ASSEMBLY SCIENCE, INNOVATION AND TECHNOLOGY COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5496

STATE OF NEW JERSEY

DATED: NOVEMBER 16, 2026

The Assembly Science, Innovation and Technology Committee reports favorably Assembly Bill No. 5496.

As reported, this bill regulates the use of generative artificial intelligence in certain mortgage lending decision tools.

The bill prohibits the sale, development, use, or offer for sale 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 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 the 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 or mortgage loan originator 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.

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 is also required to input quantifiable metrics when using an A.I. mortgage loan tool to evaluate prospective mortgagors and is prohibited from inputting any categories of person into the tool.

Finally, the bill provides that a person that sells, develops, uses, or offers an artificial intelligence mortgage loan tool and is found to

violate certain provisions of the 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 is to increase by two percent for each subsequent day the person remains in violation of the bill. Violations will accrue daily for each A.I. mortgage loan tool that is sold, developed, used, or offered in violation of the bill. 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 for: failing to provide a summary of the most recent bias audit of the A.I. mortgage loan tool, failing 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 for inputting categories of persons into the tool.