

**TESTIMONY IN SUPPORT OF SB 312:**

**Labor and Employment – Credit Reports and Credit Histories of Applicants and Employees – Limitations on Use by Employers**

TO: Hon. Thomas Middleton, Chair, and members of the Senate Finance Committee  
FROM: Melissa Broome, Senior Policy Advocate  
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The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. We support SB 312 as a means to ensure fair access to employment opportunities for job-seekers and employees throughout Maryland.

Under current law, employers can, with an applicant's "permission", pull a credit report and decline to hire a candidate based on what they find. A 2006 study conducted by the Society for Human Resource Management found that 43% of employers run credit checks on some or all potential hires, compared to 25% in 1998.

In these difficult 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. Residents from all rungs of the economic ladder are finding themselves caught in this downward spiral.

A recent report found that one-third of workers nationwide making less than \$45,000 a year have poor credit scores. In addition to job loss, divorce, uncovered medical expenses, and death in the family can all damage credit. Those most often affected by bad credit are young people, seniors, minorities and divorced women.

Research shows that employment credit checks disproportionately impact low-income and minority households. The EEOC has repeatedly expressed concern that the use of credit in the hiring process discriminate 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. Furthermore, credit checks themselves are often rife with inaccuracies. Studies show that 50% to 70% of credit reports contain inaccurate information regarding a consumer's general credit history.

Research, however, does not show that tarnished credit is an indicator of one's likelihood to fail on the job. In his January 12, 2010 testimony before the Oregon Senate Committee on Commerce and Workforce Development, TransUnion Director for State Government Relations, Eric Rosenburg, stated, "At this point we don't have any research to show any statistical correlation between what's in somebody's credit report and their job performance or their likelihood to commit fraud."

Marylanders support SB 312. In a recent Fox 45 WBFF Baltimore news poll, viewers were asked, "Should potential employers be allowed to check your credit history?" Of the 150 respondents, 92% answered "no".

If SB 312 is enacted, Maryland will join Washington and Hawaii in passing 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, Oregon, Pennsylvania, Texas, and Wisconsin.

Finally, it must be acknowledged that we are in the worst recession of our time. Over 200,000 Marylanders are out of work and struggling to keep up with their bills while they search for new jobs in this difficult economic climate. These unemployed residents should not be further penalized as they seek to obtain and maintain employment. For all of these reasons, we respectfully urge a favorable report of SB 312.