Remarks To The Task Force on Artificial Intelligence of the House Financial Services Committee

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Thank you Chairman Foster, Ranking Member Gonzales and other members of the task force for the opportunity to testify today.

My name is Kareem Saleh and I'm the founder and CEO of FairPlay, the world's first fairness-as-a-service company. I have witnessed firsthand the extraordinary potential of AI algorithms to increase access to credit and opportunity. But I have also seen the risks these algorithms pose to many Americans.

If we are to fully harness the benefits of AI, we must commit to building infrastructure that embeds fairness into every step of the algorithmic decisioning process. AI is speeding like a train to power the decisions of companies and governments and we should be laying down fairness tracks to guide its route.

Despite the passage of the fair lending laws almost 50 years ago, people of color, women and other historically underprivileged groups are still denied loans at an alarming rate. The result is a persistent racial wealth gap and fewer opportunities for minority families and communities to create a stable and prosperous future.

Why are we still so deeply unfair?

The truth is, the current methods of bias detection in lending are unsuited to the AI era. Even though lending has become AI-powered and automated, fair lending compliance is stuck in the analog, paper-based past.

So how can we bring fair lending compliance into the 21st century?

Here are three ways:

First, we must do better at debiasing data and identifying variables that interact in ways that proxy for protected status.

Currently, fair lending compliance starts with a human review of variables for discrimination. While this is an important step, no human can discern the complex interactions between seemingly fair variables, where bias often hides. Today there are increasingly good methods for locating and counteracting sources of data bias before they result in discriminatory decisions, and these methods ought to be more widely used.

Second, we could require that AI models be validated in ways that enhance their fairness rather than legitimate their unfairness.

A key step in the fair lending compliance process is reviewing an algorithm for unfair outcomes. If, say, Black applicants are approved at materially lower rates than whites, lenders are required to investigate whether this disparity could be justified by a business necessity or whether the lender's business objectives could be met through a less discriminatory means.

It's at this stage -- the search for less discriminatory alternatives and the invocation of business justifications -- where our current fair lending system has the greatest potential to evolve.

The way most lenders search for less discriminatory models involves taking credit scores out of an algorithm, re-running it, and evaluating the differences in outcomes for protected groups. This method almost always results in a fairer model, but also a less profitable one.

This puts lenders in a Catch 22: they'd like to be fair but they'd also like to stay in business. Thus, most lenders end up trying to justify use of the biased model as a business necessity because they could not find a less discriminatory algorithm with the same predictive power.

Today a better, fairer option exists: use AI fairness tools to debias algorithms without sacrificing profitability. Several AI techniques allow lenders to take a variable like credit score and disentangle its predictive power from its disparity-driving effects. The predictive power remains, while fairness increases.

In many instances, these AI fairness tools have improved outcomes for protected groups anywhere from 10-30% without increasing risk.

Third, we must give the people charged with fair lending compliance the tools and training they need to succeed in the AI era.

At FairPlay, we make AI fairness software that allows every fair lending compliance officer to answer five key questions about their algorithm:

1. Is it biased?
2. If so, why?
3. Could it have been fairer?
4. Does being fairer have a cost?
5. Did we give rejected customers a pathway to being approved in the future?

Finally, there are policy measures Congress and regulators could take to enhance the fairness of automated decisioning systems, including mandating that fairness testing:

- Be done by more lenders,
- More often,
- To their marketing, underwriting, pricing and collections models
- And include a rigorous search for less discriminatory alternatives.

In addition, policymakers should ease the fear of liability for lenders who commit to thoroughly searching for disparities, to reward rather than punish those who proactively look for fairer decisioning systems.

To bring fairness to AI decisions we must build the fairness infrastructure of the future, not justify the discrimination of the past. Industry, urged on by policymakers and regulators, has the opportunity to update fair lending compliance for the AI era. Using AI debiasing tools, we can embed fairness into algorithmic decisions in a way that promotes opportunity for all Americans while allowing financial institutions to reap the rewards of a safe and inclusive approach.

AI Fairness will not happen on its own. It requires attention and action. If we prioritize fairness, the machines we build will follow.

Thank you for allowing me to address this body. I’m happy to answer any questions.