



***Credit Reports for Human Resources
HR-XML***

The **Merit Credit Engine** is a powerful credit report retrieval software application from *Merit Credit Systems* that makes it possible for Internet or in-house business systems to integrate data from any or all of the three national credit repositories: Equifax, Experian, and TransUnion.

HR-XML is a set of XML specifications from the *HR-XML Consortium* designed to foster the interoperability of human resources software applications and services.

This study details Merit's implementation of HR-XML into the Merit Credit Engine, the challenges that were presented, and the benefits that have been derived.

Credit Reports for Human Resources (HR-XML)

Background

More and more, companies are using credit reports in their background checks of prospective employees. A credit report gives insight into a potential employee's financial responsibility, as well as information to help verify previous employers and addresses.

The three nationwide credit reporting agencies provide credit reports for employment purposes, but each bureau has a different proprietary format. Experian's *Employee Insight™*, Equifax's *Persona™*, and Trans Union's *PEER™* are the most widely used.

When Merit Credit Systems, a software company devoted to credit report retrieval tools, discovered that many major clients wanted to use its Merit Credit Engine for employment credit reports, HR-XML became a top priority.

Business Rationale

The Merit Credit Engine (MCE) is an on-site enterprise-level credit retrieval resource. Its purpose is to help companies integrate credit bureau data into their strategic processes. Various factors in the past have made this a difficult undertaking for businesses, financial, and governmental institutions.

The traditional "text-based" employment credit report is delivered in "human readable" format, not suitable for automated processing. For example, a computer program designed to find a person's prior address by looking for a specific heading in the report, or by counting a number of rows and columns to find it, is doomed to fail. The credit bureaus don't publish the exact layouts of their textual credit reports, and reserve the right to change layouts at any time.

For machine processing, each credit bureau provides one or more system to system layouts for its reports (also called CPU-to-CPU.) Integrators expect that system-to-system will remain unchanged indefinitely. If a new "level" is released, the old layout remains available (usually) for several years. Unfortunately, new reporting requirements sometimes make it necessary for the bureaus to put new types of data into "segments" originally designed for other purposes. To keep up with changes, a developer or organization must deal with hundreds of pages of specifications (a different set for each bureau) and the periodic technical bulletins that may be released.

The Merit Credit Engine meets these challenges by retrieving credit bureau data and storing it in industry-leading SQL databases. Integrators can request and deal with credit data, just as they deal with other data in their organizations.

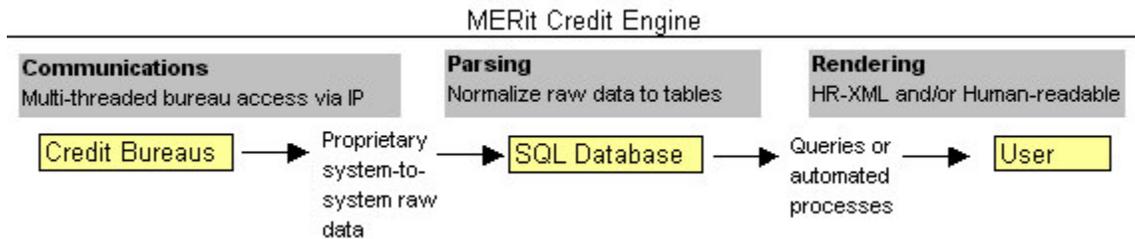
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HR-XML became the next logical step in the evolution, particularly to meet the needs of MCE customers doing background screening. Being extensible, largely self-documenting, and compatible with new tools and methods, HR-XML provides a way to further simplify integration with other automated systems.

Implementation Challenges

MERit Systems had to overcome significant challenges creating an engine to convert bureau-specific credit report data to bureau-neutral open-specification XML data.

Of major importance is the requirement that nothing be “thrown away.” The Merit Credit Engine satisfies this by storing all original raw data as received from the credit bureau. Upon receipt of the raw data, parsing and rendering can take place immediately, or the desired functions can be done in steps, as needed. The fully-rendered human-readable report can be provided along-side the same data parsed into individual XML nodes. The SQL database acts as a local repository for all information, eliminating the queuing and performance issues that could arise otherwise.



