of our most vulnerable, "Credit Challenged" citizens such as:

- Students
- Recent college graduates
- Low-income families
- Senior citizens
- Minorities

the opportunity to begin rebuilding their credit history by obtaining a job," Cohen says.

Most employers who run credit checks do not receive details like account numbers and they do not see the individual's credit score.

They also tend to look for specific red flags, for example, trouble paying maxed out department store credit cards, as opposed to late payments on medical bills, says Matthew Levine, vice president of Checkpast, a Dallas-based pre-employment screening firm.

There are existing safeguards on the credit screening process!

The Fair Credit Reporting Act, which the new bill would modify, requires employers to notify candidates that a credit check may be involved in the hiring process, and candidates must authorize the credit checks.

It also requires employers who, based on the report, would refuse a new hire (or, say, deny a promotion) to give workers a copy of the credit report and notify them of the company's plans. Individuals then may dispute the accuracy of the information in the report, as many credit reports contain errors.

Critics of the new legislation argue that, because of its limited exemptions, it would prohibit employers in non-financial firms from checking out the credit history of employees who would be performing a financial function, say, a manager of a retail store for example, or a call center employee who handles credit card numbers.

Smaller businesses tend to be especially vulnerable to employee fraud. As many as a third of business bankruptcies are because of employee theft, according to one study.

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The idea that some companies would run a credit check because they see a candidate's ability to organize personal finances as an indicator of aptitude in handling the company's seems to cause the most agitation among the bill's supporters.

"We just think that how you handle credit is not something from which you can necessarily deduce how you'll be on the job, and it's an unfair reason to tell a person they can't have a job," says Linda Sherry, director of national priorities at Consumer Action, a nonprofit advocacy group.

In a recession, as many lose "the income to protect themselves," paying bills can become a challenge even for responsible consumers, Sherry says.

Some in the employment screening industry actually agree with Sherry on this point. The argument that "If you can't handle your own finances, how can you handle ours?" is countered by the fact that "People's personal lives can easily take a wrong turn for reasons not of their making—it doesn't mean they can't handle employers' books," says Les Rosen, president of Employment Screening Resources, a provider of background and screening checks.

Rosen says he believes hiring managers themselves are increasingly sensitive to the limited value of credit checks and generally target checks to candidates for positions that involve access to cash.

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