Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1399   (Delegate Hill)

Economic Matters

Consumer Protection - Consumer Reporting Agencies - Use of Algorithmic Systems

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This bill establishes requirements for consumer reporting agencies that use algorithmic systems to assemble or evaluate consumer credit information on consumers for the purpose of furnishing consumer reports to third parties. The Office of Financial Regulation (OFR) within the Maryland Department of Labor must (1) establish annual assessment thresholds for algorithms to ensure they remain appropriate as technology evolves; (2) mandate regular training for human reviewers on algorithm functionality and potential harmful bias; and (3) implement a whistleblower protection program for employees who report algorithmic misuse or noncompliance. OFR may adopt regulations to carry out the bill.

Fiscal Summary

State Effect: Special fund expenditures increase by at least $60,000 annually beginning in FY 2027 for OFR to hire a consultant. OFR may require additional staff to enforce the bill, as discussed below. Revenues are likely not materially affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	$0	$0	$0	$0	$0
SF Expenditure	60,000	60,000	60,000	60,000	60,000
Net Effect	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill applies only to a consumer reporting agency that uses algorithmic systems to assemble or evaluate consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties.

A consumer reporting agency subject to the bill must:

- provide notice that artificial intelligence is being used during an evaluation;
- ensure that artificial intelligence system outputs, including any synthetic audio, image, video, or text, are detectable as artificially generated;
- be able to provide an explanation of each evaluation made by an algorithmic system in plain language, as specified;
- maintain a public registry of all algorithms used, including their purpose, data sources, and general methodology;
- maintain (1) an overall error rate for algorithmic evaluations of less than 0.5% when compared to human review; (2) discriminatory data rates based on protected characteristics of less than 0.1%; and (3) accuracy of data inputs at a rate of at least 99.9%;
- procure quarterly harmful bias audits by an independent third-party organization that include error rates and harmful bias assessments and submit to OFR (1) each quarterly audit within 30 days after completion and (2) annual reports summarizing the quarterly audit results and algorithmic performance;
- implement a data governance framework that (1) certifies data sources for accuracy and relevance with updates at least monthly; (2) tracks data lineage and establishes quality control measures; and (3) includes minimum data set size requirements to ensure statistical significance in algorithmic evaluations, as specified;
- before a decision is final, require all automated evaluations to (1) be subject to human review within 24 hours after the evaluation and (2) allow for an expedited review process including human review within 48 hours after the review request being submitted;
- require at least 10% of all algorithmic evaluations to undergo random human review to prevent false positives;
- designate staff to be responsible for compliance with the bill;
- implement a system to improve algorithmic performance based on review outcomes and human expert input;
- provide alternative, nonalgorithmic assessment options for consumers who opt out of automated decision making; and
- maintain a contingency plan for system failures or data breaches that could compromise algorithmic integrity.

Current Law: A "consumer report" is any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, which is used or expected to be used or collected (in whole or in part) for the purpose of serving as a factor in establishing a consumer's eligibility for (1) credit or insurance to be used primarily for personal, family, or household purposes; (2) employment purposes; or (3) other specified purposes, as authorized by State law.

A "consumer reporting agency" is any person that, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages (in whole or in part) in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties and that uses any means or facility of commerce for the purpose of preparing or furnishing the reports.

State Expenditures: OFR advises that it does not have the expertise to implement certain provisions of the bill and must hire a consultant (*e.g.*, to assist with determining annual assessment thresholds and other factors related to industry compliance). Thus, special fund expenditures increase by approximately $60,000 annually for this purpose beginning in fiscal 2027.

OFR notes that, while consumer reporting agencies are required to register with the office, they are not required to be licensed. Because of this, OFR's regulatory authority over these entities is limited compared to other types of entities that are fully licensed by the office. In addition, as most consumer reporting agencies are not located in Maryland, it is unclear how OFR can enforce certain provisions of the bill (*e.g.*, whistleblower protections) when both the employer and employee may be located in another jurisdiction. To the extent that OFR has the authority to regulate consumer reporting agencies, it may require additional staff to ensure their compliance with the bill's requirements. However, a reliable estimate is not feasible in the absence of clarity regarding OFR's authority.

Small Business Effect: Any small business consumer reporting agencies that are based in the State will face greater compliance costs. However, this analysis assumes most are located out of state. In addition, to the extent consumer reporting agencies utilize the types of algorithms described in the bill (and provide reports to Maryland small businesses), compliance costs may increase and result in higher costs to obtain a report, which may affect small businesses in the State that request consumer reports.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1477 of 2025.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2026
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