

## Legislation and Compliance Update



Important Information for GIS Customers

CONTACT US

September 18, 2009

### California Legislation Could Limit Credit Reports for Employment Screening Purposes

For many of our clients, credit checks are a vital part of their background screening programs. These programs have been specifically designed to help grow and protect businesses and their consumers through due diligence to ensure the best possible applicants are considered for work. California Assembly Bill 943, which is close to becoming a critical issue, has been passed to Governor Schwarzenegger for approval.

**This bill would prohibit an employer, with the exception of certain financial institutions, from obtaining a consumer credit report for employment purposes unless (1) the information is substantially job-related," (i.e. the applicant would have access to money), (2) the position is either managerial or one of a number of government positions, or (3) it is required by law that the information be disclosed.**

This effectively limits the employer's discretion, regardless of their strict compliance with rules regarding written consumer authorization. If you believe employers who are compliant with the law in terms of written authorization from consumers should be allowed to use credit report information to make more informed hiring decisions, you are encouraged to make your voice heard.

The National Association of Professional Background Screeners (NAPBS), of which GIS is a charter member, has provided sample verbiage that may be used to effectively voice employer concerns about California Assembly Bill 943 directly to Governor Schwarzenegger.

**Dear Governor:**

**AB 943 would enact an unreasonable prohibition against the use of information that is critical in many business situations. In fact, this bill may have the unintended consequences of increasing identity theft and embezzlement. This is due to the fact that AB 943 eliminates a business's ability to reasonably access critical information that may indicate the prospective employee's level of responsibility with respect to financial management over time.**

**We are aware that in these trying times, many Californians may be experiencing financial hardship, which might result in negative information in a credit report; however, credit reports generally cover information for a 7 year period and, as such, problems that are not endemic to this current situation but represent a longstanding pattern of behavior on the part of the applicant should be apparent to an employer. Moreover, in the employment context, prior to taking an adverse action based on information in a consumer report, an employer must under federal law provide the applicant an opportunity to explain or dispute information.**

**In conclusion, the continued use of credit reports is important to our business and those of our clients. We obtain a consumer credit report only after the consumer has provided written authorization. We believe that many of the concerns raised with respect to the current financial crisis are misplaced given the process provided to applicants to dispute and explain as well as the length of time for reported information. We strongly urge a veto on California AB 943.**

You can send this letter to:

**Governor Arnold Schwarzenegger**  
State Capitol Building  
Sacramento, CA 95814  
Fax: 916-558-3160  
Phone: 916-445-2841

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