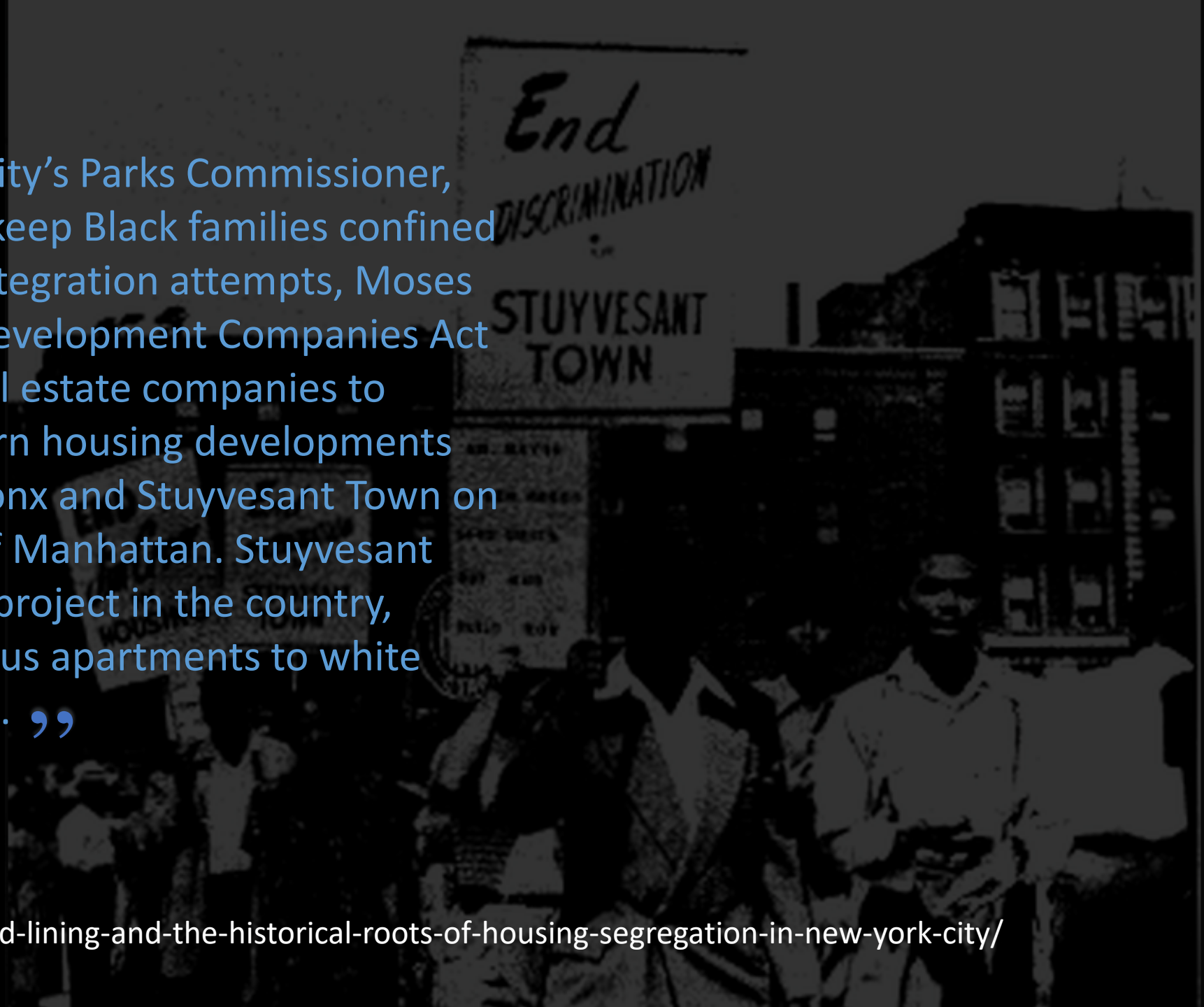


WEEK 4: Continued Legacies of Housing Discrimination

September 19, 2022 | Adjunct
Lecturer: Erin Lilli | URBST 222:
Introduction to Urban Housing
/URBST 723: Dynamics of Housing &
Homelessness



“ Robert Moses, New York City’s Parks Commissioner, led the racist offensive to keep Black families confined to the ghetto. To thwart integration attempts, Moses introduced the Urban Redevelopment Companies Act which made it legal for real estate companies to exclude Blacks from modern housing developments like Park Chester in the Bronx and Stuyvesant Town on 14th St. on the East side of Manhattan. Stuyvesant Town, the largest housing project in the country, offered low-income spacious apartments to white veterans and their families. ”



Topics

- Long-term racial impacts of New Deal Policy
- Redlining
- 1968 Fair Housing Act
- Segregation
- Post 1968 FHA Discrimination
 - Racial Steering
 - Valuation
 - Lending: African American women paying more for less



Members of the NAACP's Housing Committee create signs in the offices of the Detroit Branch for use in a future demonstration. 1962. From the NAACP Detroit Branch Records. <https://projects.lib.wayne.edu/12thstreetdetroit/exhibits/show/beforeunrest/panel5>

Impacts of New Deal - recent studies

- Using a full century of census data, Faber's (2020) research shows that cities that were HOLC graded and redlined became more segregated over time than those cities HOLC ignored.
 - In Faber's statistical analysis, he controlled for racial and socio-economic characteristics prior to HOLC as well as changes over time. In other words, he was making sure his comparison between HOLC appraised and non-HOLC appraised cities and towns were 'all else being equal' for fair comparison.
- The trends toward segregation began forming from 1930-1950 and are evident in 2010 data in the following ways:
 - **Black-white dissimilarity** – “measures the percent of either racial group that would need to change neighborhoods for there to be an even distribution of that group within a city” (p. 747)
 - **Black isolation** – measures the % of Black population in an area a Black resident lives
 - **White-Black information theory index** – “measures unevenness (Massey and Denton 1988) by comparing the diversity of neighborhoods (i.e., tracts) within a place to the overall diversity of that place. Similar to isolation and dissimilarity indices, the information theory index approaches zero if all neighborhoods within a city are as diverse as the city as a whole, and one if every neighborhood is racially homogenous” (p. 747)

Impacts of New Deal - recent studies

- Faber's (2020) findings indicate the long-term and detrimental impacts New Deal housing policies had on cities and towns in creating a hierarchy of places as well as "the inheritance of HOLC:s segregationist logic by a wide range of federal programs...and institutional actors..." (p. 741).
 - The FHA and GI Bill adopted HOLC's racist ideology and which financed 1/3 of all privately-owned housing between 1950-1960. By 1972, these programs had helped 11 million new homebuyers and 22 million households improve their homes....overwhelmingly white people.
 - Between 1934 and 1972 US homeownership increased from 44% to 63%
 - Other institutional actions that contributed to segregation are:
 - Municipal-level zoning and land use decisions
 - Drawing of school district boundaries
 - Federal expansion and investment in the national highway system.

