

white paper

NYC EMPLOYERS: ENSURE COMPLIANCE WITH THE FAIR CHANCE ACT



The New York City (NYC) [Fair Chance Act \(FCA\)](#)¹ became effective on Oct. 27, 2015, and prohibits most employers operating within the City from making any inquiries into an applicant's criminal history until after a conditional offer of employment is made. This white paper has been republished to reflect any updates from the 2021 Fair Chance Act amendments.² Additionally, this white paper includes information from the updated NYC CHR guidance.³

The FCA applies to employers with four or more employees, and only when the position is in New York City. For small businesses, the owner her/himself counts. The four employees need not work in the same location, as long as one of them works in New York City.⁴ It generally does not apply to New York City residents applying for jobs outside the City, even if the company's headquarters and HR team are based in New York City.⁵

The FCA includes additional requirements beyond delaying

criminal inquiries and background checks until after a conditional offer, including requiring employers to conduct an Article 23-A analysis before a criminal record can be used to take an adverse employment action, and additional notice requirements that go beyond the federal Fair Credit Reporting Act (FCRA). As discussed below, the 2021 amendments now implements factors to analyze. The FCA includes some narrow exceptions, including when hiring for positions where a criminal background check is legally required or when employment is barred based on criminal history, as well as when a criminal background check is required by the rules of a Self-Regulatory Organization (SRO).

Ensuring compliance with the various FCA requirements has become particularly important due to the New York Court of Appeals' [decision in Chauca v. Abraham](#), where the court concluded that punitive damages are appropriate under the FCA in cases with "conduct having a high degree of moral culpability which manifests a conscious disregard of the rights of others or conduct so reckless as to amount to such disregard"—a standard that requires neither a showing of

¹ See New York City's Fair Chance Act ([Int. 0318-2014](#)); see also NYC Commission on Human Rights, Legal Enforcement Guidance on the Fair Chance Act, Local Law No. 63 (2015), <https://www1.nyc.gov/site/cchr/law/fair-chance-act.page>.

² Int. 1314-A.

³ NYC Commission on Human Rights, Legal Enforcement Guidance on the Fair Chance Act, Local Law No. (2021), [Legal Guidances - CCHR \(nyc.gov\)](#)

⁴ <https://www1.nyc.gov/site/cchr/media/fair-chance-employers.page>

⁵ Michelle Gyves, NYC Commission on Human Rights Clarifies Background Screening Laws, Proskauer (Nov. 21, 2015), <https://www.lawandtheworkplace.com/2015/11/nyc-commission-on-human-rights-clarifies-background-screening-laws/>.

malice nor awareness of the violation of a protected right (and is much broader than the standard under Title VII of the federal Civil Rights Act of 1964).

1. Pre-Conditional Offer Requirements

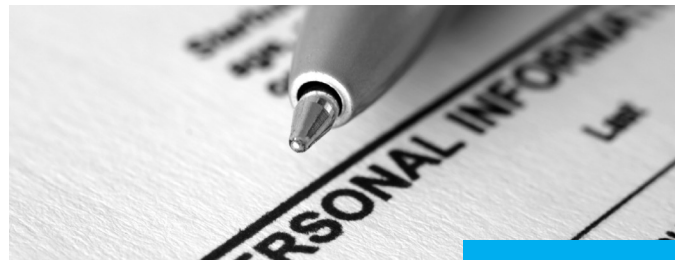
During the period of time before a conditional offer is made, an employer must not seek or obtain an applicant's criminal history, and must instead focus on an applicant's qualifications. Employers should ensure that their practices are fully compliant with this requirement and that no background checks are being ordered until after a conditional offer is made.

Of note, the NYC CHR recently issued new guidance for employers requesting background checks. Employers can only request and review criminal history after evaluating a candidate's non-criminal information. Therefore, employers should first receive the non-criminal information and evaluate it. After completing review of the non-criminal information, the employer can extend a conditional offer of employment and may request criminal history. This includes criminal and MVR searches. The NYC CHR recommends that employers establish a system to internally segregate criminal history information to ensure that it is available to decision makers only after the conditional offer has been made.⁶ This requirement applies to all NYC employers, unless exempt, even if the employer already delays criminal inquiries until after a conditional offer of employment has been extended.

Truescreen can offer the option to customize reports into separate criminal and non-criminal packages to those required to comply with the law.

