



# Credit Information Systems

The **ONE SOURCE** for all your credit reporting needs

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## EMPLOYEE BACKGROUND SEARCHES

### Employment Credit reports

If you have seen any "reports" on TV, recently, regarding credit reports for employment purposes, they were probably wrong. A couple of weeks ago, I saw two 'social journalists' and a "business journalist' discussing how people with low credit scores were denied employment. They went on to talk about how credit reports should have nothing to do with hiring people. None of the three knew anything about credit reports and what was in them.

Let's clear up some mis-representations by the media.

1. **The FCRA has a section (604,b) regarding credit reports for employment purposes.** So, you are allowed to pull an Employment Credit Report. Some states have enacted some restrictions, but even in those state, if the person being hired or promoted, is handling money or goods that can easily be exchanged for money, you are allowed to pull an Employment Credit report.

### 2. There are three requirements.

First, the applicant must sign an authorization that is separate from the Employment Application. We recommend you have them sign a statement on your letter head, authorizing you to pull an employment credit report and a criminal background search. Even though they authorize you, you are not required to pull those reports.

Second, you must give them the Summary of Consumer Rights.

Third, you must give them a copy of the Employment Credit Report.

3. **Employment Credit Reports, do not include a credit score!!** Credit scores are designed to predict the probability of a consumer paying or going delinquent. Bankruptcy score models are designed to predict the probability of going bankrupt. There is no scoring model to predict the probability of hiring a good employee or bad employee. If you are using a credit report, that comes with or includes a credit score, for employment purposes, you are not using an Employment Credit Report and you are in violation of the FCRA. The fine is up to \$2,500 and up to two years in prison for each violation!

For example, if your employee has borrowed money and you pulled a report for that purpose,

you and/or your HR Dept. **can not use that report** for employment purposes.

If you wish to check out an employee or potential employee, we offer several types of back ground checks:

### Employment Credit Reports.

Employment Credit Reports provide Previous Addresses, Judgments, Tax Liens, Collections, Payments History, Inquires and sometimes, previous employers. We recommend the Employment Credit Report be pulled first. The information provide by the Employment Credit Report will allow you to obtain a more complete and accurate Criminal Search.

**Employment Verifications.** We can verify employment information with current and previous employers.

### Criminal searches:

US National Criminal Searches, search data bases in over 40 states. Our US National Criminal Searches provide the jurisdictions searched and pictures of the individuals, are usually returned for the sex offenders. The results are returned immediately. We also have: Name searches by County and Name searches by State. The results for these are returned in 2 to 4 days.

Criminal searches may be used for tenant screening and employment purposes.

## CONSUMERS WORLDWIDE WANT MORE BANKING VIA SMARTPHONES, FICO SURVEY FINDS

SAN JOSE, Calif., Jan. 6, 2014 /PRNewswire/ -- **FICO**, a leading predictive analytics and decision management software company, has released the results of an international survey of smartphone consumers showing that they want to do much more mobile banking than most of today's smartphone apps permit. While the most requested functionality is the ability to check account balances (75%), more than half of respondents want to receive notifications of potential fraudulent activity (59%), make payments from their account (53%) and transfer money between their accounts (50%) using their smartphone.

The demographic breakdown showed that across all categories, young people showed the most interest in banking services delivered by

smartphone. When it came to specific product services such as receiving credit card bill payment reminders and credit card limit warnings, people aged 25 to 39 were the most interested in delivery by smartphone.

The least popular service, according to the findings, was to receive information about new products and services (39%). Interest in this dropped with age, with only 6.5 percent of over 55s attracted to the idea.

The survey also found that men were more interested in smartphone banking services than women – by an average of three to four percentage points across all age groups.

The survey looked at consumer preferences and tendencies with regards to mobile, online and in-person interactions with banks. It included 2,239 adult smartphone users in the UK, Australia, Brazil, China, France, Germany, India, Italy, Japan, Korea, Mexico, Russia, Turkey and the United States.

"Over one billion consumers worldwide have smartphones in their pockets, so it stands to reason that many of them would want to conduct their banking using those devices," said Stuart Wells, FICO's Executive Vice President, Chief Product and Technology Officer. "For forward-thinking banks, this presents an unprecedented opportunity to differentiate themselves and strengthen their relationships with their customers. The unique ability to combine voice, applications, text, and location information with powerful analytics, personalization and automated communications make mobile banking much more significant than previous channel expansions, including the advent of ATMs or even online banking."

The banking preferences of smartphone consumers from the US, Australia, Brazil, China and the UK can be explored in further detail at a special interactive website: [www.fico.com/mobileIQ](http://www.fico.com/mobileIQ). (1-22-14, [crediaandcollectionnews.com](http://crediaandcollectionnews.com))

## BANK FAILURE #1 IN 2014: DUPAGE NATIONAL BANK, WEST CHICAGO, ILLINOIS

As of September 30, 2013, DuPage National Bank had approximately \$61.7 million in total assets and \$59.6 million in total deposits. ... The FDIC estimates that the cost to the Deposit Insurance Fund (DIF) will be \$1.6 million. Compared to other alternatives, Republic Bank of Chicago's acquisition was the least costly resolution for the FDIC's DIF. DuPage National Bank is the 1st FDIC-insured institution to fail



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in the nation this year. Republic Bank of Chicago, Oak Brook, Illinois, Assumes All of the Deposits of DuPage National Bank, West Chicago, Illinois

It will probably be a slow year for the FDIC, but there still quite a few "problem" banks that could fail. (1-17-14, Calculatedriskblog.com)

## FORECLOSURES DROP IN 40 STATES LAST YEAR

The number of U.S. properties saddled with foreclosures last year dropped 26 percent from 2012, according to RealtyTrac, an online real estate firm.

