**Employment Screening Credit Checks**

Unincorporated United States Territory, Puerto Rico, recently was added to a growing list of states that have restricted or outright banned an employer’s use of financial credit files as a qualifier for any form of employment – including hiring or promotion.

For private employers, there are currently ten states (CA, CO, CT, HI, IL, MD, NV, OR, VT, WA) plus Puerto Rico and the District of Columbia that have banned the employers use of financial credit files as a tool for employment screening.  Some states may have some narrow exceptions.  Additionally, several of the larger cities (e.g. New York) also have local ordinances restricting or forbidding the employer’s use of a financial credit file. Several bills have been introduced at the federal level as well over recent years addressing this issue; none have yet passed. The EEOC, too, has expressed that an employer should be careful, as they see the potential for discrimination.

***If you are in NC, or one of the states where it is not banned, you should implement some criteria to help you avoid discrimination claims and to clearly show that considering a financial credit file is job-related and a business necessity****.* You could start by asking if your applicant meets at least one of the four following criteria:

* is a managerial position which involves setting the direction or control of the business;
* involves access to customers', employees' or the employer's personal or financial information other than information customarily provided in a retail transaction;
* involves a fiduciary responsibility to the employer, including, but not limited to, the authority to issue payments, transfer money or enter into contracts; or
* provides an expense account

Essentially, what you are showing is that you are looking at screening based upon job-specific needs.  According to the EEOC, “employers need to be mindful that any hiring practice is job-related and not screen out groups of people, even if it does so unintentionally.”  This is referred to as disparate impact.

You can reduce the chances of a poor hire and increase compliance with background regulations with Catapult’s background check service. We also offer reasonable pricing and a fast turnaround. Because we’re local and customer-focused, you can rest easy knowing that you can call us with questions at any time.

Written by a Catapult Advisor.