



New California Law Places Restrictions on Most Employers Using Credit Checks in Employment Decisions – Effective January 1, 2012

The state of California passed new legislation (AB 22) on October 10, 2011, which will greatly restrict your organization's ability to perform credit checks on candidates and employees. This legislation is becoming more common in the industry as these new requirements are similar to those in [Oregon](#), [Washington](#), [Hawaii](#), [Maryland](#), [Connecticut](#), and [Illinois](#) with other states evaluating similar pending laws.

Who does this law affect?

This legislation applies to California employers who may request consumer credit reports on candidates and/or employees for employment purposes.

When does this law go into effect?

The law goes into effect **January 1, 2012**.

What does this law state?

This law prohibits employers from utilizing a credit report in making a hiring decision unless the position is included as one of the acceptable positions outlined in the statute and the candidate is provided written notification that such a report may be obtained and the candidate provides their consent. In addition, if the employer obtains the credit report for one of the permitted positions, it must also provide the consumer with the specific reasons why such a report will be collected and have a checkbox allowing the candidate to request a copy of the credit check free of charge.

What are the positions in which an employer may obtain a credit report?

Employers may obtain a consumer credit report for employment purposes if the position involves at least one of the following:

- A managerial position
- A position in the state Department of Justice
- A sworn peace officer or other law enforcement
- A position for which the information contained in the report is required by law to be disclosed or obtained
- A position that involves regular access to confidential information such as credit card account information, Social security number, or Date of birth
- A position which the person can enter into financial transactions on behalf of the company
- A position that involves access to confidential or proprietary information
- A position that involves regular access to cash totaling ten thousand dollars (\$10,000) or more of the employer, a customer, or client, during the workday

Recommendations

If your organization does not meet one of the clear exceptions above, you should plan to discontinue use of credit reports prior January 1, 2012 or until you are able to confer with your legal counsel for guidance. If you plan to use consumer credit reports for employment purposes, it is recommended that you carefully examine each job position and the job responsibilities before continuing to use credit reports in a hiring decision or as part of any decision involving a current employee or job candidate.

Contact Accurate Background

Click [here](#) for more in-depth information from law firm Seyfarth Shaw regarding this new legislation. For additional questions, please contact Accurate Background at 800.784.3911.