

Biden's AI executive order aims to mitigate bias and discrimination in finserve

Article

The news: President Biden's recent executive order [regulates the use of AI in banking](#), consumer finance, and housing to prevent discrimination and privacy violations.

- As a result, banking regulators will intensify oversight to ensure fair AI deployment, focusing on loan decisions, tenant screening, and housing-related AI applications.

Breaking down the executive order: The President's [executive order](#) underscores the urgent need to oversee AI development responsibly and safely, emphasizing a unified federal approach due to the rapid advancements in AI capabilities.

- Banking regulators and the **Federal Trade Commission** will use existing fair lending laws to ensure that AI-driven credit decisions are devoid of discriminatory practices.
- The **Federal Reserve (Fed)**, **Federal Deposit Insurance Corp. (FDIC)**, and the **Office of the Comptroller of the Currency (OCC)** have proactively sought information from financial institutions (FIs) regarding their AI usage, cautioning against potential discriminatory elements within AI lending tools.
- The OCC recently established the **Office of Financial Technology** to monitor technological changes within the banking industry.

What's new for FIs? Banks should anticipate [heightened oversight](#) as President Biden's recent executive order amplifies scrutiny on AI applications.

- The order instructs the **Consumer Financial Protection Bureau (CFPB)** and **Federal Housing Finance Agency (FHFA)** to vigilantly oversee AI use in lending decision-making processes.
- The agencies will examine underwriting and appraisal models for biases, aiming to prevent the exclusion of eligible tenants from rental housing.
- The President also advised the CFPB to issue similar guidance within the same timeframe.

How can FIs prepare? While federal agencies will issue their own guidance as a result of this [executive order](#), FIs can start preparing for compliance.

- They should prioritize training staff to be well-versed in AI—and hiring AI experts.
- FIs should also implement comprehensive training programs focused on the legal, ethical, and regulatory aspects of AI, tailored to lending and financial services.
- Finally, FIs should align their internal processes and standards with the emerging regulatory standards.