

# HOUSE BILL 1477

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By: **Delegate Hill**

Introduced and read first time: February 7, 2025

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Consumer Protection – Consumer Reporting Agencies – Use of Algorithmic**  
3 **Systems**

4 FOR the purpose of establishing requirements for consumer reporting agencies that use  
5 algorithmic systems to assemble or evaluate consumer credit information on  
6 consumers for the purpose of furnishing consumer reports to third parties; requiring  
7 the Commissioner of Financial Regulation of the Maryland Department of Labor to  
8 establish certain assessment thresholds for algorithms, mandate regular training for  
9 human reviewers, and implement a certain whistleblower protection program; and  
10 generally relating to consumer reporting agencies and algorithmic systems.

11 BY repealing and reenacting, without amendments,  
12 Article – Commercial Law  
13 Section 14–1201(a) and (c) through (f)  
14 Annotated Code of Maryland  
15 (2013 Replacement Volume and 2024 Supplement)

16 BY adding to  
17 Article – Commercial Law  
18 Section 14–1228  
19 Annotated Code of Maryland  
20 (2013 Replacement Volume and 2024 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
22 That the Laws of Maryland read as follows:

23 **Article – Commercial Law**

24 14–1201.

25 (a) In this subtitle the following words have the meanings indicated.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (c) "Commissioner" means the Commissioner of Financial Regulation of the  
2 Maryland Department of Labor.

3 (d) "Consumer" means an individual.

4 (e) (1) "Consumer report" means any written, oral, or other communication of  
5 any information by a consumer reporting agency bearing on a consumer's credit worthiness,  
6 credit standing, credit capacity, character, general reputation, personal characteristics, or  
7 mode of living which is used or expected to be used or collected in whole or in part for the  
8 purpose of serving as a factor in establishing the consumer's eligibility for:

9 (i) Credit or insurance to be used primarily for personal, family, or  
10 household purposes;

11 (ii) Employment purposes; or

12 (iii) Other purposes authorized under § 14–1202 of this subtitle.

13 (2) The term does not include:

14 (i) Any report containing information solely as to transactions or  
15 experiences between the consumer and the person making the report;

16 (ii) Any authorization or approval of a specific extension of credit  
17 directly or indirectly by the issuer of a credit card or similar device; or

18 (iii) Any report in which a person who has been requested by a third  
19 party to make a specific extension of credit directly or indirectly to a consumer conveys his  
20 decision with respect to the request, if the third party advises the consumer of the name  
21 and address of the person to whom the request was made and the person makes the  
22 disclosures to the consumer required under § 14–1212 of this subtitle.

23 (f) (1) "Consumer reporting agency" means any person which, for monetary  
24 fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the  
25 practice of assembling or evaluating consumer credit information or other information on  
26 consumers for the purpose of furnishing consumer reports to third parties, and which uses  
27 any means or facility of commerce for the purpose of preparing or furnishing consumer  
28 reports.

29 (2) "Consumer reporting agency" does not include:

30 (i) A person licensed as a private detective agency or certified as a  
31 private detective under the Maryland Private Detectives Act; or

32 (ii) A person who assembles and exchanges consumer credit  
33 information with an affiliated person or a person who is owned or controlled by the same

1 entity, provided that, in the event of an adverse credit decision against a consumer based  
2 on that information, the entity making the decision shall comply with the notice  
3 requirements of § 14–1212(b) of this subtitle.

4 **14–1228.**

5 **(A) THIS SECTION APPLIES ONLY TO A CONSUMER REPORTING AGENCY**  
6 **THAT USES ALGORITHMIC SYSTEMS TO ASSEMBLE OR EVALUATE CONSUMER CREDIT**  
7 **INFORMATION OR OTHER INFORMATION ON CONSUMERS FOR THE PURPOSE OF**  
8 **FURNISHING CONSUMER REPORTS TO THIRD PARTIES.**

9 **(B) A CONSUMER REPORTING AGENCY SUBJECT TO THIS SECTION SHALL:**

10 **(1) BE ABLE TO PROVIDE AN EXPLANATION OF EACH EVALUATION**  
11 **MADE BY AN ALGORITHMIC SYSTEM IN PLAIN LANGUAGE THAT MEETS, AT A**  
12 **MINIMUM, AN 8.0 ON THE FLESCH–KINCAID READABILITY TESTS;**

13 **(2) MAINTAIN A PUBLIC REGISTRY OF ALL ALGORITHMS USED**  
14 **INCLUDING THEIR PURPOSE, DATA SOURCES, AND GENERAL METHODOLOGY;**

