

# First State Bank

## Policy Regarding Background Screening

Implemented June 16, 2016

### **Purpose of Our Background Screening Policy**

First State Bank (“the Bank”), believes that hiring qualified individuals contributes to our overall strategic success. Background checks serve as an important part of the selection process. The information we collect helps us promote a safe work environment for our current and future employees. Background checks also help us obtain information necessary to determine an applicant’s overall employability and to ensure the protection of the corporation’s physical property, proprietary information and other assets, as well as protecting the public that we serve. As it pertains specifically to background screening, the Bank complies with all applicable federal, state and local laws, including all fair employment practices, FCRA and EEOC regulations and guidance.

### **Our Procedure**

Within First State Bank, background checks may be conducted on all job applicants, including those considered for full time, part time, temporary or seasonal work. Therefore, all offers of employment can be conditioned upon the Bank’s receipt of a pre-employment background screening investigation that is acceptable to us. We reserve the right to conduct a background screen any time after its employees have been employed to determine eligibility for promotion, reassignment or retention in the same manner as described above. An applicant who refuses to sign a release form will not be eligible for employment, and the employee who refuses to sign could jeopardize the opportunity for advancement, reassignment or continued employment.

First State Bank will use a third-party agency to conduct background checks to verify the accuracy of the information provided by the applicant during the selection process. We will ensure that each background check is conducted in compliance with all applicable federal and state statutes, such as the Fair Credit Reporting Act and the Americans with Disabilities Act. Information collected by the agency may include past employment, education, character and reputation. The information that can be collected from previous employers and other sources will be limited to that which is job-related and pertains to the quality and quantity of work performed by the applicant and to the applicant’s attendance record and education.

In addition, a criminal background check will be conducted which may include a Nationwide Criminal Search, a National Federal Search, a Social Security Trace, and a search of felony and misdemeanor convictions obtained from national databases as well as county court data. The Bank will run an Employment Credit Check for all positions with direct financial responsibility or money contact, within the legal guidelines of the FCRA. A background check could include a Motor Vehicle Report.

To ensure proper consent from the applicant to run his/her background check, each applicant will be given the following documentation/forms, which will be acknowledged & signed by the applicant:

1. Disclosure Regarding Background Investigation
2. Acknowledgement and Authorization for Background Check
3. “A Summary of Your Rights Under the Fair Credit Reporting Act”

## **Information Regarding the Use of Criminal Records in Our Selection Process**

Unless otherwise provided by law or FDIC regulation, a criminal record will not automatically disqualify an applicant or employee from employment. Rather, determinations of suitability based on criminal record checks will be made consistent with this policy and any applicable law or regulations.

### **Arrest and conviction records**

In accordance with the Equal Employment Opportunity Commission's current interpretation of Title VII of the Civil Rights Act of 1964, referred to as the "New Guidance of 2012", criminal arrest and conviction information cannot be used as a sole basis for denying employment, **unless** it is determined to be job-related and consistent with business necessity.

Unless otherwise provided by law and with consideration to the EEOC New Guidance, factors considered in determining suitability may include, but not be limited to the following:

- Relevance of the crime to the position sought
- The nature of the crime (violent, non-violent, etc.)
- The nature of the work to be performed
- Age of the applicant at the time of the offense
- Gravity of the crime
- Number of offenses; repeat offenses
- Any evidence of rehabilitation
- Any other information of importance including information requested to be reviewed by the applicant, such as education or character references.

### **FDIC STATEMENT OF POLICY FOR SECTION 19 OF THE FDI ACT**

Section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829) prohibits, without the prior written consent of the Federal Deposit Insurance Corporation (FDIC), hiring a person convicted of any criminal offense involving dishonesty or breach of trust or money laundering (covered offenses), or who has agreed to enter into a pretrial diversion or similar program in connection with a prosecution for such offense

In addition, the law forbids an insured institution from permitting such a person to engage in any conduct or to continue any relationship prohibited by section 19. It imposes a ten-year ban against the FDIC's consent for persons convicted of certain crimes enumerated in Title 18 of the United States Code, absent a motion by the FDIC and court approval.

Section 19 imposes a duty upon the insured institution to make a reasonable inquiry regarding an applicant's history, which consists of taking steps appropriate under the circumstances, consistent with applicable law, to avoid hiring or permitting participation in its affairs by a person who has a conviction or program entry for a covered offense.

### **Adverse Action Administration**

If the Bank is inclined to make an adverse decision based on the results of the criminal background check or any information, including an employment verification or other investigative consumer report received from the third party background screening firm, the applicant will immediately be sent a Pre-Adverse Action Letter Notification, a copy of the report affecting their inclination, and a copy of the Summary of Consumer Rights under the FCRA. The applicant will then have 5 business days to respond to the background screening firm if he/she believes any of the information to be incorrect, thereby

creating a 'dispute'. The background screening firm will reinvestigate the disputed information and report the outcome to the applicant and the employer within 30 days as allowed by federal law. If after the 5 days have passed and there is no applicant dispute of information, the second letter (the Adverse Action Letter) will be sent, along with a copy of the report and the Summary of Consumer Rights, thereby officially notifying the applicant s/he is no longer being considered for the position.

### **Consumer Privacy Protection**

First State Bank assures applicants that all information obtained from the background check process will only be used as part of the employment process and will be kept strictly confidential. Only appropriate personnel will have access to this information. The Bank complies with all federal and state laws regarding the collection, storing, and disposal of applicant information, such as the Fair and Accurate Credit Transactions Act (FACTA). We are an equal opportunity employer and provide equal employment opportunities (EEO) to all employees and applicants for employment.