Impacts of New Deal - recent studies

- Howell and Korver-Glenn (2018) investigated whether or not racial inequality persisted in the current housing appraisal industry and if so, how it has persisted.
- Studying Houston, Texas they found persistent racial inequality regarding home values that were independent of: home characteristics and quality, neighborhood housing stock, socioeconomic status, amenities, and consumer demand.
- This matters because an appraiser's evaluation influences a homebuyer's mortgage loan terms and the seller's wealth accumulation.

Impacts of New Deal - recent studies

- Howell and Korver-Glenn (2018) used a mixed-methods approach looking at correlations between racial composition, tax appraisals, and market value and in-depth interviews with appraisers.
- Quantitative Results:
 - Looking first at “neighborhood racial composition, we find that higher proportions of **Black and Hispanic residents correspond with lower mean housing values**” (p. 479).
 - “Holding all house and neighborhood characteristics constant, Model 3 predicts that an average **home in an average White neighborhood is \$296,000: more than two times higher** than otherwise equal homes in Black and Hispanic neighborhoods (which are valued at \$125,000 and \$119,000, respectively)” (p. 481).
 - “Controlling for consumer housing demand, Model 4 predicts that an average home in an **average White neighborhood is valued at \$289,000**, compared with the value of that same home in a comparable **Black or Hispanic neighborhood, at \$127,000 and \$120,000 respectively**” (p. 481-82).

Impacts of New Deal - recent studies

- Howell and Korver-Glenn (2018) conclude:
 - “...**quantitative data** demonstrate that **comparable** Harris County houses zoned with **comparable** schools and located within neighborhoods with equitable housing stock, housing demand, distances to parks, commute times, and crime, homeownership, poverty, and unemployment rates were **valued systematically lower in Black and Hispanic neighborhoods**. They were valued \$162,000 (**2.3 times**) **less if they were in Black compared with White neighborhoods** and \$169,000 (2.4 times) less in Hispanic neighborhoods compared with White neighborhoods. Because municipal services such as education and infrastructure maintenance rely on local property taxes, these large differences translate into inequalities in educational and infrastructural budgets and outcomes” (p. 485).

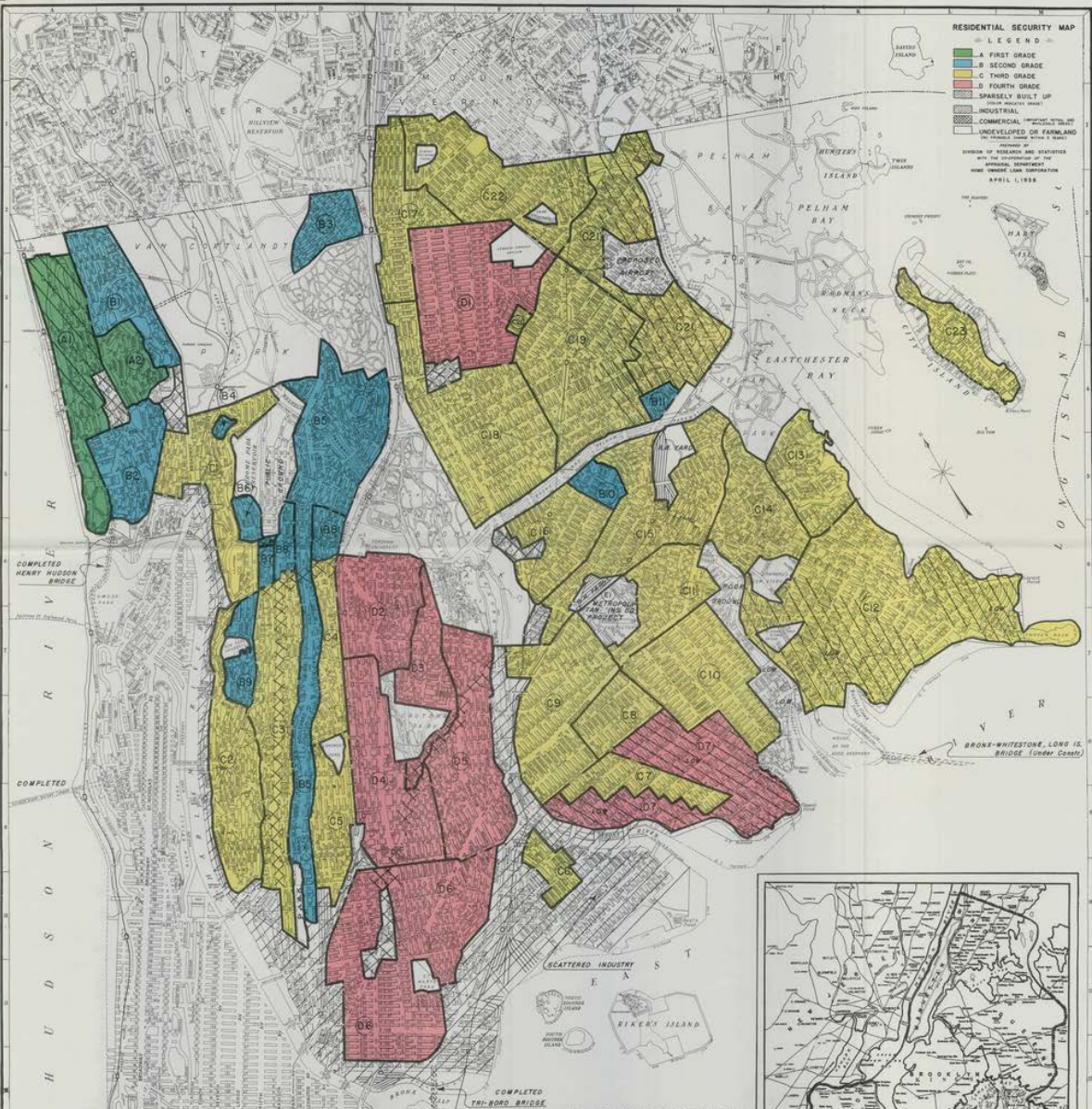


Impacts of New Deal - recent studies

- Howell and Korver-Glenn (2018) conclude:
 - “...**qualitative data** provide preliminary insight into how racial disparities in home value can persist despite legislative interventions. Specifically, we highlighted how the **inconsistency in comp selection strategies** enables appraisers to select **comps on the basis of their racialized assumptions** about the comparability of communities, which in turn devalues communities of color, irrespective of actual demand”.







