

## Support HB 175 / SB 312 – Limit the Use of Credit Checks by Employers

Prevent the loss of job opportunities for those who need them most.

### The Challenge

- About 43% of employers use credit history checks as a tool in their pre-employment screening, even if the information has no relation to the job.  
Under current law, employers can, with an applicant's "permission", pull a credit history report and decline to hire a candidate based on what they find.
- In these trying economic times, many unemployed Marylanders are experiencing financial hardship, which negatively impacts their credit.  
Job-seekers are behind on their bills because they don't have a job, but they can't get a job because they're behind on their bills.
- Employment credit checks discriminate against people of color.  
The EEOC has repeatedly expressed concern that the use of credit in the hiring process discriminates against people of color. One study found that the average credit score for African Americans is 10% to 35% lower than the average score for whites.
- A recent report found that one-third of workers making less than \$45,000 a year have poor credit scores.  
Those most often affected by bad credit are young people, seniors, minorities and divorced women.
- Layoffs, divorce, uncovered medical expenses, business failures, and death in the family can all damage credit.

### The Solution – Limit the Use of Credit Checks in the Hiring Process

- Limit employers' use of credit screenings which unfairly penalize people who are trying to obtain employment in order to work themselves out of financial trouble.
- Employers required by law to inquire into an applicant's credit history report will still be able to do so.  
This includes financial institutions where deposits are insured by a federal agency that has jurisdiction over the institution.
- The use of credit checks for employment purposes is under scrutiny in other states.  
Washington and Hawaii have passed legislation to limit the use of credit checks by employers. California twice passed legislation that was vetoed by the governor. Similar measures are under consideration in Connecticut, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, and Wisconsin.
- Passing this legislation will help stop a vicious cycle by allowing Marylanders the opportunity to obtain a job and begin rebuilding their credit.