NATIONAL FAIR HOUSING ALLIANCE

Responsible Artificial Intelligence is Necessary for Promoting Inclusive Economic Growth

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We can build and empower a more economically inclusive and prosperous society by effectively and responsibly harnessing the power of Artificial Intelligence (AI) to increase people's ability to access homeownership and entrepreneurship opportunities and create inter-generational wealth. We do not have to subscribe to a zero-sum game approach where the majority must lose at life so a few can win. We can optimize and expand opportunity. We can craft a more financially equitable and flourishing nation where people can thrive and establish financial legacies for themselves and those they love. But we must face some hard facts. Our systems and structures are not fair. Everyone does not have the same access to opportunities to build and sustain wealth. And systemic barriers are causing millions to fall behind because they are swimming upstream. The good news is, there have been important technological advancements that can help address these challenges and promote economic empowerment for millions of people who do not now have it.

Throughout our nation's history, hundreds of unfair policies and practices have contributed to creating unfair systems that persist to this day. Residential segregation is one example. We are more segregated today than we were 100 years ago—not by happenstance, **but by design**. The segregation we see in our communities are relics of racially restrictive covenants, Jim Crow policies, exclusionary zoning policies, redlining, racial steering and even violence. Place-based strategies and deployment of resources, like determining which community gets the landfill, oil refinery, liquor store, and highway, or, alternatively, the upgraded drainage system, full-service grocery store, and newly paved roads, can make all the difference in determining the kinds of health and wealth outcomes people living in those communities will reap.

Moreover, the U.S. has a **dual credit market** in which mainstream banks are concentrated in predominately White neighborhoods while payday lenders, check cashers, and other non-traditional creditors are highly concentrated in Black, Latino, and Native communities. Economics do not explain away this dynamic. Banks have closed their branches at a higher rate in **high-income predominantly Black communities** than in lower-income predominately White areas. Studies show that accessing credit with non-traditional providers can significantly lower credit scores. For example, consumers who have credit from higher cost finance companies, and always pay their bills on time, can see their credit score drop by up to 19 points—simply because they accessed credit outside the financial mainstream. Moreover, non-traditional creditors typically do not report positive payment information to the credit repositories, so consumers don't reap the benefits of their good behavior.

Many have wondered whether algorithmic systems create or exacerbate disparities for certain groups. They undoubtedly do. The technologies used in housing and finance sectors are built using data generated from the biased marketplace in which we operate. Consequently, credit scoring, automated underwriting, risk-based pricing, tenant screening, facial recognition, and other systems yield biased and unfair outcomes, like loan denials, lower-valued appraisals, loss of housing rights, and higher interest rates that harm people and communities.

Breaking through structural barriers, like segregation, place-based disinvestment, the dual credit market, exclusionary zoning ordinances, and biased algorithms can sometimes seem impossible. Moreover, because these systems drive certain disparities and are invisible to the naked eye, the negative outcome is often attributed to the person. Lower homeownership rates, lower incomes, higher loan denial rates, poorer educational and health outcomes are blamed on the people impacted by the harmful structure. The reality is no matter how correct your diet is or how much you exercise, if you live in a neighborhood with no tree canopies, few plants, and high levels of pollution, your health and longevity will be severely impacted. And if your family does not have inter-generational wealth, you live in a bank desert, and use peer-to-peer payment systems, you have a much higher probability of having no credit score or a very low credit score. But that does not mean you are risky.

Thankfully, many researchers, civil rights experts, and civic-minded technologists, have been exploring how to harness technologies, including AI, for good. AI can be powerful in rooting out discrimination and expanding opportunities if it is built based on responsible AI principles. Those include fairness, safe and trustworthy systems, data privacy, transparency and explainability, and ensuring there are humans-in-the-loop. This last point is critical since AI systems may not work for everyone. There must be a human fallback; a person who can step in and make decisions when the technology isn't working for someone.

Moreover, several fairness techniques have emerged that can improve the technologies used every day to determine if people can access vital opportunities like loans, jobs, and housing. AI can help improve the accuracy and predictability of existing systems. It can be used to help identify and measure discrimination, increase access to important services, promote transparency and accountability in algorithmic models, explain outcomes of decision-making tools, and lower costs.

The National Fair Housing Alliance (NFHA) and FairPlay-AI, a justice-based fintech, **conducted research** to explore if AI could make mortgage decisions fairer without losing accuracy or lowering profits. The results were quite promising. In the first phase of the research, NFHA and FairPlay found that by carefully adjusting the standard machine learning process, automated underwriting and pricing systems could be improved. Using state-of-the-art equity-based techniques can increase fairness in loan underwriting outcomes for Black and Latino borrowers by over 13 percent with no reduction in model accuracy. Additionally, pricing differences for Black/White and Hispanic/White borrowers can be reduced by over 20 percent. This means, with these tools, more credit-worthy people can access loans and pay a fair price. It also means businesses can grow their customer base.

Inclusive economic growth and technological fairness are crucial for expanding opportunities for underserved groups, innovating to increase homeownership access, create new business opportunities, and helping people grow inter-generational wealth. By ensuring that AI and other technologies are non-discriminatory and fair, we can create a more equitable and prosperous society for all.