Redlining

- RECALL from Week 3: Under the New Deal, the 1932 Federal Home Loan Bank Act was created to lower the cost of homeownership—through government-sponsored banks providing mortgage credit—to stave off the financial crisis that had ensued due to the Great Depression.
 - In 1933, the **Home Owner's Loan Corporation (HOLC)** was created to help people with distressed mortgages refinance by introducing long-term amortized mortgages. Between 1933-35 it supplied \$3B toward this and created the appraisal process we know as **redlining**.
 - In 1934, the Federal Housing Administration (FHA) was created to insure these mortgages. The FHA worked with banks and continued using the redlining maps created by HOLC.
 - Between 1933-1951, redlining was employed and created an intentionally race-based appraisal system that explicitly denied mortgages and loans to African Americans.
 - Redlining was made illegal in the 1968 Fair Housing Act (FHA), but its affects persist today.



RESIDENTIAL SECURITY MAP

— LEGEND —

-  A - FIRST GRADE
-  B - SECOND GRADE
-  C - THIRD GRADE
-  D - FOURTH GRADE
-  SPARSELY SETTLED (Color Indicates Grade)
-  INDUSTRIAL & COMMERCIAL

PREPARED BY
DIVISION OF RESEARCH & STATISTICS
WITH THE CO-OPERATION OF THE APPRAISAL DEPARTMENT
HOME OWNERS' LOAN CORPORATION
NOVEMBER 5, 1937

Street and Avenue Index to Borough of Bronx

Street Name	Block Number	Street Name	Block Number
1st St	1	1st St	1
2nd St	2	2nd St	2
3rd St	3	3rd St	3
4th St	4	4th St	4
5th St	5	5th St	5
6th St	6	6th St	6
7th St	7	7th St	7
8th St	8	8th St	8
9th St	9	9th St	9
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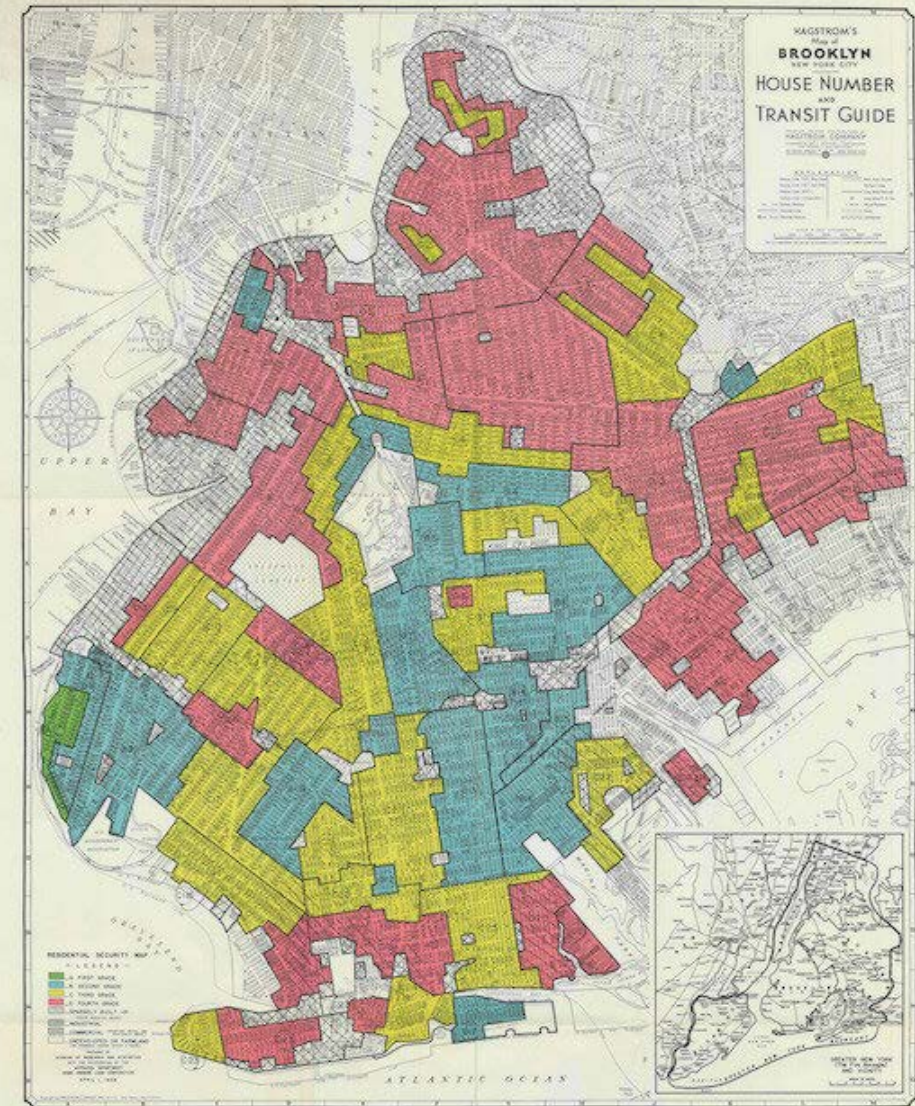
HAGSTROMS
MAP OF BRONX, N.Y. CITY
HOUSE-NUMBER & STURWAY GUIDE

Redlining

According to the Preliminary Care Development Corp.

