



Auto Consumer Alliance
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**Testimony to the House Economic Matters Committee
HB 1331 – Consumer Protection – Artificial Intelligence
Position: Favorable**

The Honorable C.T. Wilson
House Economic Matters Committee
251 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Economic Matters Committee

March 4, 2025

Honorable Chair Wilson and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers.

We support **HB 1331** because it mandates some important safeguards that will protect consumers against unfair discrimination by algorithmic decision-making systems, let us know when such systems are being used, and give us some ability to correct mistaken data they're using or appeal adverse decisions.

Financial institutions, credit reporting agencies, lenders and other powerful institutions are increasingly using AI and algorithmic systems to make decisions that are crucial to our financial lives and our opportunities to access housing, jobs, credit and other goods. While we're often told that these systems improve efficiency, eliminate sources of bias, and offer other advantages, their lack of transparency and tendency to extend traditional forms of bias raise quite serious concerns.

Most consumers today have little or no idea how these systems work or what patterns they use to make decisions – and often don't even know such systems are being used to make decisions that impact their lives. Experts also caution that, even as AI systems may eliminate some forms of bias, they also can introduce new forms of bias in many ways. In 2024, a joint statement from leading federal agencies on the impact of AI systems on federal legal safeguards stressed that the systems can introduce bias in at least three ways: through datasets that incorporate historical bias against protected classes or other errors; through the opacity of models that make it very hard to understand if they're operating fairly; and through flawed assumptions by system developers about how the systems will be used in the real world.¹

Decisions about credit and mortgage applications are one place where it's easy to see how AI systems trained on data about past practices can extend and renew the impact of past (and present) prejudices. Systems trained to recognize those who might qualify for credit or mortgages based on the way those decisions have been made up until now will likely tend to favor the sort of consumers who traditionally have been more likely to qualify – who are, as a group, older, whiter, more likely to be male and come from wealthier backgrounds than the population at large. The same dynamic can easily color AI-based decisions on rental housing, jobs, insurance rates and other

¹ <https://www.justice.gov/archives/crt/media/1346821/dl?inline>



matters critical to our financial lives. Indeed, a survey of bankers themselves by the World Economic Forum found that 58% said AI systems would likely increase bias in financial decisions.²

HB 1331 would take some strong steps to redress such bias by making clear that both the developers and users (“deployers,” as the bill calls them) of AI tech systems that have a decisive impact on our financial lives (“high-risk artificial intelligence systems,” the bill calls them) have a duty of care to “protect consumers from known or reasonably foreseeable risks” of algorithmic discrimination. Developers must also work to mitigate such risks and provide users the information they need to conduct a rather rigorous assessment of these systems’ impact on consumers. And when a developer learns its systems are prompting or are likely to be causing discrimination, it is required to notify all the firms using the system and the Attorney General’s office about the issue.

The bill also requires that large firms using those systems must, among other things, implement risk management policies that mitigate discrimination, complete an annual assessment of their impact on consumers, and clearly disclose on their websites both that they’re using AI systems and what personal information those systems may be collecting and using. They also need to give consumers an opportunity to correct any mistaken data the AI system may be using and a (limited) right to appeal any adverse decisions they make.

While we have some concerns about the lack of a private right of action for damages from AI discrimination under this bill and the limitations of the right to appeal decisions and some other matters, the stipulations noted above and other mandates in the law will add important protections and give consumers better information about the use of AI systems.

Indeed, the bill is loosely modeled on a landmark law on AI protections Colorado passed last spring. The National Association of Attorney General has called that law “a strong first step toward ensuring continued human control and human verification over automated decisions” and “mitigating forms of bias.”³ **HB 1331** would have a similar impact for Maryland consumers.

Under the Biden administration, the CFPB and other federal agencies repeatedly issued guidance trying to mitigate the impact of AI bias.⁴ Unfortunately, the current administration is unlikely to emphasize such protections – and that, I think, makes it all the more important that we establish the kind stronger protections against bias under Maryland law that **HB 1331** provides.

We strongly support HB 1331 and ask you to give it a FAVORABLE report

Sincerely,
Franz Schneiderman
Consumer Auto

² <https://www.intuition.com/ai-bias-may-put-financial-firms-at-risk/>

³ <https://www.naag.org/attorney-general-journal/a-deep-dive-into-colorados-artificial-intelligence-act/>

⁴ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-federal-partners-confirm-automated-systems-advanced-technology-not-an-excuse-for-lawbreaking-behavior/>