In line with this requirement, the FCA also requires employers to delay asking applicants for authorization to obtain a background check until after a conditional offer of employment is made. The CHR guidance encourages employers to use terms such as “consumer report” or “investigative consumer report” rather than “background check” in an authorization notice used prior to a conditional offer. Additionally, the law explicitly prohibits employers from expressing any limitation or specification based on criminal history in their job advertisements, which includes a prohibition on requiring applicants to authorize a background check as part of the initial employment application. Job advertisements cannot say, for example, “no felonies,” “background check required,” or “clean records only.” Solicitations, advertisements, and publications encompass a broad variety of items, including employment applications, fliers, handouts, online job postings and materials distributed at employment fairs and by temporary help firms and job readiness organizations. Employment applications cannot ask whether an applicant has a criminal history or a pending criminal case or authorize a background check.⁷ **Thus, employers must ensure that applicants are only being asked to authorize the procurement of a background check after a conditional offer of employment is made.**

The FCA allows an applicant to refuse to respond to any prohibited inquiry or statement. Such refusal or response to an illegal question cannot disqualify the applicant from the prospective employment.⁸



⁶ NYC Commission on Human Rights, Legal Enforcement Guidance on the Fair Chance Act, Local Law No. (2021), [Legal Guidances - CCHR \(nyc.gov\)](#)

⁷ Legal Enforcement Guidance on the Fair Chance Act, *supra* note 1, at 4-5.

⁸ *Id.* at 5.

2. Post-Conditional Offer Requirements

After a conditional offer is made and the criminal history inquiry and background check become permissible, there are additional requirements under the FCA that may apply, including the Article 23-A analysis and relevant fair chance factor analysis.

After extending a conditional offer of employment, employers are permitted to inquire into an applicant's criminal history, but such inquiries must be limited to only criminal convictions or pending arrests and criminal accusations⁹; inquiries into non-convictions are strictly prohibited. Int. 1314-A implements a new restriction that prohibits inquiry into or consideration of violations and non-criminal offenses, such as a non-criminal disorderly conduct. Additionally, the updated enforcement guidance clarifies that "non-convictions" may include¹⁰:

1. Termination in favor of the individual, as defined by CPL § 160.50, even if not sealed;
2. Adjudication as a youthful offender, as defined by CPL § 720.35, even if not sealed or marked confidential;
3. Conviction of a violation, as defined in Penal Law § 10.00, even if not sealed;
4. Conviction of a non-criminal offense, as defined by a law of another state, even if not sealed; or
5. Convictions that have been sealed under CPL § 160.58 or § 160.59.

If an employer learns about criminal conviction record information at this time and contemplates taking adverse action based on such information, the employer may be required to conduct an Article 23-A analysis using the New York City Commission on Human Rights' ("Commission") [Fair Chance Act Notice](#) and evaluate the Article 23-A factors or the relevant fair chance factors.

This Article 23-A analysis is set forth in the New York State Corrections Law and requires employers to undertake a multifactor, case-specific analysis to

⁹ The New York State Human Rights Law makes it an unlawful discriminatory practice for an employer to inquire about or take an adverse action based upon an applicant or employee's prior arrest records or a criminal accusation that is not currently pending against that individual, or which has been resolved in favor of that individual, resolved by a youthful offender adjudication or resulted in a sealed conviction. See New York State Human Rights Law § 296(16).

¹⁰ NYC Commission on Human Rights, Legal Enforcement Guidance on the Fair Chance Act, Local Law No. (2021), [Legal Guidances - CCHR \(nyc.gov\)](#)

evaluate whether there is a direct relationship between the applicant's prior criminal history and the position sought. Both city and state laws prohibit employers from discriminating against applicants based on their prior criminal conviction(s), unless:

1. There is a direct relationship between the previous criminal offense and the specific position sought; or
2. Hiring the individual would involve an unreasonable risk to property or to the safety or welfare of specific individuals or the general public.