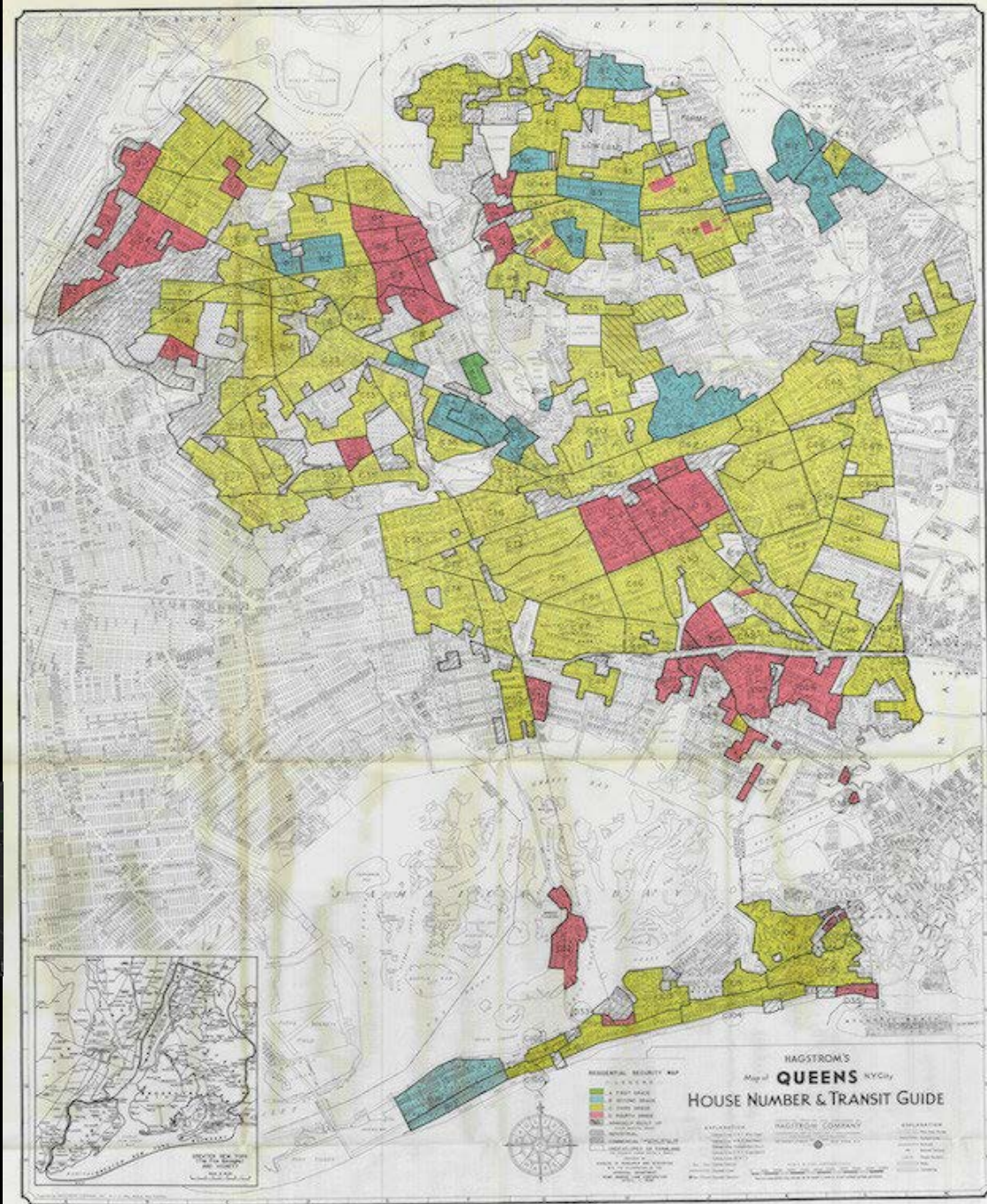
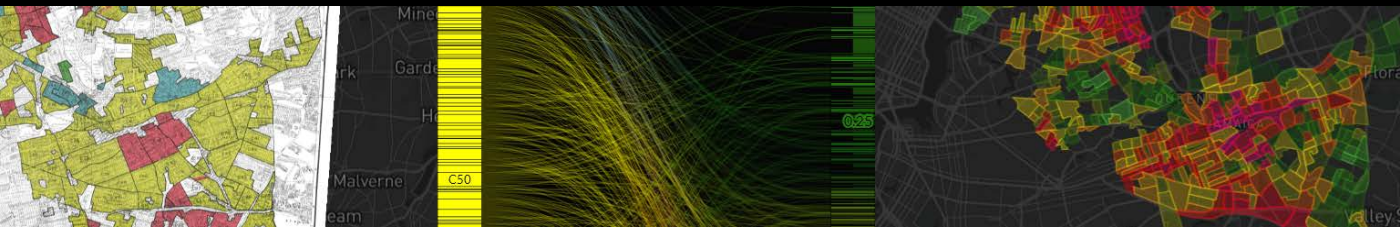
- Formerly redlined areas have a poverty rate of 3.6 times that of A-rated census tracts.
- The proportion of Black residents in redlined areas is 9.1 times higher than that of A-rated census tracts.
- 17.8% of adults in formerly redlined areas are uninsured, compared to 6.4% in A-rated census tracts.
- 26.6% of adults in formerly lined areas are obese, compared to 16.2% in A-rated census tracts.

Source [link](#)



Redlining Legacies

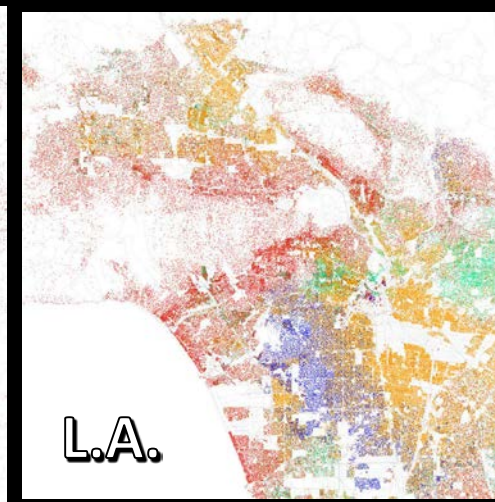
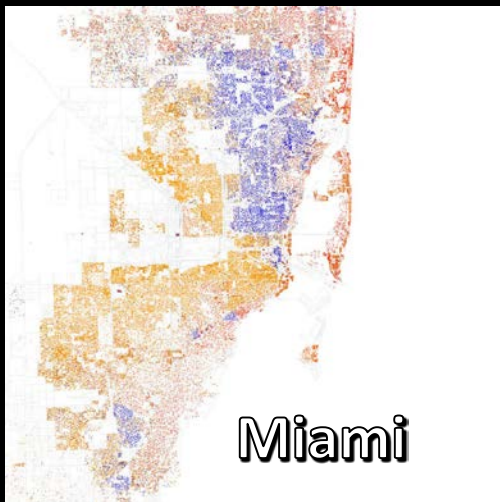
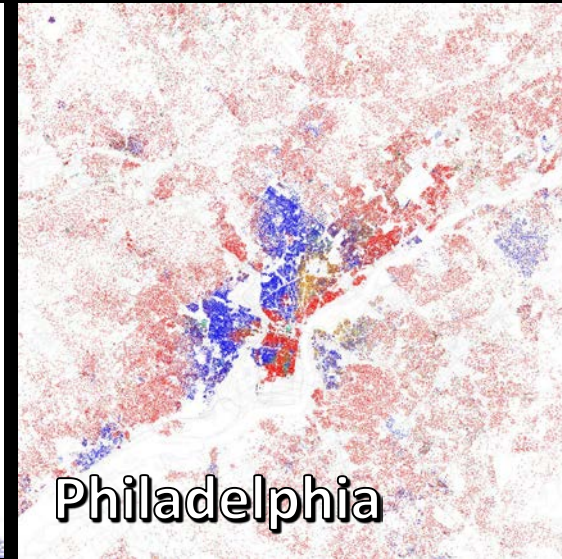
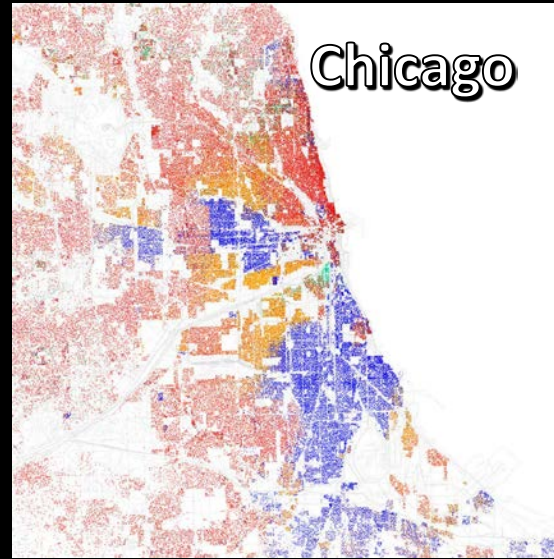
- Explore HOLC grading and current social vulnerability scores here: [link](#)
 - Look at example of Queens and compare social indicators between redlined ('D' graded) areas and blue/green ('B'/'A' graded) areas.



