

*'To injure no man,
but to bless all mankind'*

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CHARACTER SCORE

Judged by the content of your credit report

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Imagine sitting across a table from people who want to make a quick judgment about your character. You're speed-dating, or applying for a job, or even meeting "the parents."

Then they pull out a thin file containing your entire ... credit history.

Face it. Credit reports these days are used for a lot more than loan applications. Many employers order one up when screening potential hires. Rela-

tionship experts tout it as a good tool for choosing a compatible partner or creating "financial intimacy."

The rationale is clear: If your bills are paid on time, you're responsible. If not, employers reason, you might be less trustworthy with money.

The problem, experts say, is that many factors that can affect a credit report have nothing to do with an individual's character. "It's going to reflect things like divorce, sickness, loss of one's job, possibly even identity theft ... so as a mea-

sure of conscientiousness or attention to detail, it's not very good," says Jerry Palmer, a professor of industrial and organizational psychology at Eastern Kentucky University in Richmond.

Dr. Palmer should know. Recent research he conducted with colleague Laura Koppes tested whether there is any correlation between employees' credit reports and job performance.

**Job seekers beware:
Some firms may use your
credit history to screen you
- even though its link with
job performance is shaky.**

Though the study was limited to one industry - financial services - the answer they got was a resounding "no."

In fact, two people in the study with the highest number of 30-day late notices on their credit reports were evaluated as "meets expectations" and "outstanding" in performance reviews. Palmer was surprised by the findings,

See **CREDIT** page 16

Scored by your credit history

but then a possible explanation occurred to him: "If a person is not conscientious on the job, the potential consequences are immediate.... But if one is late with one's bills, the consequences aren't quite as apparent, and it would be easy for [busy] people to just put it out of their mind."

Credit reports can help employers verify people's identity, and in some cases they can be useful as part of an overall profile, but many companies use them as a substitute for real hiring diligence, says Paul Barada, president of Barada Associates, a reference-checking firm in Rushville, Ind.

Especially in the security-conscious atmosphere since 9/11, many employers have started using credit reports – but not much else – to screen new hires.

"It's horribly misguided," Mr. Barada says. "It's the penny-wise, pound-foolish way to claim you've done something."

These companies may even leave themselves open to claims of discrimination, because the use of credit reports in some other contexts has been shown to put minorities at a disadvantage. After seeing the results of Palmer's study, the bank that asked him to conduct it decided against using credit reports for hiring.

An employer must get permission before checking someone's credit history. If you are turned down for a job partly because of a credit report, you have five days to request a copy and challenge its accuracy, according to the Fair Credit Reporting Act. (If you are ap-

plying for a new job, be aware that your current employer could use your credit report to find every company that has recently inquired about you.)

With so many aspects of life now tied to credit scores – everything from insurance policies to apartment rentals – more couples might decide to swap credit reports before saying "I do."

"A credit score is just another tool for helping to get to know a person better," says Helga Hayse of San Mateo, Calif., who gives financial seminars and runs the website financialintimacy.com. "It might show you that someone's got a low ability to defer gratification.... If there's anything that is a financial caution light, then a credit report can help you [discuss] that."

Ms. Hayse tells of one woman who was surprised to learn – when a creditor called the house – that her husband had been financing a vending-machine business with a personal credit card. He said he wanted to bring in extra money for them but didn't want to worry her. The maxed-out credit cards affected long-range goals they had set together, and eventually they divorced.

Credit expert Stephen Snyder recalls a man whose ex-wife had led him into bankruptcy. He had just recovered from his anger and was starting to fall in love with another woman when he attended Mr. Snyder's financial seminar. "He was telling me all this during the break, and he said, 'Should I look at her credit scores?' [At first] I thought that was the strangest thing I'd ever heard. But for people in his situation, it could be a growing trend."

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Credit score tips: Charge ahead carefully

STEPHEN SNYDER is on a mission to dissect the credit-scoring system. Trained by Fair Isaac Corp., which calculates FICO scores, Mr. Snyder gives seminars and is publishing a book this month: "Do You Make These 38 Mistakes with Your Credit?" Here's some of his advice:

- Know thy FICO scores. The credit reporting agencies Experian, Equifax, and TransUnion each compile a FICO score to rate your creditworthiness. You can buy your scores for \$39 at www.myfico.com. (You can get one credit report a year from each bureau for free, but they don't include FICO scores).

- Be sure your good credit history is reported. Many lenders average all three FICO scores, but some look at only one. Beware of building a credit history with an institution that doesn't report to all credit bureaus. Some credit unions report to just one, for example.

- If you love saving 10 percent by opening new department store credit cards, think again. Too many credit inquiries can lower your score. On the other hand, don't close out all your accounts, because longevity of an account can add points to your score.

- Paying credit-card bills in full each month is best. Carrying the maximum balance from month to month, Snyder says, will hurt your scores "beyond belief."

– Stacy A. Teicher