



RELEASE OF CREDIT INFORMATION

Included:

Overview

Dos and Don'ts Checklist

Sample Release of Credit Information

1. Overview

Attracting the right employees to your company is essential to starting and growing your business. An employment application will get you part of the way, providing you with some of an applicant's background information - as reported by the potential employee himself. Getting more information about the candidate's history can ensure that you are hiring the right person for the job.

As an employer, you can use credit reports both when you are hiring new employees and when you are evaluating current employees for promotion or reassignment. However, you must comply with certain federal regulations to protect the privacy of this information. First, you must make sure that all of your applicants and employees are aware that you are using consumer reports for employment purposes and that those individuals agree to that. Second, those individuals must be notified immediately if you find information in a consumer report that could result in a negative employment decision (i.e., rejection of the application or denial of a promotion).

A proper release can streamline the search for your next employee and provide you with the framework of a new employee's personnel file. Your company can lawfully search background information on an applicant and protect potential employees from unwanted intrusions into personal matters.

The enclosed release of information form should prove useful to your business and, if you follow the suggestions provided, can set you on a path toward the right hiring process for your organization. Your company can get verified information and bring aboard the right staff to support the business. In addition, you will have shown consideration for the privacy rights of potential employees, establishing the foundation for a mutually respectful and long-lasting employment relationship.

2. Dos & Don'ts Checklist

- The first part of the enclosed form is an explanation of the applicant's rights under federal law. Before you initiate any investigations into that applicant's background, in addition to obtaining written consent using the second part of the enclosed form, you must provide the applicant with a copy of this disclosure notice.
- Never discriminate against a prospective employee. Treat all applicants equally and be consistent in the questions you ask about qualifications for the open position. Use the same consideration in questions you ask of a potential employee's schools, employers, or listed references.
- Be professional and courteous to prospective employees. Allow applicants ample time to review and complete any employment-related documents. Anticipate and be ready to answer questions about the releases you provide.
- Before revising the release of information form, decide what information you need or want to obtain. Do not ask for a release of information not strictly necessary. Not only will you increase your risk of violating labor and federal credit reporting laws, you will also waste the time and energy of everyone involved.

- Protect the privacy of the information you receive. Label any papers with that information "PRIVATE" and file them in a safe place. As a general rule of thumb, this information should be released on a "need-to-know" basis only, or if a court orders that information to be provided.
- Consider designating a high-level manager to be responsible for maintaining the privacy of your employee's records. Conduct periodic evaluations of the security and efficiency of this record-keeping system.
- If you use a consumer reporting agency to do background checks on applicants or employees, you must comply with the Fair Credit Reporting Act. If you receive information from a consumer report that may negatively impact an employment decision (i.e., rejection of the application or denial of a promotion could result), those individuals must be contacted immediately with that information.
- When you decide to dispose of the credit reports that you've obtained (after any relevant document retention periods have passed), do not simply throw those documents into the trash. Take reasonable steps to ensure that an applicant's confidential information is protected (e.g., by shredding paper copies or erasing electronic information).
- You do not need to notify your employee if you are conducting an "employee misconduct investigation" using a credit reporting agency. This includes a review of misconduct relating to employment, violation of any laws, and violation of any of your written preexisting policies.
- If you are seeking information on a current employee, you may need to obtain an additional release if he or she has not clearly given permission for you to conduct such investigations without notice over the course of their employment.
- Dishonesty on an employment application can provide grounds for later termination. If, for example, an applicant claims to have graduated from a particular school and the information released by your inquiry proves that to be false, he or she can be fired because of that lie. An applicant may also be denied unemployment benefits if he or she lied on their employment application. If potential employees know the consequences of dishonesty, and know that you will be verifying the information they are providing, they may be more truthful in their answers. Moreover, your company will have documentation if there is suspicion of concealment or lies on the part of the employee.

You can use these suggestions and the enclosed model to create a release of credit information form to fit your needs, a form that can verify the information needed for a comprehensive evaluation of prospective employees. You will have created a document that can be used repeatedly and that may prove invaluable to your business.

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Form Sample

AUTHORIZATION, WAIVER, AND RELEASE OF LIABILITY FOR CONSUMER CREDIT REPORT

In connection with my application for employment with the Company, I hereby authorize the Company and any of its designated agents (including any consumer reporting agency working on the Company's behalf) to obtain and review any consumer reports or other credit-related information relating to me.

It is my understanding that the information being obtained will not be used in violation of any federal or state equal opportunity law or regulation, and that before any adverse action is taken based on a review of any consumer credit report and/or investigative consumer report, I will be provided with a copy of said report(s) as well as a summary of consumer's rights.

I hereby fully release the Company, and any and all of its employees, directors, agents, successors, and assigns, and all contributing parties and sources from whom any information is lawfully obtained, from any and all claims, actions, or liability that is in any way related to this or any subsequent investigation(s) of my credit history.

I hereby state that all information I have provided to the Company, in any form, is to the best of my knowledge true, complete, and correct. I understand that any known misrepresentation made by me to the Company will exclude me from further consideration as a candidate for employment or promotion, and may result in termination from my employment with the Company if I am promoted before that misrepresentation is discovered.

I understand this authorization, waiver, and release of liability is not a condition of employment by the Company. I also understand that if I am not hired by the Company, the Company is not responsible for my employment with any other company.