1968 Fair Housing Act

- Also known as: *Title VIII of the Civil Rights Act of 1968*, is U.S. federal legislation that protects individuals and families from discrimination in the sale, rental, financing, or advertising of housing. Read more [here](#).
- First brought to Congress in 1966
- Enacted in 1968, amended in 1988 to prohibit discrimination on the basis of race, colour, religion, sex, disability, family status, and national origin.
- Made the denial of housing based on race illegal, however it was poorly enforced, and other, subtle forms of discrimination continue, like **exclusionary zoning, racial steering, and discriminatory lending/valuations**.

Residential Segregation Across America



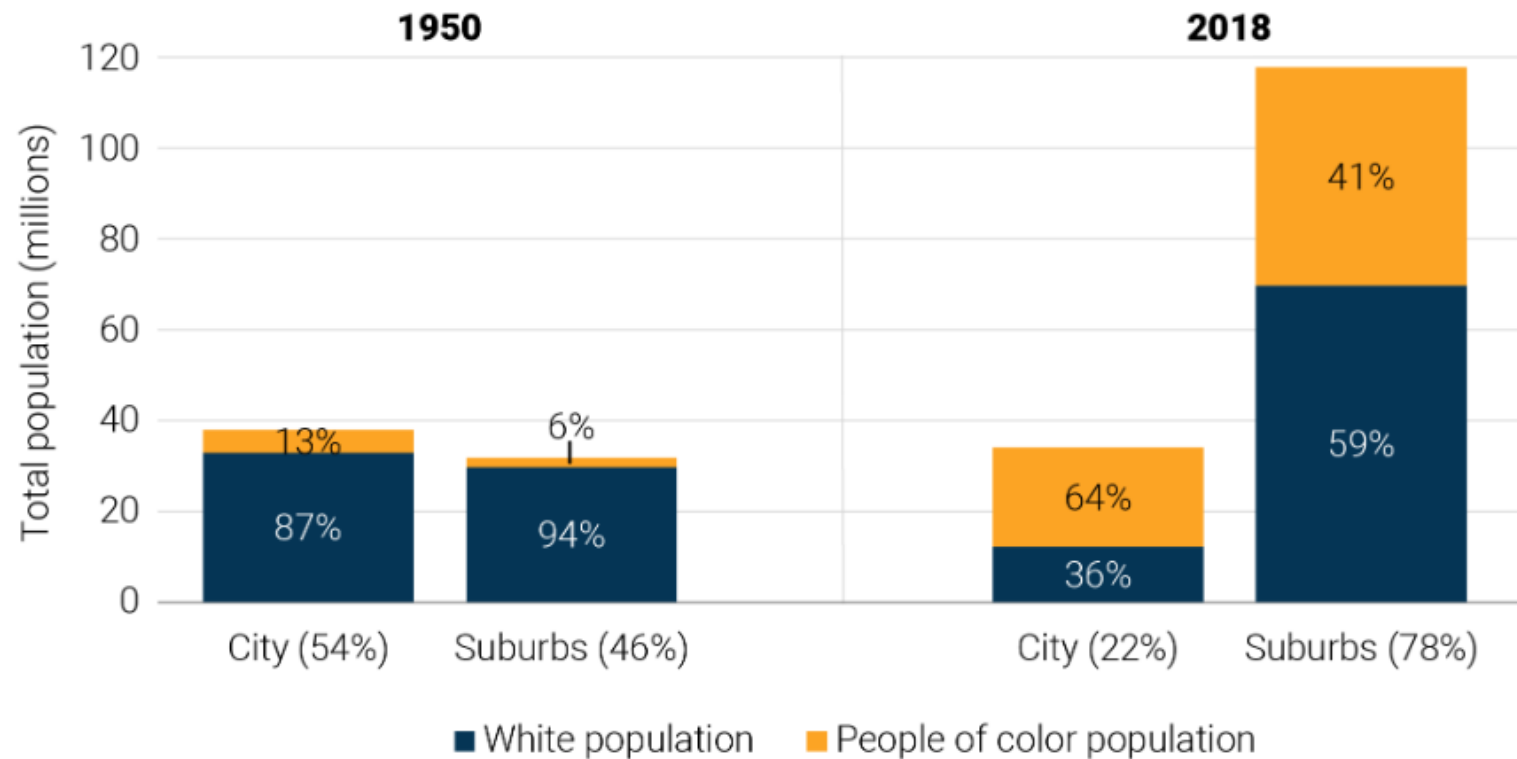
White
Black
Hispanic
Asian
Other

[Link](#)
NYT
interactive
map [here](#)

