

Reducing Barriers to Employment in the Banking Industry for Qualified Individuals with Criminal Records

CHALLENGE

Employment barriers exist for people with minor records that pose no risk to safety and soundness.

The banking industry employs over two million¹ people in the U.S. Each year, tens of thousands of people are hired by the industry in an effort to attract, train, and develop a diverse talent pool. However, some otherwise highly-qualified individuals are prohibited from working in the industry because of Section 19 of the Federal Deposit Insurance Act. Section 19 appropriately seeks to protect the public and the banking industry by prohibiting the employment of individuals convicted of serious crimes of dishonesty or breach of trust and requiring institutions to screen applicants for these types of offenses. However, Section 19 also places restrictions on insured institutions' ability to hire individuals with minor arrest or conviction records who have rehabilitated themselves and pose no risk to safety and soundness. While Section 19 includes a provision permitting individuals to submit applications to the Federal Deposit Insurance Corporation (FDIC) on their own or with bank sponsorship, the process is complex and time-consuming, leading many candidates to forgo working in the sector.

SOLUTIONS

FDIC and Congress can modify restrictions on banks hiring people with records without increasing risk.

In 2018, the FDIC made important changes to certain hiring requirements in Section 19, which JPMorgan Chase supported. In these earlier reforms, the FDIC exempted individuals with a single small dollar theft, and individuals with a single minor offense committed before age 21, and also made small changes for individuals with expunged criminal records. The FDIC, in cooperation with Congress, can take additional steps to improve regulatory restrictions on hiring without increasing risk. The FDIC should consider excluding from regulatory coverage:

- Any conviction or program entry for which all sentencing or program requirements have been met at least seven years prior to the date an application to the FDIC would otherwise be required;
- Any conviction or program entry resulting from a crime committed prior to age 21, provided the underlying criminal conduct occurred at least 30 months prior to the date an application to the FDIC would otherwise be required, and all sentencing or program requirements have been met;
- Any conviction or program entry that has been pardoned, sealed, or expunged, even if records of such conviction or program entry remain accessible thereafter by courts, law enforcement, or in connection with the subject's employment or application for employment in a position where a criminal background check is required by law.

NOTES

¹ Federal Deposit Insurance Corporation. "Quarterly Banking Profile Second Quarter 2019." <https://www.fdic.gov/bank/analytical/qbp/2019jun/qbp.pdf>

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