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(Original Signature of Member)

118TH CONGRESS
2D SESSION

H. R. _____

To require the financial regulators to carry out studies on the realized and potential benefits of artificial intelligence, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. WATERS (for herself and Mr. MCHENRY) introduced the following bill;
which was referred to the Committee on _____

A BILL

To require the financial regulators to carry out studies on the realized and potential benefits of artificial intelligence, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Analysis and Improve-
5 ment Act of 2024” or the “AI Act of 2024”.

1 **SEC. 2. STUDY ON AI BENEFITS AND RISKS BY BANKING**
2 **REGULATORS.**

3 (a) REPORT REQUIRED.—Not later than 180 days
4 after the date of the enactment of this Act, the Board
5 of Governors of the Federal Reserve System, the Federal
6 Deposit Insurance Corporation Board, the Comptroller of
7 the Currency, the Director of the Bureau of Consumer Fi-
8 nancial Protection, and the National Credit Union Admin-
9 istration Board shall submit to the Committee on Finan-
10 cial Services of the House of Representatives and the
11 Committee on Banking, Housing, and Urban Affairs of
12 the Senate, and publish publicly, a report that examines—

13 (1) realized and potential benefits and risks of
14 AI technology, including—

15 (A) banking institutions' use of AI for cus-
16 tomer service;

17 (B) banking institutions' use of AI in loan
18 underwriting and servicing;

19 (C) banking institutions' use of AI in home
20 valuation;

21 (D) banking institutions' use of AI to de-
22 tect and deter fraud, money laundering,
23 cybercrime, and other illicit activity;

24 (E) the use of AI in debt collection, includ-
25 ing foreclosures;

1 (F) banking institutions' use of AI for in-
2 ternal processes and compliance procedures, in-
3 cluding for compliance with Federal fair lending
4 laws;

5 (G) how a variety of smaller banking insti-
6 tutions, including community banks, credit
7 unions, rural depository institutions, minority
8 depository institutions, and community develop-
9 ment financial institutions, can leverage the
10 benefits of AI technology;

11 (H) banking institutions' use of AI to miti-
12 gate bias and discrimination and increase bank-
13 ing services to historically underserved and
14 underbanked consumers;

15 (I) banking institutions' use of AI to en-
16 hance cybersecurity risk management;

17 (J) the use of AI to enhance competitive-
18 ness among banking institutions of all sizes;

19 (K) the use of AI, including for the pur-
20 poses described in subparagraphs (A) through
21 (J), by nonbank financial technology firms; and

22 (L) any other use cases such agency heads
23 determine appropriate;

1 (2) statutes, regulations, and agency guidance,
2 or the lack thereof, impacting the development and
3 the use of AI by entities regulated by such agencies;

4 (3) current use cases of AI by such agencies for
5 supervision, and other areas where AI applications
6 would be uniquely suited but are not currently being
7 deployed; and

8 (4) any challenges such agencies have in
9 leveraging AI and hiring and retaining staff with ex-
10 pertise in AI technology and potential solutions to
11 overcome such challenges.

12 (b) RECOMMENDATIONS.—The report required under
13 subsection (a) shall include regulatory proposals and legis-
14 lative recommendations that facilitate the responsible
15 adoption of AI within the financial services industry.

16 (c) PUBLIC INPUT.—The agency heads described
17 under subsection (a) shall publish a request for informa-
18 tion to collect public input to inform the drafting of the
19 report required under subsection (a).

20 (d) BANKING INSTITUTION DEFINED.—In this sec-
21 tion, the term “banking institution” means a depository
22 institution (as defined in section 3 of the Federal Deposit
23 Insurance Act) and a State credit union or a Federal cred-
24 it union (as such terms are defined, respectively, under
25 section 101 of the Federal Credit Union Act).

1 **SEC. 3. STUDY ON AI BENEFITS AND RISKS BY THE SECURI-**
2 **TIES AND EXCHANGE COMMISSION.**

3 (a) REPORT REQUIRED.—Not later than 180 days
4 after the date of the enactment of this Act, the Securities
5 and Exchange Commission shall submit to the Committee
6 on Financial Services of the House of Representatives and
7 the Committee on Banking, Housing, and Urban Affairs
8 of the Senate, and publish publicly, a report that exam-
9 ines—

10 (1) realized and potential benefits and risks of
11 AI technology, including—

12 (A) market participants' use of AI for
13 market research, examining the difference be-
14 tween public and private markets;

15 (B) market participants' use of AI for
16 portfolio management;

17 (C) exchanges' use of AI for market sur-
18 veillance, fraud detection, and order placements;
19 and

20 (D) any other use cases the Commission
21 determines appropriate;

22 (2) statutes, regulations, and agency guidance,
23 or the lack thereof, impacting development and use
24 of AI;

25 (3) current use cases of AI by the Commission
26 in supervision and other areas where AI applications

1 would be uniquely suited but are not currently being
2 deployed; and

3 (4) any challenges the Commission has in
4 leveraging AI and in hiring or retaining staff with
5 expertise in AI technology and potential solutions to
6 overcome such challenges.

7 (b) RECOMMENDATIONS.—The report required under
8 subsection (a) shall include regulatory proposals and legis-
9 lative recommendations that facilitate the responsible
10 adoption of AI within the financial services industry.

11 (c) PUBLIC INPUT.—The Commission shall—

12 (1) publish a request for information to collect
13 public input to inform the drafting of the report re-
14 quired under subsection (a); and

15 (2) consult with self-regulatory organizations to
16 inform the drafting of the report under subsection
17 (a).