Residential Segregation Across America

Figure 1. Regional distribution of population by race

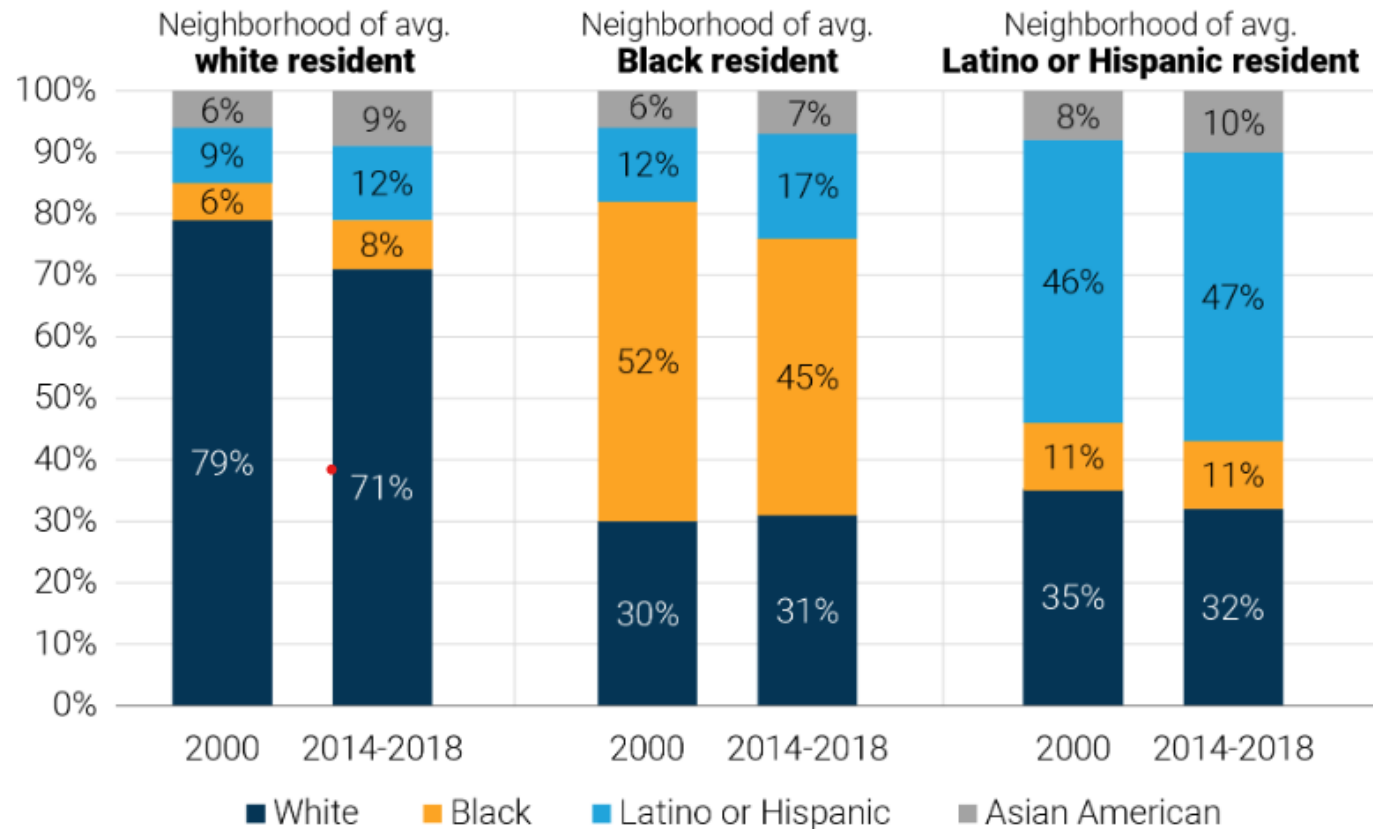
Today's MSAs containing the top 50 U.S. cities by population in 1950 and 2018



Source: Brookings analysis of IPUMS USA, University of Minnesota.

Residential Segregation Across America

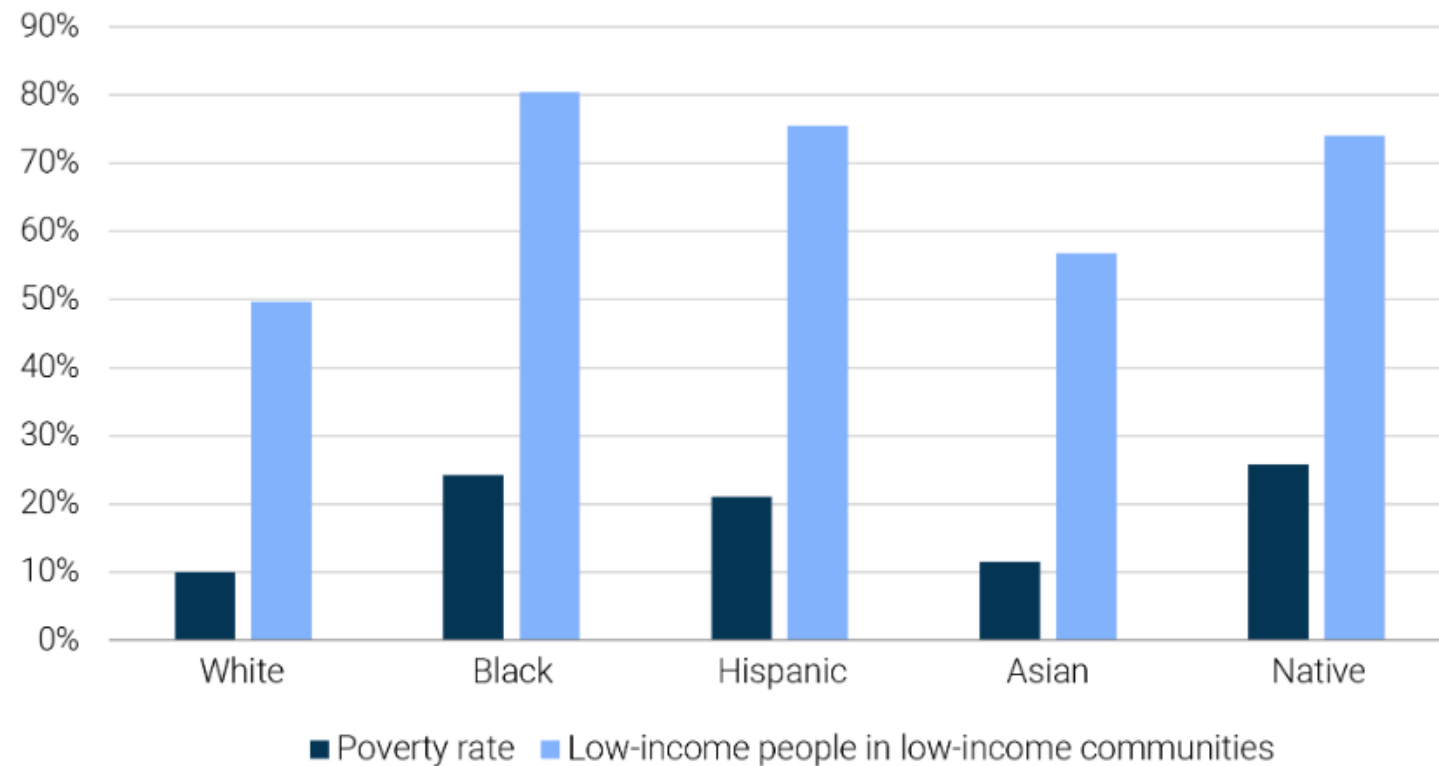
Figure 2. Race-ethnic makeups of average neighborhoods of different groups in metro areas 2000 and 2014-2018



Source: William H. Frey analysis of 2000 Census and 2014-2018 multiyear American Community Survey.

