



# Credit Checks: The Next Wave of Hiring Discrimination

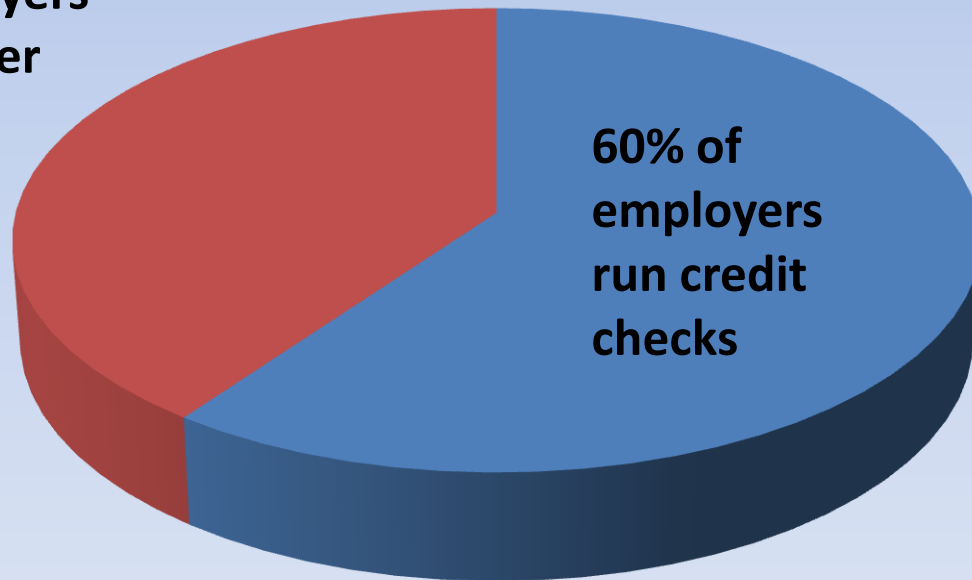
**Lawyers' Committee for  
Civil Rights Under Law**

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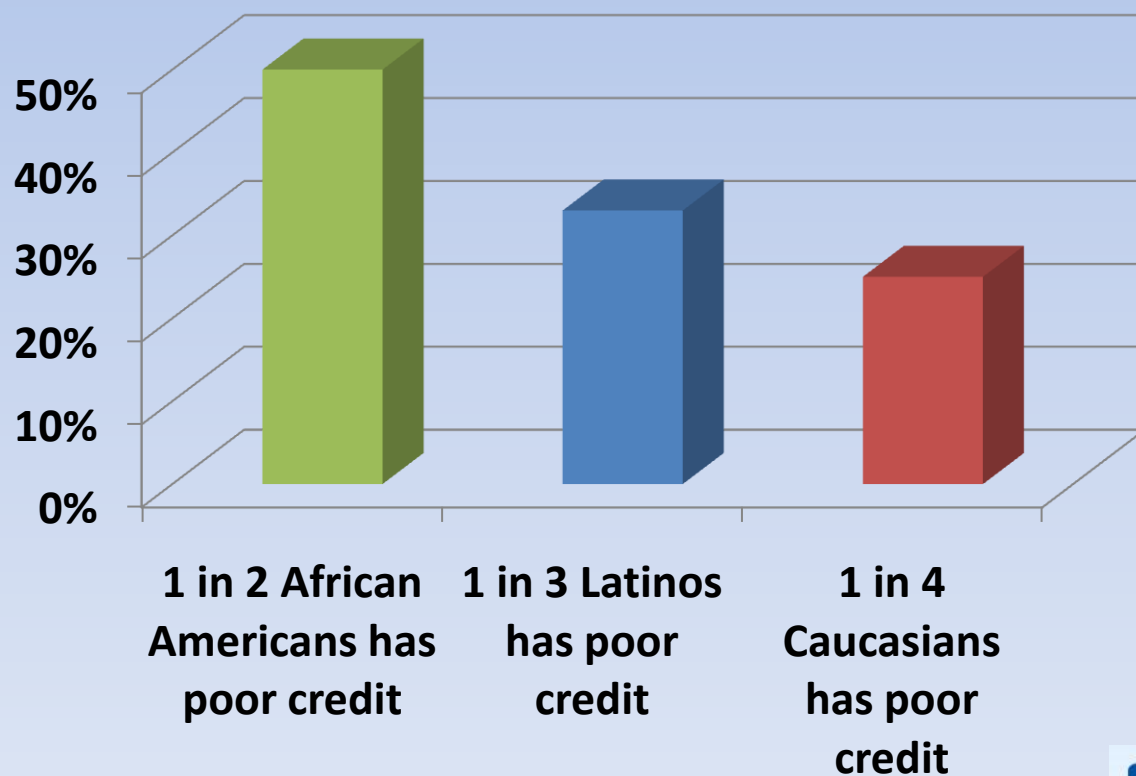
# Most employers run credit checks on applicants.

**40% of employers  
do not consider  
credit history**



**60% of  
employers  
run credit  
checks**

# Persons of color are significantly more likely to have poor credit histories.



# Many people have poor credit through no fault of their own.

- Loss of a job or reduced pay in a bad economy
- Medical illness without healthcare coverage
- Divorce



# Credit History Does Not Predict Job Performance.

- Employers and credit reporting agencies have failed to offer proof that credit history actually predicts success on the job.
- Independent studies have shown that credit history *does not* predict success on the job.

# Legal Protections

Title VII of the Civil Rights Act:

If a credit check screens out a proportionally greater number of minorities, the employer must have a business need to rely on a credit screen, and the employer must explore “less discriminatory alternatives.”





# Legal Protections

## The Fair Credit Reporting Act:

- Employers must obtain written authorization to access a consumer report.
- Before and after taking adverse action on the basis of information in a consumer report, employers must provide written notification.
- Employers must inform individuals of their rights under the FCRA, including the right to obtain a free copy of the consumer report and the right to dispute inaccurate information.





# Legal Protections

## State laws:

Hawaii, Washington, and Oregon prohibit employers from running credit checks for most jobs. A similar bill may be signed into law in Illinois shortly. Many other states have considered similar bans.



# Legal Protections

## Washington State Law:

“... [A] person may not procure a consumer report for employment purposes where any information contained in the report bears on the consumer's credit worthiness, credit standing, or credit capacity, unless the information is *substantially job related* and the employer's reasons for the use of such information are disclosed to the consumer in writing ...”



# Litigation to Challenge Unlawful Background Checks

The Lawyers' Committee is developing a litigation strategy to challenge employers' misuse of credit history information.

In 2010, the Lawyers' Committee filed two cases challenging background checks into criminal records:

- *Arroyo v. Accenture*

Challenging a private employer's blanket policy against hiring individuals with criminal records

- *Johnson v. Locke*

Challenging the U.S. Census's arbitrary process of screening applicants with arrest and conviction records



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*A nonprofit, nonpartisan legal organization formed at the request of President Kennedy in 1963*



**If you have been turned away from a job  
because of your credit history,  
contact the Lawyers' Committee for Civil Rights  
(888) 324-7578  
[www.lawyerscommittee.org](http://www.lawyerscommittee.org)**

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