

STATE OF NEW YORK

773

2025-2026 Regular Sessions

IN ASSEMBLY

(Prefiled)

January 8, 2025

Introduced by M. of A. ROSENTHAL -- read once and referred 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 Assem-
bly, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

40 § 2. This act shall take effect immediately.