

Consumer Financial Protection Bureau (CFPB) Anti-Discrimination Guidance

May 6th, 2022

Summary:

Between May 2022 and June 2023, the Consumer Financial Protection Bureau (CFPB) released three policies to address ethical challenges consumers might face in the financial sector. These policies clarify that existing regulations cover novel situations that may arise from the application of artificial intelligence in finance.

Protect the Public from Black-Box Credit Models Using Complex Algorithms

The [first policy](#) is meant to protect creditors and help them understand why an algorithm may choose to deny them credit. It mainly notes that:

- Federal consumer financial protection laws and adverse action requirements should be enforced regardless of the technology used by creditors; and
- Creditors cannot justify noncompliance with ECOA based on the mere fact that the technology they use to evaluate credit applications is too complicated, too opaque in its decision-making, or too new.

Quality Control Standards for Automated Valuation Models

Another policy, called [Quality Control Standards for Automated Valuation Models](#), focuses specifically on AI use in home valuation appraisals. The rule requires the creation of “basic safeguards to mitigate the risks associated with automated valuation models,” and would “require companies to have policies and processes in place to avoid conflicts of interest, to conduct random sample testing and reviews, and to comply with nondiscrimination laws.”

“Artificial Intelligence” Chatbots in Banking

In a [June 2023 policy](#), CFPB recommends banks and financial institutions avoid using chatbots as their “primary customer service channel”, finding that the use of chatbots raise risks such as:

- Noncompliance with federal consumer financial protection laws;
- Diminished customer service and trust;
- And harm to consumers.