



FDIC Guidance Broadens Employment Pool

regulatory employees

Summary: A new change by the FDIC could broaden the pool of banking industry applicants. We give you three things to consider with this new employment change.

Did you know that pinball and dancing used to be illegal in some states? Sometimes, crimes can be re-evaluated for their effects on society.

Similarly, the FDIC recently decided that certain individuals who committed trivial crimes in the past should have the opportunity to work at financial institutions (FIs). This change Could expand the pool of eligible banking employees, and that could be particularly helpful for community financial institutions (CFIs).

The recently finalized change means that individuals who were convicted of small crimes in the past won't be automatically blocked from job openings at FIs, or be forced to go through a long, administrative process with the FDIC to get a waiver. A 1950 law restricted FIs from hiring anyone "convicted of any criminal offense of dishonesty, breach of trust or money laundering." The only way around that law was by written consent of the FDIC.

Gaining that consent was long and difficult. Over the last decade, 1,200 potential bank employees with criminal records tried to get FDIC approval; 40% were rejected.

The law in question -- [Section 19 of the Federal Deposit Insurance Act](#) -- had good intentions, of course, to protect FIs from criminal influences. But, many times those criminal acts were little more than youthful indiscretions that ran afoul of the law. For example, one of the offenses that will no longer count for automatic rejection is having been caught trying to get into a club or bar while underage by using a fake ID. Under the old law, that was a crime of dishonesty that meant automatic rejection.

FIs and justice reformers had joined forces in seeking to loosen the rule for minor offenses, arguing that the law unfairly punished individuals who had committed petty crimes in the past and posed minimal risks. The FDIC agreed, especially since FIs favored the change and could use it to help with recruitment.

We provide three things to consider with this new change.

1. **Hiring from a bigger pool of applicants.** For CFIs that may find it difficult to fill some front-line jobs, the rule change could make it easier to hire promising applicants. It also reduces the regulatory burden in dealing with minor offenses in the application process. Both of these results are of particular importance to smaller institutions struggling to hire workers during times of tight labor markets.
2. **Updating hiring procedures.** But while the rule change broadens the candidate pool for banking applicants, it also means that CFIs will need to update their hiring procedures to ensure they comply with the changes. That means making sure hiring restrictions based on the old laws are revised to reflect the new exceptions. Make sure your legal counsel is involved here too.
3. **Continuing strong screening.** CFIs will need to fully understand what types of offenses qualify for an exemption and what types don't. Strong applicant screening processes will still need to be applied when making final selections.

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