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**HB 1477 – Consumer Protection – Consumer Reporting Agencies – Use of
Algorithmic Systems
FAVORABLE
House Economic Matters Committee
March 4, 2025**

Good afternoon, Chairman Wilson and Members of the House Economic Matters Committee. My name is Karen Morgan, and I serve on the Executive Council for AARP Maryland. Representing nearly 850,000 members, AARP Maryland is one of the largest membership-based organizations in the state. We thank Delegate Hill for sponsoring this important legislation.

AARP is a nonpartisan, nonprofit organization dedicated to empowering people to live their best lives. We advocate on key issues affecting families, including health care, financial security, retirement planning, and protection from financial abuse.

HB 1477 sets forth reasonable standards for quality assurance and transparency when consumer reporting agencies (Equifax, TransUnion, and Experian are examples) use algorithms to assemble consumer data or issue an evaluation of consumer information that is contained in a consumer credit report.

The information contained in consumer credit reports is highly sensitive and can significantly influence the financial well-being and security of consumers. The information in a consumer credit report can determine whether a person can qualify for a mortgage or a car loan. It can even influence whether a person can get a job or obtain insurance. It is of utmost importance that consumer credit reports be as accurate as possible and that consumers understand the factors that comprise their credit evaluation.

It comes as no surprise that consumer credit reporting agencies are turning more and more to automated methods, including algorithmic models, to complete the considerable workload with which they are tasked. These algorithmic systems may be more efficient and save significant expenses for these agencies. But the efficiency and cost-savings should not come at the expense of the consumers whose very financial well-being can rise or fall with the keystrokes of information in a credit report. The use of algorithms by consumer credit reporting agencies may very well reduce the errors in these reports and they may make it easier for these agencies to keep the consumer information updated so that evaluations are based on the most complete information possible. HB 1477 requires consumer credit reporting agencies to affirmatively make sure that the algorithms used are free of bias, based on complete information, and are subject to human review, including expedited review, as specified in the bill. The bill also requires these agencies to maintain a contingency plan in the event of system compromise or failure. A critical provision requires that

consumers who do not wish to be subjected to algorithmic review be allowed to opt out of such review.

The Commissioner of Financial Regulation is also required to maintain ongoing oversight, since the evolution of these technologies and how they are used will likely require changes in how these algorithmic systems are evaluated and regulated. The requirement for implementation of a whistleblower program for employees of consumer credit reporting agencies is especially important as these organizations need to be held accountable. The whistleblower protections for employees who are willing to report on misuse or noncompliance is a critical aspect of this accountability.

AARP Maryland believes that meaningful technological innovation and data-driven decision-making may bring benefits to consumers. However, it is equally important that technological innovations maintain protections for consumers. If consumer credit reporting agencies want to use algorithmic systems to produce consumer credit reports, then they should also be willing to make the effort to ensure that these systems are free of bias, transparent to the public, are as error-free as humanly possible, and that compliance with the bill's provisions is maintained through the designation of appropriate staff. In addition, AARP believes computer-centric systems, such as those based on algorithms, should:

- **Safeguard consumer choice and control**—consumers should control the extent to which their personal information may be collected, analyzed, shared, and sold.
- **Ensure heightened protections for sensitive data**—data that are sensitive and pose significant risk to the consumer if disclosed should receive heightened privacy and security protections.
- **Promote privacy and security by design**—privacy and security protections should be embedded into products and services.
- **Foster transparency**—organizations should provide accurate and understandable information to consumers about their privacy and security practices.
- **Ensure accountability**—privacy and security laws and regulations should include robust enforcement mechanisms to ensure compliance.

AARP Maryland believes that passage of HB 1477 will help maintain protections for consumers for those consumer credit reporting agencies that decide to use algorithmic systems to evaluate consumer credit. AARP Maryland respectfully requests that the House Economic Matters Committee issue **a favorable report on HB 1477**. For any questions, please contact Tammy Bresnahan, Director of Advocacy for AARP Maryland, at tbresnahan@aarp.org or **410-302-8451**.