

# STATE OF NEW YORK

8115

2025-2026 Regular Sessions

## IN SENATE

May 15, 2025

Introduced by Sen. SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Banks

AN ACT to amend the banking law, in relation to the use of automated decision tools to make lending decisions

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The banking law is amended by adding a new section 103-a to  
2 read as follows:

3 § 103-a. Use of automated decision tools to make lending decisions. 1.  
4 For the purposes of this section, the following terms shall have the  
5 following meanings:

6 (a) "Automated decision tool" means any computational process, derived  
7 from machine learning, statistical modeling, data analytics, or artifi-  
8 cial intelligence, that issues simplified output, including a score,  
9 classification, or recommendation, that is used to substantially assist  
10 or replace discretionary decision making for making lending decisions  
11 that impact natural persons. "Automated decision tool" does not include  
12 a tool that does not automate, support, substantially assist, or replace  
13 discretionary decision-making processes and that does not materially  
14 impact natural persons, including, but not limited to, a junk email  
15 filter, firewall, antivirus software, calculator, spreadsheet, database,  
16 data set, or other compilation of data.

17 (b) "Disparate impact analysis" means an impartial evaluation  
18 conducted by an independent auditor. Such disparate impact analysis  
19 shall include, but not be limited to, testing of the extent to which use  
20 of an automated decision tool is likely to result in an adverse impact  
21 to the detriment of any group on the basis of sex, race, ethnicity, or  
22 other protected class under this article. A disparate impact analysis  
23 shall differentiate between applicants who were approved and applicants  
24 who were not approved by the tool.

25 (c) "Lending decision" means to screen applicants for a loan.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 2. No less than annually, each bank that uses automated decision tools  
2 to make lending decisions shall:

3 (a) conduct a disparate impact analysis to assess the actual impact of  
4 any automated decision tool used by any bank to make lending decisions  
5 within the state; and

6 (b) submit a summary of the most recent disparate impact analysis of  
7 such tool as well as the distribution date of the tool to which the  
8 analysis applies to the attorney general's office.

9 3. (a) Any bank that uses an automated decision tool to screen appli-  
10 cants for a loan shall notify each such applicant of the following:

11 (i) That an automated decision tool will be used in connection with  
12 the assessment or evaluation of such applicant;

13 (ii) The characteristics that such automated decision tool will use in  
14 the assessment of such applicant;

15 (iii) Information about the type of data collected for such automated  
16 decision tool, the source of such data, and the bank's data retention  
17 policy; and

18 (iv) If an application for a loan is denied through use of the auto-  
19 mated decision tool, the reason for such denial.

20 (b) The notice required by paragraph (a) of this subdivision shall be  
21 made no less than twenty-four hours before the use of such automated  
22 decision tool and shall allow such applicant to opt out of or consent to  
23 such use and/or retention of such applicant's personal information by  
24 the bank.

25 (c) If an application for a loan is denied based on personal informa-  
26 tion that is incorrect, the applicant, upon receipt of the notice  
27 required by subparagraph (iv) of paragraph (a) of this subdivision,  
28 shall have thirty days to correct such information and appeal such  
29 denial.

30 4. The attorney general may initiate an investigation if a preponder-  
31 ance of the evidence, including the summary of the most recent disparate  
32 impact analysis required pursuant to paragraph (b) of subdivision two of  
33 this section, establishes a suspicion of a violation. The attorney  
34 general may also initiate in any court of competent jurisdiction any  
35 action or proceeding that may be appropriate or necessary for correction  
36 of any violation issued pursuant to this section, including mandating  
37 compliance with the provisions of this section or such other relief as  
38 may be appropriate.

39 § 2. This act shall take effect immediately.