Residential Segregation Across America

Figure 3. Not all low-income people live in low-income communities—the rate varies by race

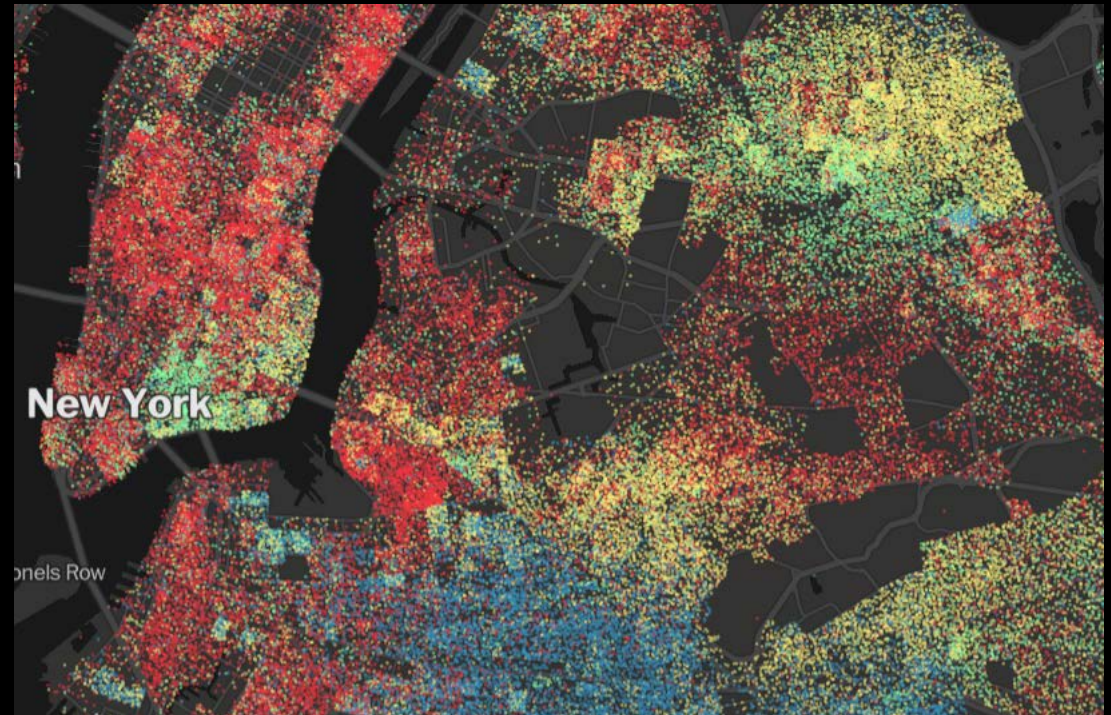


Source: Kim and Loh, 2020. Data from the 2018 American Community Survey, 5-year estimates.

Residential Segregation Across America

“The separation of different racial and ethnic groups into separate social worlds means that members of different racial and ethnic groups have different lived experiences,” Crowder said. “They have different daily rounds. They’re exposed to different neighborhoods on a daily basis. Residential segregation has separated these groups by educational quality and occupational opportunity”.

“We don’t have the integrated social networks. We don’t have integrated experiences through the city. It’s baked-in segregation”...





Residential Segregation Across America

5 -minute break-out (aka, talk to your fellow classmates)

- Thinking about what we have learned so far this semester, can you think of some factors that contribute to the U.S.'s continued segregation?
 - Redlining
 - HOLC/FHA
 - Systemic and structural factors limiting opportunities for social mobility
 - Exclusionary zoning and racially restrictive covenants
 - Racially disparate property valuations
 - Poor execution of HUD's "affirmatively further fair housing" policy (FYI [link](#))
 - Racial impact studies...it passed! (more information [here](#))



Residential Segregation Across America

Other factors that contribute to the U.S.'s continued segregation:

- Great Migration, fleeing Jim Crow > 90% rural/urban swap
- Second Great Migration, 1940s/War effort labor
- FHA/Redlining
- Zoning Laws/ exclusionary zoning
- Restrictive covenants
- Blockbusting & Racial steering
- Discriminatory lending
- Migrant families moving in with family already in place
- White flight > shift of resources and investment to suburbs and subdivision scale of development that create insular environments/homogenous real estate brackets
- Structural racism > unequal quality in schools, job opportunities, limited earning potential
- Preference and Racism

Residential Segregation Across America

Current Trends in Social Mobility: Raj Chetty



Per NYU Furman Center: “The New York region has the second-highest level of black-white segregation in the country, after Milwaukee, and the third-highest levels of both Asian-white and Hispanic-white segregation”.

<https://www.youtube.com/watch?v=m05NeaG3d2A>

Racial Steering



5 Things You Should Know About the Prohibition on Racial Steering in New Jersey

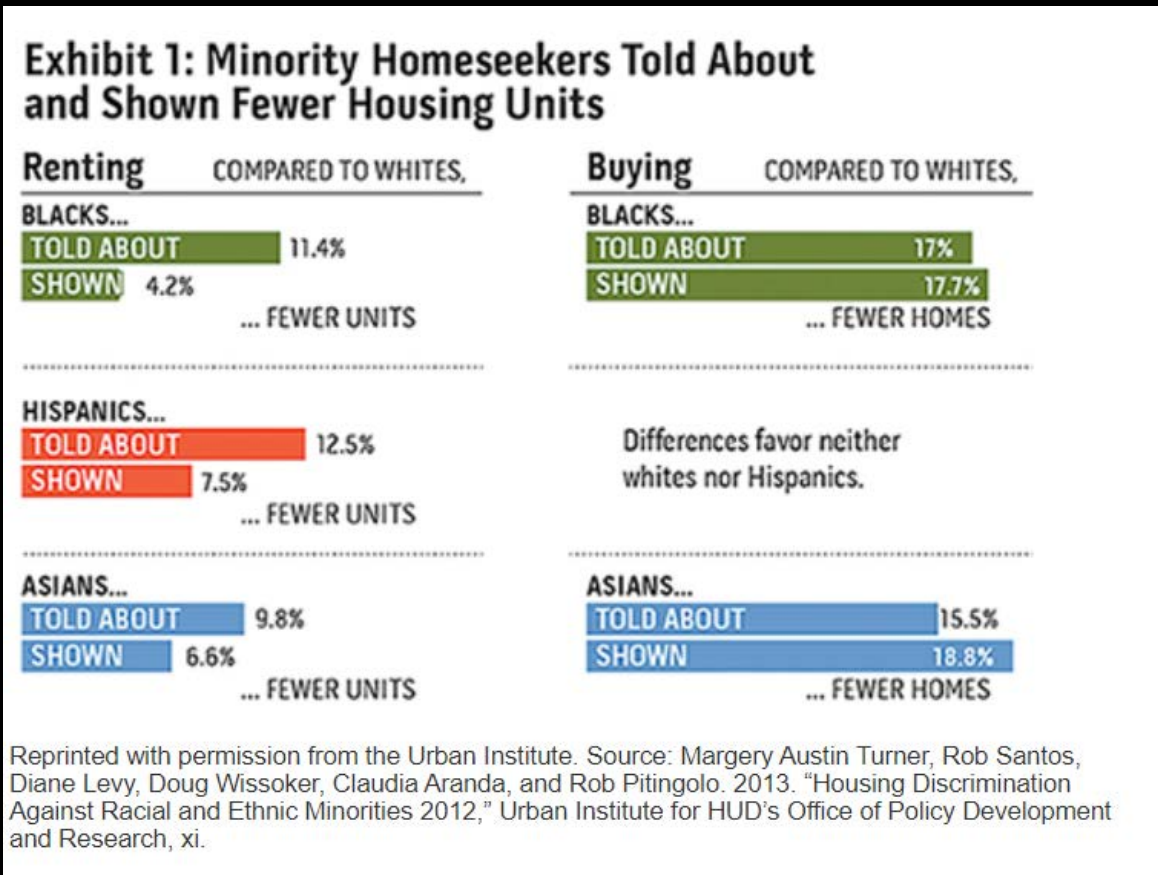
1 The New Jersey Law Against Discrimination (LAD) prohibits real estate brokers and housing providers from engaging in “racial steering.” Racial steering is the practice of limiting someone’s choices for renting or buying housing by directing them towards or away from available housing based on actual or perceived race or national origin.

