

# Meta introduces system to equitably distribute housing, credit, and employment ads

## Article

This week, Meta announced its **Variance Reduction System** (VRS), which it says will equitably distribute ads via census data and machine learning. The new tech was created in partnership

with the US Department of Justice (DOJ), representing the first instance of **direct court oversight** for Meta's ad targeting and delivery, according to a DOJ statement.

**How it works:** Housing ads, and eventually credit and employment ones, will use a system called **Bayesian Improved Surname Geocoding** (BISG), which uses census and ZIP code data to assume race and ethnicity. VRS combines BISG info with machine learning to evenly distribute ads based on estimated audience demographics.

**Settling into place:** VRS was born from a **settlement with the US Department of Housing and Urban Development** following allegations of ad biases.

- A 2016 ProPublica investigation found Facebook advertisers **could exclude users by race** and "ethnic affinities." That meant housing advertisements could essentially **redline** potential buyers and renters via discriminatory ad practices.
- The "ethnic affinity" field was actually added in a "multicultural advertising" effort, according to ProPublica, but it also clearly had the potential to be used prejudicially.
- In 2019, three years later, **Facebook removed the affinity field** for ads related to housing, employment, and credit. COO Sheryl Sandberg wrote in a post, "These changes are the result of historic settlement agreements with leading civil rights organizations and ongoing input from civil rights experts."

**And your little DOJ, too:** Beyond the settlement requiring collaboration with the DOJ, it's in Meta's best interest to play nice with US courts right now.

The company received a \$414 million fine by EU regulators earlier this month for **General Data Protection Regulation** violations. And while EU fines have become almost expected for Meta, the ruling could lead to platform users having the option to decline sharing data with advertisers.

That's a devastating possibility for a company that makes its revenues first and foremost from advertising. Meta will see over \$120 billion in global ad revenues this year, up 8.2% over 2022, when Meta saw its first-ever ad revenue decline of 2.0%, according to our forecast.

Meta can't afford more privacy woes in the US after the hits it has taken from **Apple's AppTrackingTransparency** and competition like TikTok.

**Silicon peaks and valleys:** The DOJ's oversight also has implications beyond Meta.

“Federal monitoring of Meta should send a strong signal to other tech companies that they too will be **held accountable for failing to address algorithmic discrimination** that runs afoul of our civil rights laws,” assistant attorney general Kristen Clarke of the DOJ’s civil rights division said in a statement.

**What’s next?** Meta stated that it “embeds civil rights and **responsible AI principles** into [its] product development process to help advance [its] algorithmic fairness efforts while protecting privacy.” But it took an investigation, a settlement, and several years for Meta to introduce VRS. As algorithms continue to govern how everyone consumes content, US and EU institutions will be looking to govern potential algorithmic biases.

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