18 **SEC. 4. STUDY ON AI BENEFITS AND RISKS BY HOUSING**
19 **AND MORTGAGE REGULATORS.**

20 (a) REPORT REQUIRED.—Not later than 180 days
21 after the date of the enactment of this Act, the Secretary
22 of Housing and Urban Development, the Administrator of
23 the Rural Housing Service of the Department of Agri-
24 culture, the Director of the Federal Housing Finance
25 Agency, and the Director of the Bureau of Consumer Fi-

1 nancial Protection shall submit to the Committee on Fi-
2 nancial Services of the House of Representatives and the
3 Committee on Banking, Housing, and Urban Affairs of
4 the Senate, and publish publicly, a report that examines—

5 (1) realized and potential benefits and risks of
6 AI technology, including—

7 (A) the use of AI to create efficiencies for
8 homebuyers in evaluating, comparing, and ob-
9 taining a mortgage loan and in sustaining their
10 homeownership over time;

11 (B) the use of AI to enhance the accuracy,
12 efficiency, and fairness of credit decisions, par-
13 ticularly for homebuyers in underserved com-
14 munities;

15 (C) the use of AI to enhance the effective-
16 ness of risk management and compliance within
17 the housing finance system, including for com-
18 pliance with Federal fair lending laws;

19 (D) the use of AI by real estate agents;

20 (E) the use of AI in the marketing and
21 outreach to retail customers regarding housing
22 products;

23 (F) the use of AI in property management;

24 (G) the use of AI by landlords;

1 (H) the use of AI by online housing plat-
2 forms;

3 (I) the use of AI by mortgage servicers;

4 (J) the use of AI in mortgage underwriting
5 and servicing; and

6 (K) any other use cases such agency heads
7 determine appropriate;

8 (2) statutes, regulations, and agency guidance,
9 or the lack thereof, impacting development and im-
10 plementation of AI;

11 (3) current use cases of AI by such agencies in
12 supervision and other areas where AI applications
13 would be uniquely suited but are not currently being
14 deployed; and

15 (4) any challenges such agencies have in
16 leveraging AI and hiring or retaining staff with ex-
17 pertise in AI technology and potential solutions to
18 overcome such challenges.

19 (b) RECOMMENDATIONS.—The report required under
20 subsection (a) shall include regulatory proposals and legis-
21 lative recommendations that facilitate the responsible
22 adoption of AI within the housing industry and the hous-
23 ing finance industry.

24 (c) PUBLIC INPUT.—The agency heads described
25 under subsection (a) shall publish a request for informa-

1 tion to collect public input to inform the drafting of the
2 report required under subsection (a).

3 **SEC. 5. STUDY ON AI BENEFITS AND RISKS IN SECURING**
4 **THE U.S. FINANCIAL SYSTEM FROM NA-**
5 **TIONAL SECURITY THREATS.**

6 (a) REPORT REQUIRED.—Not later than 180 days
7 after the date of the enactment of this Act, the Secretary
8 of the Treasury shall submit to the Committee on Finan-
9 cial Services of the House of Representatives and the
10 Committee on Banking, Housing, and Urban Affairs of
11 the Senate, and publish publicly, a report that examines—

12 (1) realized and potential benefits and risks of
13 AI technology, including—

14 (A) the use of AI by financial institutions
15 (as defined in section 5312(a) of title 31,
16 United States Code) to meet the institutions’
17 obligations under the Bank Secrecy Act and
18 sanctions laws; and

19 (B) the use of AI by financial institutions
20 to protect against cybersecurity threats and to
21 respond to cybersecurity attacks;

22 (2) statutes, regulations, and agency guidance
23 impacting development and use of AI by financial in-
24 stitutions to comply with the Bank Secrecy Act and
25 sanctions laws;

1 (3) current use cases of AI by the Department
2 of the Treasury and areas where AI applications
3 would be uniquely suited but are not currently being
4 deployed; and

5 (4) any challenges the Department of Treasury
6 has in leveraging AI and hiring or retaining staff
7 with expertise in AI technology and potential solu-
8 tions to overcome such challenges.

9 (b) RECOMMENDATIONS.—The report required under
10 subsection (a) shall include regulatory proposals and legis-
11 lative recommendations that facilitate the responsible
12 adoption of AI within the financial services industry.

13 (c) PUBLIC INPUT.—

14 (1) The Secretary shall publish a request for in-
15 formation to collect public input to inform the draft-
16 ing of the report required under subsection (a).

17 (2) The Secretary shall consult with the Board
18 of Governors of the Federal Reserve System, the
19 Federal Deposit Insurance Corporation Board, the
20 Comptroller of the Currency, the Director of the Bu-
21 reau of Consumer Financial Protection, and the Na-
22 tional Credit Union Administration Board to inform
23 the drafting of the report required under subsection
24 (a).

1 **SEC. 6. DEFINITIONS.**

2 In this Act:

3 (1) AI.—The term “AI” has the meaning given
4 the term “artificial intelligence” under section 5002
5 of the National Artificial Intelligence Initiative Act
6 of 2020 (15 U.S.C. 9401).

7 (2) BANK SECRECY ACT.—The term “Bank Se-
8 crecy Act” means—

9 (A) section 21 of the Federal Deposit In-
10 surance Act (12 U.S.C. 1829b);

11 (B) chapter 2 of title I of Public Law 91–
12 508 (12 U.S.C. 1951 et seq.); and

13 (C) subchapter II of chapter 53 of title 31,
14 United States Code.