LOCAL 24 UNITE HERE! • DETROIT

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March 12, 2010

Representative Steven Lindberg
Chair, Labor Committee
S1488 House Office Building
P.O. Box 30014
Lansing, MI 48909-7514

RE: HB 4528 (Switalski) – SUPPORT

Dear Representative Lindberg,

Unite Here Local 24, a labor union representing over 8,000 workers in the hospitality industry and the service sector in Michigan, writes in strong support of HB 4528, Representative Switalski's bill to restrict the use of credit reports in employment. As families in Michigan face the worst economic crisis of our generation, now is precisely the time for our leaders to ensure that employment discrimination has no place in our economic recovery.

We believe that credit reports in employment should be restricted for four main reasons.

First, credit checks in hiring create a fundamental "Catch-22" for job applicants in Michigan: an applicant falls behind on her bills because she lost her job or her hours were cut, but she now can't get a job or a promotion because she's behind on her bills. Using credit reports in hiring creates a permanent barrier to better jobs for a growing portion of families in Michigan who are affected by the economic crisis.

Second, the use of credit in hiring discriminates against African American and Latino job applicants. The average credit score of African Americans is roughly 10% to 35% lower than that of Whites, while the average credit score for Latinos is roughly 5% to 25% lower than that of Whites, according to a 2004 study by the Texas Department of Insurance. Based on this disparity, the Equal Employment Opportunity Commission has repeatedly expressed concern that the use of credit in the hiring process violates Title VII of the Civil Rights Act by disparately impacting people of color. The racial credit disparity may increase in coming years, as foreclosures have disproportionately impacted African American and Latino communities that were targeted with high-cost loans.

Third, credit history does not predict job performance. Credit reports were designed to predict the likelihood that a consumer would default on a loan, *not* whether he would steal or behave irresponsibly in the workplace. The definitive study on this issue, presented to the American Psychological Association in 2003, concluded that credit history does not correlate with employee conduct.

Even TransUnion, which sells credit reports to employers and has led efforts against similar legislation in other states, has no evidence that credit reports make employers safer. At a recent informational hearing on this issue in Oregon, TransUnion representative Eric Rosenberg admitted, *"At this point 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."*

Finally, credit reports are inaccurate. A 2007 Zogby poll reported that 37% of people surveyed found an error on their credit report, and half of these respondents reported that they could not easily fix the mistakes. Credit reporting companies have no publicly enforced standards for accuracy and have an economic incentive to maximize their sale of data, whether it's accurate or not. These companies should not be the gatekeepers to economic recovery for job seekers in Michigan.

Fundamentally, the issue at stake is whether workers in hotels, food service and other industries are fairly judged based on their ability to perform a job or whether they're discriminated against because of their credit history.

TransUnion recently stated that credit reports are the "de facto economic passport for every individual in this country, whether you like it or not." Our members have suffered wage cuts, layoffs and foreclosures during this economic crisis, all of which have impacted their credit history. As we work to rebuild our communities and our economy, we believe that hard work and dedication, not discriminatory hiring tools such as credit reports, should be the economic passport for workers in Michigan.

We call on you to stop the "Credit Catch-22" by supporting HB 4528 and restricting the use of credit checks in employment.

Sincerely,

Dia Pearce
Political Director
Unite Here local 24