



Using Credit Reports for Pre-Employment Screening

Employers have long used credit reports to assist pre-employment screening, based on the theory that a person's personal financial responsibility predicts responsibility and honesty with the company's money. Today, security and liability concerns demand even wider use of credit data for employment.

Experian, Equifax, and TransUnion are the main U.S. credit bureaus providing reports for employment.

An employment credit report is much like a credit report for lending purposes. It shows a person's credit history, with late payments, write-offs, and repossessions. It includes bankruptcies, liens, judgments and other public records. Former addresses, employers, and aliases are listed, sometimes revealing important omissions on the job application. The same information tells which jurisdictions and names should be checked in a criminal background investigation.

Credit bureaus learn of employers and aliases from previous disclosures the individual made when filling-out credit applications, so not all may be listed. The former address information is more reliable, because the credit bureaus learn of changes through existing creditors and the Postal Service.

Credit reports provide alerts for invalid Social Security numbers, and warnings if the number was used previously with a different name. A fraud alert is triggered if the true SSN owner has reported identity theft. Credit bureaus even provide optional USA PATRIOTS Act checking against lists of banned foreign nationals and suspected terrorists, but a "match" always requires further verification.

Good credit implies responsibility and willingness to "play by the rules." Perhaps that's why insurance companies realize lower claims costs for customers with good credit scores. In this era of employers held responsible for employees' actions, and security concerns transcending all job classifications, it makes economic and practical sense to integrate credit report tools for employment into the overall HR system.