If, after evaluating the applicant according to Article 23-A, an employer wishes to decline employment or take an adverse employment action because a direct relationship or unreasonable risk exists, it must follow NYC's "Fair Chance Process" by:

1. Providing the applicant with a written copy of any inquiry it conducted into the applicant's criminal history;
2. Requesting from the applicant information relating to the Article 23-A factors or the relevant fair chance factors;
3. Considering the applicable factors and determining that, either (i) there is a direct relationship between the criminal conviction and the employment held by the person; or (ii) the continuation of employment would involve an unreasonable risk to property, or the safety or welfare of specific individuals or the general public;
4. Providing the applicant with a copy of the Article 23-A analysis that was conducted for all criminal convictions preceding employment using the [Commission's Fair Chance Act Notice](#) (and including any supporting documentation that formed the basis for the adverse action and the employer's reason for taking the adverse action); and

5. Allowing the applicant at least five business days, from receipt of the inquiry and analysis, to respond to the employer's concerns, and holding the position open for the applicant during this period of time.¹¹

If the employer receives additional information from the applicant after sending the above notices, the employer must examine whether it changes the respective analysis. If requested by the applicant, the employer must engage in a "constructive conversation" to discuss the employer's conclusions and how the applicant can address the employer's concerns. If, after communicating with an applicant, the employer decides not to hire him or her, it must relay that decision to the applicant.

The Fair Chance Process detailed above not only applies to applicants but also applies when an employer wishes to take adverse action against a current employee.

Employers should note that the factors used in the Fair Chance Process depend on the type of analysis. Article 23-A Factors should be used when analyzing a person's convictions that occurred prior to the start of their employment, while the Fair Chance Factors should be used when analyzing convictions that occur during a person's employment or cases that are pending.

The relevant fair chance factors include, with respect to arrests or criminal accusations pending at the time of an application for employment and arrests or convictions that have occurred during employment:

- (a) the policy of the city, as expressed in this chapter, to overcome stigma toward and unnecessary exclusion of persons with criminal justice involvement in the areas of licensure and employment;
- (b) the specific duties and responsibilities necessarily related to the employment held by the person;

¹¹ These notice requirements are completely separate from and in addition to the pre-adverse and adverse action notices required by the FCRA.



- (c) the bearing, if any, of the criminal offense or offenses for which the applicant or employee was convicted, or that are alleged in the case of pending arrests or criminal accusations, on the applicant or employee's fitness or ability to perform one or more such duties or responsibilities;
- (d) whether the person was 25 years of age or younger at the time of occurrence of the criminal offense or offenses for which the person was convicted, or that are alleged in the case of pending arrests or criminal accusations;
- (e) the seriousness of such offense or offenses; and
- (f) the legitimate interest of the public agency or private employer in protecting property, and the safety and welfare of specific individuals or the general public; and
- (g) any additional information produced by the applicant or employee, or produced on their behalf, in regards to their rehabilitation or good conduct, including history of positive performance and conduct on the job or in the community, or any other evidence of good conduct.

The relevant fair chance factors also include those set forth in section 753 of the correctional law, with respect to arrests or convictions preceding employment, other than those pending.

The Commission requires an employer to disclose a complete and accurate copy of every piece of information it relied on to determine that an applicant has a criminal record, along with the date and time the employer accessed the information. The applicant must be able to see and challenge the same criminal history information relied on by the employer. Employers who conduct background checks through consumer reporting agencies (CRAs) can fulfill this obligation by supplying a copy of the CRA's report on the applicant, provided the consumer report is the only information relied upon.

Further, employers operating in the State of New York must also ensure that they are complying with the New York Fair Credit Reporting Act ([Sec. 380-g\(d\)](#)), which requires employers to provide applicants and employees with a copy of [Article 23-A](#) when a consumer report is received that includes conviction information.

Once Int 1314-A becoming effective on July 29, 2021, the FCA notice and review process will also apply to criminal convictions that arise **during employment** and will require employers to follow the requirements above before taking adverse actions during employment. Previously, the FCA only applied to applicants for employment.



3. Exemptions Provided by the FCA

The FCA provides an exemption for and does not apply to the following:

- A) Employers hiring for positions where federal, state, or local law requires criminal background checks or bars employment based on criminal history;
- B) Employers required by a Self-Regulatory Organization as defined in section 3(a)(26) of the Securities Exchange Act of 1934, to conduct a criminal background check of regulated persons;
- C) Police and peace officers, law enforcement agencies, and other exempted city agencies;
- D) Certain city positions designated by the Department of Citywide Administrative Services (“DCAS”).

