ASSEMBLY, No. 5496

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED SEPTEMBER 14, 2026

Sponsored by:
Assemblywoman MAUREEN ROWAN
District 2 (Atlantic)
Assemblyman MICHAEL VENEZIA
District 34 (Essex)

SYNOPSIS

Regulates use of artificial intelligence in certain mortgage lending decision tools to minimize discrimination in lending.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 10/5/2026)

AN ACT concerning the use of generative artificial intelligence in mortgage lending and supplementing P.L.2009, c.53 (C.17:11C-51 et seq.).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. As used in this act:

"Artificial intelligence mortgage loan tool" or "A.I. mortgage loan tool" means a generative artificial intelligence tool designed to:

(1) assist mortgage loan originators, registered mortgage loan originators, residential mortgage lenders, or residential mortgage loan underwriters with residential mortgage loan origination; or

(2) make decisions concerning residential mortgage loan approvals or interest rates.

"Bias audit" means an impartial evaluation conducted by an independent auditor, including but not limited to:

(1) rigorous assessment of an A.I. mortgage loan tool to determine its impact on persons of any category;

(2) identification and documentation of any biases, risks, or potential discriminatory outcomes that arise from the use of an A.I. mortgage loan tool, including design and implementation; and

(3) clear, actionable recommendations to avoid, manage, or mitigate identified biases and risks and to ensure the safe, secure, and trustworthy use of an A.I. mortgage loan tool.

"Category" means race, creed, color, national origin, ethnicity, sex, gender identity, sexual orientation, age, religion, marital or familial status, or disability.

"Generative artificial intelligence" means a technology system that:

(1) is trained on data;

(2) is a designed to simulate human connection through text, audio, or visual communication; and

(3) generates non-scripted outputs with limited or no human oversight.

"Independent auditor" means a person or group that can exercise objective and impartial judgment on all issues within the scope of a bias audit of an A.I. mortgage loan tool. An auditor shall not be considered independent if the auditor:

(1) is or was involved in using, developing, or distributing an A.I. mortgage loan tool;

(2) at any point during the bias audit, has an employment relationship with an employer that seeks to use or continue to use an A.I. mortgage loan tool or with a vendor that developed or distributes an A.I. mortgage loan tool; or

(3) at any point during the bias audit, has a direct financial interest or a material indirect financial interest in an employer that

seeks to use or continue to use an A.I. mortgage loan tool or in a vendor that developed or distributed an A.I. mortgage loan tool.

"Residential mortgage loan origination" means a comprehensive, step-by-step process of approving, processing, and funding a residential mortgage loan, from initial pre-approval of a residential mortgage loan application to closing.

2. a. It shall be a violation of this act to sell, develop, use, or offer for sale an artificial intelligence mortgage loan tool in this State unless:

(1) the A.I. mortgage loan tool is the subject of a bias audit conducted in the past year prior to selling, using, or offering for sale the A.I. mortgage loan tool in this State;

(2) the sale of the A.I. mortgage loan tool includes, at no additional cost, an annual bias audit service that provides the results of that audit to a purchaser and a written plan to monitor the implementation of the recommendations in the audit report;

(3) the A.I. mortgage loan tool is sold, developed, used, or offered for sale with a notice stating that the A.I. mortgage loan tool is subject to the provisions of this act; and

(4) the developer of the A.I. mortgage loan tool has implemented the recommendations of the most recent bias audit conducted prior to selling, using, or offering the A.I. mortgage loan tool in this State.

b. Any residential mortgage loan lender or mortgage loan originator in the State that uses an A.I. mortgage loan tool shall provide on its Internet website a summary of the most recent bias audit of the A.I. mortgage loan tool.

c. A residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator that uses an A.I. mortgage loan tool shall notify every individual applying for a residential mortgage loan that an A.I. mortgage loan tool will be used in connection with the individual's application, prior to the individual submitting the residential mortgage loan application.

d. When using an A.I. mortgage loan tool to evaluate a prospective mortgagor, a residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator shall only input quantifiable metrics, which may include but shall not be limited to income or credit score, into the A.I. mortgage loan tool and shall not input any category of person into the tool.

3. a. A person that sells, develops, uses, or offers an artificial intelligence mortgage loan tool and is found to violate subsection a. of section 2 of this act shall be liable for a civil penalty of not more than $1,500 for the person's first violation and each subsequent violation. The civil penalty shall increase by two percent for each subsequent day the person remains in violation of this act.

Violations shall accrue daily for each A.I. mortgage loan tool that is sold, developed, used, or offered in violation of this act.

b. All penalties assessed under this section shall be payable to the department and may be recovered with costs in a summary proceeding commenced by the commissioner pursuant to the "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.).

c. A residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator that violates subsections b., c., or d. of section 2 of this act shall be liable for a civil penalty of not more than $500 for a first violation and for each subsequent violation.

d. The department, in consultation with the Division on Civil Rights in the Department of Law and Public Safety, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), shall promulgate rules and regulations to effectuate the provisions of this act.

4. This act shall take effect on the 90th day next following the date of enactment, except that the commissioner may take such anticipatory administrative action in advance as shall be necessary for the implementation of this act and shall be applicable to mortgage loan applications received on or after the enactment date.

STATEMENT

This bill regulates the use of generative artificial intelligence in certain mortgage lending decision tools to minimize discrimination in lending.

The bill prohibits the sale, development, use, or offering of an artificial intelligence (A.I.) mortgage loan tool in this State unless:

(1) the A.I. mortgage loan tool is the subject of a bias audit conducted in the past year prior to selling, using, or offering the A.I. mortgage loan tool in this State;

(2) the sale of the A.I. mortgage loan tool includes, at no additional cost, an annual bias audit service that provides the results of that audit to a purchaser and a written plan to monitor the implementation of the recommendations in the audit report;

(3) the A.I. mortgage loan tool is sold, developed, deployed, used, or offered for sale with a notice stating that the A.I. mortgage loan tool is subject to the provisions of this bill; and

(4) the developer of the A.I. mortgage loan tool has implemented the recommendations of the most recent bias audit conducted prior to selling, using, or offering the A.I. mortgage loan tool in this State.

The bill also requires a residential mortgage loan lender in the State who uses an A.I. mortgage loan tool to provide, on its Internet

website, a summary of the most recent bias audit of the A.I. mortgage loan tool it uses.

Additionally, a residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator that uses an A.I. mortgage loan tool is required to notify every individual applying for a residential mortgage loan that an A.I. mortgage loan tool will be used in connection with the individual's application, prior to the individual's submission of the residential mortgage loan application. A residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator will also be required to input quantifiable metrics when using an A.I. mortgage loan tool to evaluate prospective mortgagors and will be prohibited from inputting any categories of person into the tool.

Finally, the bill provides that a person that sells, develops, deploys, uses, or offers an artificial intelligence mortgage loan tool and is found to violate the provisions this bill will be liable for a civil penalty of not more than $1,500 for the person's first violation and each subsequent violation. The civil penalty will increase by two percent for each subsequent day the person remains in violation of bill. Violations will accrue daily for each A.I. mortgage loan tool that is sold, developed, used, or offered in violation of this act. A residential mortgage loan lender, registered mortgage loan originator, or mortgage loan originator will also be liable for a civil penalty of not more than $500 if they fail to notify individuals applying for a residential mortgage loan that an A.I. mortgage loan tool will be used in connection with the individual's application or if they input categories of persons into the tool.