

## Credit and Its Effect on Employment

By Patrick Ritchie

Credit reports have become commonplace when screening job applicants. The typical background check includes a credit check for many potential employees.

A potential employer can find out how much you owe on your mortgage, your car and your credit cards as well as how often you've been late on your bills. Everything that a credit report would contain could be available to your potential employer. In the case of bankruptcy, an employer is not allowed to discriminate. This is not the same as protection from discriminatory treatment based on your financial history, however. It is just the right to deal with financial troubles through bankruptcy that is protected. Translation: An employer can't hire or fire you because you claimed bankruptcy. But an employer can choose to hire or fire you if your financial history shows you may not be responsible in the tasks required on the job. So, employers can use credit problems such as defaults or collections actions in their hiring decisions. They just have to take care when making such decisions.

Since your credit report can play a major role in getting a job, this illustrates the importance of checking the credit report for mistakes. Here is a good example of how an error can cost someone a job:

*Jamie applies for a job and is informed that due to her credit report she will not be hired. She gets a copy of her credit report and discovers a student loan is erroneously reporting she was late for six months in a row. She knows it is a mistake because it was during the time she was in graduate school. The student loan company reported the late payments prior to when it became aware she was still in school and therefore her loans were in deferment. The late payments were not corrected and stayed on the credit report. When Jamie applied for her job, the employer saw the late payments and denied her employment based on what the credit report contained. She should remedy the mistake and attempt to reapply for the position. Situations like this occur and it illustrates the importance of a correct credit report not only for borrowing money, but also for gaining employment.*

An employer is required to tell you if information in your credit file is used against you. If an employer uses credit information to deny an applicant a job, fire a current employee, rescind a job offer or cancel a promotion, federal law requires that employer to do two things:

1. Before the "adverse action" is actually taken, the employer is supposed to provide the worker with a copy of the report and an explanation of the worker's Fair Credit Reporting Act rights.
2. After the action is taken, the worker must be told which credit bureau provided the credit file information, given contact information and informed of the right to dispute the accuracy of the report.

*Patrick Ritchie is the author of "The Credit Road Map," a practical guide to navigating the world of credit. The book can be purchased at [www.TheCreditRoadMap.com](http://www.TheCreditRoadMap.com) or on [www.Amazon.com](http://www.Amazon.com). Copyright © 2006 Success Road Map Press, reprinted with permission.*