

Why We Need the FCEA to Keep Credit Reports out of Hiring Decisions Now

- Credit Reports Will Be Negatively Impacted by the COVID Crisis:** As of December 2020, 19% of Bay Staters had a debt in collections—rising to [35% in communities of color](#). The economic fallout from the pandemic will likely result in a tsunami of debt collections that will disproportionately impact low-income families and communities of color, straining finances and harming credit reports. No one in the Commonwealth should be denied a job simply because their credit report shows the financial hardship they suffered during the pandemic.
- Credit Reports Don't Predict Job Performance:** Almost [one-third of employers obtain credit reports](#) on at least some of their job applicants, and 16% obtain them for all applicants, even though such reports don't predict job performance. In fact, the Legislative Director for a top credit reporting bureau once said, "[...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.](#)" Instead, the practice can lead to qualified candidates being disqualified for jobs simply because of an error in their report or a difficult financial situation they were in many years earlier.
- Credit Reports Are Riddled with Errors:** Even if credit reports *did* predict job performance (which they don't) employers shouldn't be allowed to rely on them because, as found in a Federal Trade Commission study, [20% of consumers had verified errors in their reports](#) with 5% having a error so serious that it would cause them to be denied credit or pay more for credit. In 2020, [complaints about credit reporting](#) to the Consumer Financial Protection Bureau (CFPB) more than doubled from 2019, to almost 320,000. The majority of those complaints had to do with "[incorrect information on your report.](#)"
- Credit Reports Perpetuate Historic Racial Inequities and Injustices:** The economic consequences of the nation's long history of racial discrimination—including in housing ([redlining](#)), [employment](#), and [debt collection](#)—are the foundation of the data in credit reports. As a result, credit scores are often [lower in communities of color](#)—in Boston, [91 points lower](#) in non-white areas than in white areas. Using credit data for jobs [amplifies these inequities](#) and perpetuates them as applicants are denied employment because their forebears were denied housing and employment explicitly based on race.

What the FCEA Does

The bill says that employers cannot consider an employee or job applicant's credit report in making hiring or employment decisions. Specifically it:

- Prevents an employer from considering an employee or job applicant's credit report in employment decisions, such as hiring, firing, promotion, demotion, discipline, or compensation.
- Makes it unlawful for an employer to ask an employee or job applicant about their credit report or about information regarding their credit history.
- Would allow an employer to use credit reports in making employment decisions where federal or state law or a self-regulatory financial organization requires it or where the position at hand requires national security clearance.
- For the limited subset of employees and job applicants who would still be subject to credit checks, there would be additional procedural protections.

Joining a Movement

A number of states and municipalities have limited the use of credit reports as decision makers recognize that the practice of checking a job applicant's credit report when making hiring decisions creates a vicious cycle. Job seekers may not get hired due to bad credit; without regular income their credit report will likely suffer more.

- 11 states and at least 2 large cities have [passed laws restricting the use of credit reports](#) by employers.
- The U.S. House of Representatives passed a bill with provisions similar to the FCEA, [the Comprehensive CREDIT Act of 2020](#), restricting the use of credit reports with exceptions only for security clearances or where federal or state law requires it. Senator Warren has filed [similar legislation](#)—though federal action is uncertain and state action is needed.

Building on Previous MA Reforms

Massachusetts has led the way in this area by being one of three states (CA, HI, MA) banning the use of credit scores in [auto insurance decisions or pricing](#). This act will continue our state's progress by preventing employers from using credit reports in employment decisions.

Please Support the Common Sense Protections for MA Families in the FCEA! Restricting the use of credit reports in employment decisions will reduce barriers to employment for the low-income and workers of color most impacted by the COVID crisis and help build a strong and equitable economic recovery for all Bay Staters.