According to the Commission, all exemptions to the FCA are to be construed narrowly. “Employers may assert the application of an exemption to defend against liability, and they have the burden of proving the exemption by a preponderance of the evidence.” Other than the employers described in C and D above, “the Commission does not assume that an entire employer or industry is exempt and will investigate how an exemption applies to a particular position or role. Positions that are exempt from the FCA are not necessarily exempt from Article 23-A.”¹²

A. *Employers hiring for positions where federal, state, or local law requires criminal background checks or bars employment based on criminal history*

“The FCA does not apply to the actions of employers or their agents that are taken pursuant to any state, federal, or local law that requires criminal background checks for employment purposes or bars employment based on criminal history. The purpose of this exemption is to not delay a criminal background inquiry when the results of that inquiry might legally prohibit an employer from hiring an applicant.”¹³

However, the Commission has indicated that the exception for situations in which employment is barred based on criminal history applies only if the employer’s decision is compelled by law. If the employer’s choice is discretionary, then the FCA applies. “A network of federal, state, and local laws creates employment barriers for people with criminal records. The Commission characterizes these barriers as either mandatory or discretionary. Mandatory barriers require a licensing authority or employer to deny applicants with certain convictions enumerated in law. Discretionary barriers allow, but do not require, a licensing authority or employer to deny applicants with criminal records, and may or may not enumerate

¹² Legal Enforcement Guidance on the Fair Chance Act, *supra* note 1.

¹³ *Id.*

disqualifying convictions. The FCA controls any time an employer's decision is discretionary, meaning it is not explicitly mandated by law."¹⁴

For example, state law contains mandatory barriers for – and requires background checks of – applicants to employers regulated by the state Department of Health (“DOH”), Office of Mental Health (“OMH”), and Office of People with Developmental Disabilities (“OPWDD”). These agencies require the employers they regulate to conduct background checks because the agencies are charged by state law to ensure that individuals with certain convictions are not hired to work with vulnerable people. Employers regulated by DOH, OMH, and OPWDD are therefore exempt from the FCA when hiring for positions where a criminal history check is required by law. For positions that do not require a criminal history check, however, such employers have to follow the FCA.”¹⁵

Further, the Commission has stated that the “FCA applies when an employer hires people who require licensure, or approval by a government agency, even if the license has mandatory barriers. In that case, an employer can only ask whether an applicant has the required license or can obtain one within an acceptable period of time. Any inquiry into the applicant’s criminal record – before a conditional offer of employment – is not allowed. An applicant who has a license has already passed any criminal record barriers and been approved by a government agency. An applicant who cannot, because of her or his conviction record, obtain a required license may have her or his conditional offer withdrawn or employment terminated for such legitimate nondiscriminatory reason.”¹⁶

B. Employers required by a SRO to conduct a criminal background check of regulated persons

“Employers in the financial services industry are exempt from the FCA when complying with industry-specific rules and regulations promulgated by a Self-Regulatory Organization (“SRO”). This exemption only applies to those positions regulated by SROs; employment decisions regarding other positions must still comply with the FCA.”¹⁷

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*



An employer claiming an exemption must be able to show that the position falls under one of the categories in Section VII of the [Commission's Guidance](#). "Employers availing themselves of exemptions to the FCA should inform applicants of the exemption they believe applies and keep a record of their use of such exemptions for a period of five (5) years from the date an exemption is used."¹⁸ Keeping an exemption log will help the employer respond to Commission requests for information.

The exemption log should include the following:

- Which exemption(s) is claimed;
- How the position fits into the exemption and, if applicable, the federal, state, or local law or rule allowing the exemption under Sections VII(A) or (B) of the [Commission's Guidance](#);
- A copy of any inquiry, as defined by Section V(A) of the [Guidance](#), along with the name of the employee who made it;

- A copy of the employer's Article 23-A analysis and the name of any employees who participated in it; and
- The final employment action that was taken based on the applicant's criminal history.¹⁹

Conclusion

Compliance with the Fair Chance Act, while complicated and burdensome, is necessary given the Commission's active involvement in implementation and enforcement, as well as the New York Court of Appeals' decision that a showing of malice or awareness of the violation of a protected right is not required for punitive damages to be awarded.

Employers would be well-advised to review their policies and practices to ensure compliance with the FCA and its recent amendments, as well as with the Commission's Enforcement Guidance and its other recent interpretations of the law. ■

¹⁸ [Commission's Guidance](#).

¹⁹ *Id.*