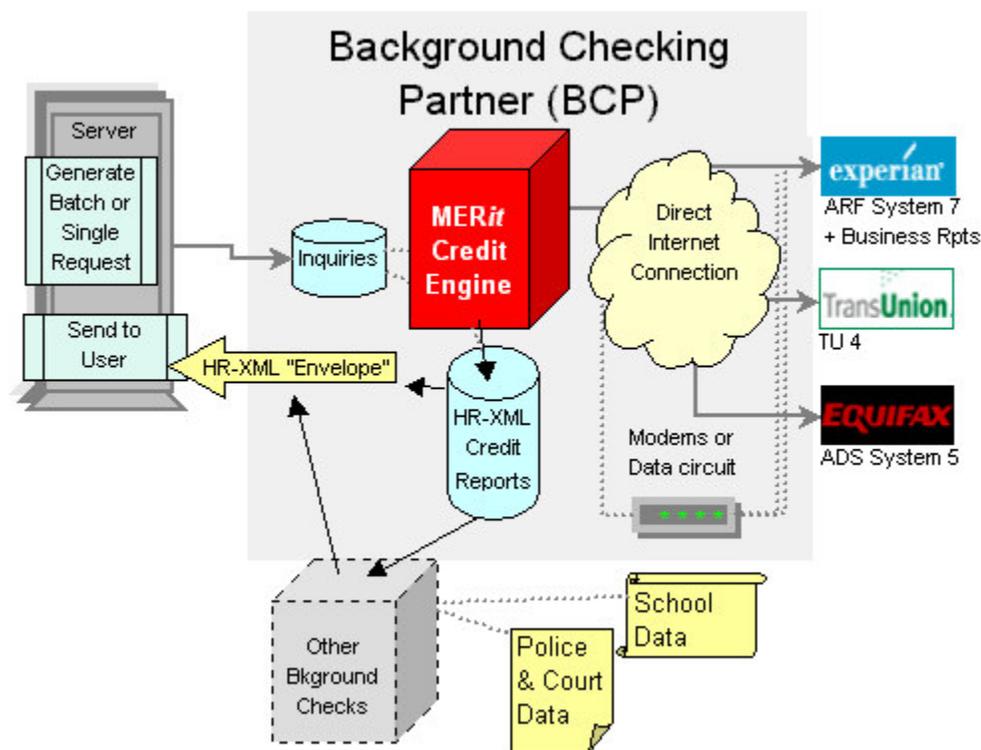
The conversion to XML is not easily mapped from legacy credit report data. Internally, the process requires numerous lookup tables. Each bureau has proprietary account condition codes, error codes, subscriber kind-of-business codes, and so forth. Dollar amounts may be “bucketed” to time periods that differ from bureau to bureau, and credit limits may be expressed in different terms. Other issues, such as “multiple-hits” for a given inquiry must also be handled. MERit’s experience with XML for the Mortgage Industry Standard (MISMO) provided a head start in handling these issues.

Testing is also a challenge, because the credit bureaus provide a limited number of test files, and experience with “live data” has shown that the test files don’t cover all real-world exceptions. The Fair Credit Reporting Act specifies that credit reports can be pulled only for specific permissible purposes. *Software testing is not one of them.* Fortunately, MERit’s experience with numerous implementers of its Credit Engine, and thousands of users of its desktop credit retrieval products, has ensured that the core-level credit retrieval capabilities are solidly based.

Employment Screening Companies

As third-party background checking partners enter the picture, HR-XML becomes particularly important to them and their clients. Employment screening companies are specific beneficiaries of the Merit Credit Engine's ability to retrieve credit reports and generate HR-XML data. That data can be combined with criminal checks, driving records, and educational verifications. Presentation can be on a website-type portal, or the HR-XML "envelope" can be routed back to the software application that requested it.

The HR-XML data specification gives screening companies what they need to attach value-added capabilities, such as immediate email notifications, candidate tracking, and generation of adverse action letters for legal compliance.



Savings, Speed, and Results

The primary savings provided by HR-XML standards is that credit data can be integrated with other HR applications with a minimum of development work. Users have the ability to "pull" from any of the three nationwide credit reporting agencies – and to handle the data in a uniform bureau-neutral way. Interoperability allows substitution of services and addition of new capabilities. It gives background checking partners more opportunities to add value and compete, and end-user organizations more opportunities to save.

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About HR-XML

HR-XML is an independent, non-profit consortium dedicated to enabling e-commerce and human resources data interchange universal. The mission of the HR-XML Consortium is to spare employers and vendors the risk and expense of having to negotiate and agree upon data interchange mechanisms on an ad-hoc basis. By developing and publishing open data exchange standards based on Extensible Markup Language ("XML"), the Consortium aims to provide the means for any company to transact with other companies without having to establish, engineer, and implement many separate interchange mechanisms. HR-XML's efforts are focused on standards for staffing and recruiting, benefits enrollment, payroll, competencies, and workforce management. For further information, see <http://www.hr-xml.org/>.

About Merit Credit Systems

Merit Credit Systems specializes in online credit report retrieval software for businesses requiring quick and effective access to credit information from Equifax, Experian, and Trans Union. MERit has been certified by all three of the major national credit repositories for software to handle system-to-system retrieval of credit report data. System-to-system retrieval allows direct access to the individual elements of a credit report, making it possible to extract the exact information required for accurate XML rendering. For further information, see <http://www.creditengine.net/>.