



February 12, 2020

The Honorable Bill Foster, Chairman
The Honorable Barry Loudermilk, Ranking Member
House Financial Services Committee, Artificial Intelligence Task Force
U.S. House of Representatives
Washington, D.C. 20510

Dear Chairman Foster and Ranking Member Loudermilk:

The Bank Policy Institute (“BPI”) appreciates the efforts of the House Financial Services Committee and its Artificial Intelligence Task Force to examine the important issues surrounding the development and deployment of artificial intelligence and machine learning (collectively, “AI”) in the financial services industry. We agree that now is the time to actively consider the technical, legal and policy implications arising from the use of these new tools to better inform and benefit American consumers and to do so in a responsible manner.

AI holds the promise of improved fairness of decisions regarding consumer credit: AI has the ability to integrate and analyze richer data sets as well as more accurately assess consumer creditworthiness than conventional credit underwriting. This increased accuracy can benefit borrowers who are unable to access lower-cost bank credit under conventional underwriting approaches. However, the current regulatory framework used for assessing credit underwriting methods predates and fails to accommodate key features of AI credit underwriting models.

BPI recommends that the federal financial services regulators undertake a joint effort, in consultation with stakeholders, to review and modernize the current regulatory framework to facilitate appropriate uses of AI in credit underwriting. The goal for this process should be a regulatory environment with clear expectations for the development, testing, validation, monitoring and oversight of credit underwriting models. While it is necessary for policymakers, regulators, industry and the public to engage in this conversation to address any legitimate concerns, it is similarly important to embrace innovation and consider the benefits of better access to credit that these tools possess. Bias and fairness are important considerations and to that end, banks have policies and procedures in place to identify and mitigate those risks. Moreover, banks are ensuring that these robust controls remain in place as the paradigm shifts to the use of AI in consumer credit underwriting. The steps being adapted for AI include:

- Incorporating fair lending considerations in front-end testing of systems by reviewing each variable and, if appropriate, the overall system, for any prohibited bases or proxies for prohibited bases;
- Filtering data sets so that AI credit underwriting systems do not consider prohibited bases or known proxies for discrimination;
- Ensuring that data sets are representative of the population as a whole;
- Programming AI credit underwriting systems so that they cannot consider prohibited bases or proxies for discrimination, such as geography;
- Closely monitoring AI credit underwriting systems through “supervised learning” to provide regular human oversight as a check on potentially discriminatory decision making or unforeseen outcomes with the ability to implement overrides and course corrections as needed; and

- Validating that AI credit underwriting systems are not making decisions on a discriminatory basis by conducting periodic back-testing and trend analysis of those systems.

While not an exhaustive list, the above demonstrates that banks are engaged in mitigating potential bias or fairness concerns in the use of AI in credit underwriting. Similarly, all interested stakeholders, including policymakers and regulators, should continue to work to ensure that these tools can yield their intended promise.

To contribute to these important discussions, BPI published a draft White Paper providing further analysis of the relevant legal and policy issues, and we have included a copy of that paper for your convenience. We anticipate finalizing this White Paper in the near term and will share it with the Committee once published. We welcome the opportunity to be a part of the discussion and hope to be a part of any eventual solutions that Congress and the regulators develop on behalf of the American people.

Thank you for holding today's hearing and please let us know how we can be of further service to the important explorations underway in the Committee.

Sincerely,

Greg Baer
President and CEO
Bank Policy Institute