

Fair Credit Reporting Act Aims at Keeping Employers 'Fair' as Well

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Although we tend to think of credit reports as information traditionally used by lenders, employers are increasingly turning to credit reports for information about potential employees. When employees are entrusted with proprietary information, cash, or goods belonging to others, employers often seek credit information on those they hire. But employers should be aware that credit-checking requires compliance with the federal Fair Credit Reporting Act. For those thinking of implementing such a policy, here are a few tips for FCRA compliance.

First, employers should be aware that "credit reports" under FCRA include any statements from a credit reporting agency about someone's credit, as well as his or her character, reputation, personal characteristics, or lifestyle. Whenever obtaining a credit report, employers must agree to comply with the terms of FCRA.

Before obtaining a credit report, the employer must disclose in a written document, made solely for the purpose of that disclosure, that the employer will obtain

a credit report to be used for employment purposes. The potential employee must authorize retrieval of a credit report, in writing, before one may be requested.

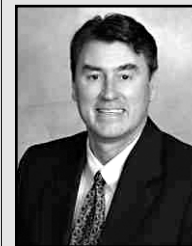
Special rules apply where the employer seeks medical information from a credit reporting agency. Employers may not retrieve medical information unless that information is relevant to the position to be filled and the employer obtains specific consent from the employee. That consent must be in writing and must clearly describe the use for which the medical information is furnished.

Additional rules apply to information regarding character, reputation, personal characteristics, or lifestyle obtained from personal interviews with those acquainted with the employee. In that instance, the employer must give to the employee another written disclosure, no later than three days after the report is requested, informing the employee of the right to obtain a description of the nature and scope of the investigation.

Finally, after receiving a credit report,

employers may choose to take an adverse employment action. Any employer should be careful that the contemplated action does not violate state or federal equal employment opportunity laws. Under FCRA, the employer must also furnish to the employee a copy of the credit report, as well as a written description of the rights afforded to the employee by FCRA.

Credit reports are useful tools for obtaining relevant information about potential employees and have the potential for providing information far beyond a credit score. Operating in careful compliance with FCRA, employers—not just lenders—may open the avenue to this wealth of knowledge.



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