

HB1399_RichardKaplowitz_FAV

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Richard Keith Kaplowitz

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TESTIMONY ON HB#1399- POSITION: FAVORABLE

Consumer Protection - Consumer Reporting Agencies - Use of Algorithmic Systems

TO: Chair Valderrama, Vice Chair Charkoudian and members of the Economic Matters Committee

FROM: Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of HB#1399, **Consumer Protection - Consumer Reporting Agencies - Use of Algorithmic Systems**

The University of Dallas has studied *When Algorithms Judge Your Credit: Understanding AI Bias in Lending Decisions*¹

AI is revolutionizing how lenders decide who gets credit by looking beyond traditional credit scores. While FICO scores have long served as the standard, they exclude many individuals without sufficient credit history. Today's AI systems can analyze thousands of data points from your "digital footprint": information you leave online simply by browsing websites or making purchases. That information can predict repayment behavior.[?]

Representation bias is a significant issue in the use of artificial intelligence for credit decisions, especially in areas like mortgage lending and consumer credit. This type of bias arises when the data used to train AI does not adequately represent the varied demographics of the population it aims to assist, which can lead to certain communities being overlooked by AI systems.

Maryland can and must protect its residents from this misuse of AI in credit decisions by creating guardrails to its use and ensuring that a human element, trained in credit reviews, is part of the evaluation on an application for credit.

The bill will accomplish that goal by establishing 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; and requiring the Commissioner of Financial Regulation of the Maryland Department of Labor to establish certain assessment thresholds for algorithms, mandate regular training for human reviewers, and implement a certain whistleblower protection program.

I respectfully urge this committee to return a favorable report on HB#1399.

¹ <https://www.accessiblelaw.untDallas.edu/post/when-algorithms-judge-your-credit-understanding-ai-bias-in-lending-decisions#:~:text=Representation%20bias%20is%20a%20significant,are%20'credit%20invisible.'%E2%80%9D>