RealtyTrac reported that foreclosure filings - default notices, scheduled auctions and bank repossessions - involved 1,361,795 properties in 2013. The total for the year, the lowest since 2007, is also 53 percent lower than the peak year of 2010, when 2.9 million properties were hit with foreclosure proceedings.

One in every 96 U.S. properties or 1.04 percent was hit with at least one foreclosure filing in 2013, down from 1.39 percent in 2012 and 2.23 percent in 2010.

While most states had improved foreclosure rates in 2013, there were 10 states with rates that climbed, some of them significantly. In Maryland, foreclosures rose 117 percent in the year. In New Jersey, the gain from 2012 was 44 percent. In New York, foreclosures increased 34 percent. In Connecticut, the rate jumped 20 percent.

These are all states in which foreclosures are required to go through judicial reviews, a process that was stalled due to the "robo-signing" scandal that emerged in mid-2011.

The scandal involved banks hiring so-called foreclosure mills that were accused of cheating homeowners of due process by taking short cuts on paperwork, including having documents signed by people who had not read them.

The scandal skewed foreclosure numbers, as many major banks halted foreclosure processing in states with judicial reviews until they settled legal issues involving the shortcuts. A \$26 billion settlement was announced in February 2012, at which point the banks had a backlog of foreclosures on their books.

RealtyTrac said long-term damage to the housing market from the economic downturn, the financial crisis of 2008 and the ensuing recession were

enormous. Since then, there have been 10.9 million U.S. properties in which foreclosure proceedings have at least been started and 5.6 million in which properties were repossessed, RealtyTrac said.

"Millions of homeowners are still living in the shadow of the massive foreclosure crisis that the country experienced over the past eight years since the housing price bubble burst -- both in the form of homes lost directly to foreclosure as well as home equity lost as a result of a flood of discounted distressed sales," said Daren Blomquist, vice president at RealtyTrac. "But the shadow cast by the foreclosure crisis is shrinking as fewer distressed properties enter foreclosure and properties already in foreclosure are poised to exit in greater numbers in 2014 given the greater numbers of scheduled foreclosure auctions in 2013 in judicial states, which account for the bulk of U.S. foreclosure inventory." (1-16-14, creditandcollectionrisk.com)

## BOVE SLAMS REGULATORS' NEW PAYDAY LENDING RULES

Why should banks be allowed to lend to consumers at annual interest rates as high as 300%? Because the alternative is far worse, according to Rafferty Capital Markets analyst Richard Bove. The Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency late last year issued new rules to govern "deposit advance products," which everyone else calls payday loans. These short-term loans -- called "payday loans" by everyone else -- are made to checking account customers in anticipation of direct deposits of salary payments or other regular direct deposits. In its final guidance to banks in November, the FDIC said, "The cost of the deposit advance is typically based on a fee structure, rather than an interest rate. Generally advances are made in fixed dollar increments and a flat fee is assessed for each advance. For example, a customer may obtain advances in increments of \$20 with a fee of \$10 per every \$100 advanced. The cost of the deposit advance can be more expensive than other forms of credit, such as a credit card or a traditional line of credit." This means the cost of a payday loan made by a bank would be very high, if expressed as an annual percentage rate. (1-28-14, Creditandcollectionnews.com)

## NATIONAL CREDIT DEFAULT RATES DECREASED IN DECEMBER 2013

Data through December 2013, released today by S&P Dow Jones Indices and Experian for the S&P/Experian Consumer Credit Default Indices, a comprehensive measure of changes in consumer credit defaults, showed decline in national default rates during the month. The national composite was 1.35% in December, a slight decrease from 1.37% in November. The first mortgage default rate was 1.27% in December, marginally down from 1.28% last month. The second mortgage posted 0.76% in December, down from 0.78% in November. The auto loan default rate was 1.12% in December, down from 1.15% in the previous month. The bank card rate rose to 2.98%, slightly higher than its historic low of 2.97% set in the past two months. "Consumers' financial condition continues to improve," says David M. Blitzer, Managing Director and Chairman of the Index Committee for S&P Dow Jones Indices. "Across all categories default rates are continuing a downward trend.

Other data confirm the improving trends: mortgage foreclosures were sharply lower in 2013 compared to 2012, the Federal Reserve's measure of consumer debt service as a percentage of income is at a record low and consumer credit usage is expanding. The indices remain at pre-financial crisis levels. (1-22-14, Creditandcollectionnews.com)

## CIS INFO SERVICES HOURS

Monday - Friday 8:00am to 5:00pm

CIS offers: Consumer Credit Reports, ServicePlus Credit Reports Collections Reports, Employment Credit reports, Residential Mortgage Credit Reports, Merged Credit Reports, Fannie Mae & Freddie Mac access, Criminal background checks, Tenant Screening Reports, Flood Zone Determination, Flood Life of Loan Certification, AVMs, 4506-T, Income Tax Verifications, Real Estate Tax Payment Verifications and Identity Authentication.

CIS has served businesses since 1915 and provides credit reports from all three national repositories.

Our previous news letters, dating back to January 2000, can be accessed at: [kcbinfo.com/kcbnewsletters.htm](http://kcbinfo.com/kcbnewsletters.htm)

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