15 **(3) MAINTAIN:**

16 **(I) AN OVERALL ERROR RATE FOR ALGORITHMIC**  
17 **EVALUATIONS OF LESS THAN 0.5% WHEN COMPARED TO HUMAN REVIEW;**

18 **(II) DISCRIMINATORY DATA RATES BASED ON PROTECTED**  
19 **CHARACTERISTICS OF LESS THAN 0.1%; AND**

20 **(III) ACCURACY OF DATA INPUTS AT A RATE OF AT LEAST 99.9%;**

21 **(4) PROCURE QUARTERLY HARMFUL BIAS AUDITS BY AN**  
22 **INDEPENDENT THIRD–PARTY ORGANIZATION THAT INCLUDE ERROR RATES AND**  
23 **HARMFUL BIAS ASSESSMENTS AND SUBMIT TO THE COMMISSIONER:**

24 **(I) EACH QUARTERLY AUDIT WITHIN 30 DAYS AFTER**  
25 **COMPLETION; AND**

26 **(II) ANNUAL REPORTS SUMMARIZING THE QUARTERLY AUDIT**  
27 **RESULTS AND ALGORITHMIC PERFORMANCE;**

28 **(5) IMPLEMENT A DATA GOVERNANCE FRAMEWORK THAT:**

29 **(I) CERTIFIES DATA SOURCES FOR ACCURACY AND**  
30 **RELEVANCE WITH UPDATES AT LEAST MONTHLY;**

1                   **(II) TRACKS DATA LINEAGE AND ESTABLISHES QUALITY**  
2 **CONTROL MEASURES; AND**

3                   **(III) INCLUDES MINIMUM DATA SET SIZE REQUIREMENTS TO**  
4 **ENSURE STATISTICAL SIGNIFICANCE IN ALGORITHMIC EVALUATIONS, INCLUDING:**

5                   **1. FOR SIMPLE ALGORITHMS WITH FEW VARIABLES, AT**  
6 **LEAST 1,000 DATA POINTS PER CATEGORY OR SUBGROUP ANALYZED;**

7                   **2. FOR MORE COMPLEX ALGORITHMS OR THOSE**  
8 **INVOLVING MULTIPLE VARIABLES, AT LEAST 5,000 DATA POINTS PER CATEGORY OR**  
9 **SUBGROUP ANALYZED; AND**

10                   **3. FOR HIGHLY COMPLEX MODELS OR WHEN DETECTING**  
11 **SMALL EFFECTS, AT LEAST 10,000 DATA POINTS PER CATEGORY OR SUBGROUP**  
12 **ANALYZED;**

13                   **(6) REQUIRE ALL AUTOMATED EVALUATIONS TO:**

14                   **(I) BE SUBJECT TO HUMAN REVIEW WITHIN 24 HOURS AFTER**  
15 **THE EVALUATION; AND**

16                   **(II) ALLOW FOR AN EXPEDITED REVIEW PROCESS INCLUDING**  
17 **HUMAN REVIEW WITHIN 48 HOURS AFTER THE REVIEW REQUEST BEING SUBMITTED;**

18                   **(7) REQUIRE AT LEAST 10% OF ALL ALGORITHMIC EVALUATIONS TO**  
19 **UNDERGO RANDOM HUMAN REVIEW TO PREVENT FALSE POSITIVES;**

20                   **(8) DESIGNATE STAFF TO BE RESPONSIBLE FOR COMPLIANCE WITH**  
21 **THIS SECTION;**

22                   **(9) IMPLEMENT A SYSTEM TO IMPROVE ALGORITHMIC**  
23 **PERFORMANCE BASED ON REVIEW OUTCOMES AND HUMAN EXPERT INPUT;**

24                   **(10) PROVIDE ALTERNATIVE, NONALGORITHMIC ASSESSMENT**  
25 **OPTIONS FOR CONSUMERS WHO OPT OUT OF AUTOMATED DECISION MAKING; AND**

26                   **(11) MAINTAIN A CONTINGENCY PLAN FOR SYSTEM FAILURES OR DATA**  
27 **BREACHES THAT COULD COMPROMISE ALGORITHMIC INTEGRITY.**

28                   **(C) THE COMMISSIONER SHALL:**

1           **(1) ESTABLISH ANNUAL ASSESSMENT THRESHOLDS FOR**  
2 **ALGORITHMS TO ENSURE THEY REMAIN APPROPRIATE AS TECHNOLOGY EVOLVES;**

3           **(2) MANDATE REGULAR TRAINING FOR HUMAN REVIEWERS ON**  
4 **ALGORITHM FUNCTIONALITY AND POTENTIAL HARMFUL BIAS; AND**

5           **(3) IMPLEMENT A WHISTLEBLOWER PROTECTION PROGRAM FOR**  
6 **EMPLOYEES WHO REPORT ALGORITHMIC MISUSE OR NONCOMPLIANCE.**

7           **(D) THE COMMISSIONER MAY ADOPT REGULATIONS TO CARRY OUT THE**  
8 **PROVISIONS OF THIS SECTION.**

9           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 October 1, 2025.