https://www.nj.gov/oag/dcr/downloads/fact_Racial-Steering.pdf

“Racial real estate steering occurs when home seekers are guided by housing providers to communities where their race is already highly concentrated. So as racial minorities are channeled to integrated or predominantly non white neighborhoods and whites are shown homes primarily in white communities, steering contributes directly to the segregated housing patterns that have long persisted in urban communities and the many costs associated with that separation”.

Paired-testing Studies

- Four National Housing Discrimination Studies have been conducted (1977, 1989, 2000, and 2012) ([link](#))
- Key finding from the 1989 and 2000: overall discrimination dropped considerably, but a central feature of the nation’s urban and metropolitan housing markets. Incidents of racial steering increased in some cases. ([link](#))



Discriminatory Valuations post 1968 FHA

“ The report found that a home in a majority **Black neighborhood** is likely to be **valued for 23 percent** less than a near-identical home in a majority-white neighborhood; it also determined this devaluation **costs Black homeowners \$156 billion in cumulative losses.** ”



A second appraisal valued Abena and Alex Horton's Jacksonville home 40 percent higher than the first appraisal, after Ms. Horton removed all signs of Blackness.
Charlotte Kesl for The New York Times

Discriminatory Valuations post 1968 FHA

“White appraisers carry the same attitudes and beliefs of white America — the same attitudes that compelled Derek Chauvin to kneel casually on the neck of George Floyd are shared by other professionals in other fields. How does that choking out of America look in the appraisal industry? Through very low appraisals..”



The value of Stephen Richmond's home in a Hartford, Conn., suburb jumped after he removed family photos and movie posters, and had a white neighbor stand in for him during a second appraisal. Monica Jorge for The New York Times

Discriminatory Lending/Mortgages post 1968 FHA

- By 1967 “slum” clearance had destroyed many predominantly Black communities and housing in urban areas.
- Urban renewal had led to the destruction of 404,000 units of housing + 356,000 slated for demolition. 264,000 apartment units had begun rehab or scheduled for repairs. These numbers are the total across US inner cities.
- Tens of thousands of Black families were upended by urban renewal and many of them earned too much to qualify for public housing.
- The FHA adopted special terms to stimulate the construction of new homes to meet these needs.

Discriminatory Lending/Mortgages post 1968 FHA

- In the late 1960s Civil Right Era, in addition to the passage of the 1968 FHA, the **Housing and Urban Development Act (HUD Act)** was passed to encourage low-income homeownership in previously denied “inner city” urban areas.
 - Two key policies were employed were **Section 235** and **Section 221 (d) (2)**
 - As we’ll see, these policies were applied in ways that further disadvantaged Black women, welfare recipients, and lower-income urban residents and thus further entrenched segregation



Discriminatory Lending/Mortgages post 1968 FHA

- The 1968 HUD Act made it a ten-year plan, **federal mandate** to produce 26 million units of housing (6M federally assisted) and **600,000 units of low-income housing (to meet this mandate, welfare recipients were included)**.
- George Romney was the HUD Secretary at the time and the idea was he could apply the innovations from his former career as a successful auto manufacturer to the mass production of housing.
 - OPERATION BREAKTHROUGH
 - Reduce cost of housing, especially for low- and moderate-income earners
 - Mass produce quality homes for a variety of incomes; have year-round employment in housing industry
 - Reduce urban tension
 - Achieve stable communities by reversing suburban migration
 - Increase job and opportunities for minority groups
 - Encourage innovation to help the economy

Discriminatory Lending/Mortgages post 1968 FHA

Section 235—(FHA) mortgage insurance program designed to help new borrowers achieve homeownership by allowing them to take out **government-insured mortgages** with no money down on **new properties**. On February 5, 1988, the Section 235 Program was terminated under section 401(d) of the Homes and Community Development Act of 1987.

Section 221 (d) (2)—(NHA) This program insures mortgage loans made by **private lenders to finance the purchase, construction, or rehabilitation of low-cost, one- to four-family housing**. This program increases homeownership opportunities for **low- and moderate-income families by insuring small mortgage loans** and thus reducing the lender's risk. Traditionally, this program has been targeted to assist displaced persons, although it is used in other situations as well.

Discriminatory Lending/Mortgages post 1968 FHA

- Sections 235 and 221d2 were beneficial for two reasons:
 - They tapped into areas that had been redlined and therefore had low homeownership and eager buyers when other areas were saturated markets
 - Being government-backed, they required low down payments; S235 had huge interest-rate subsidies; 221 offered 40-year loan terms to lower monthly payments.
- So, in a reversal to the racist attitudes that drove redlining, now African Americans were sought after potential buyers.
- By 1971 the real estate industry was making \$1.4B/year off subsidies from the federal financing of 1 in 4 new housing units.
 - It was still extremely difficult to build at the pace to reach the 600,000 low-income units, plus there were escalating costs for land

Discriminatory Lending/Mortgages post 1968 FHA

- To meet the 600,000 goal there was also an allowable “existing” portion of housing that could be refurbished and sold (in lieu of new construction).
- Originally the HUD Act allowed 25% of total subsidized housing to be existing, then that would drop to less than 10% within 2 years. However...

“The focus was to be on producing new housing in suburban areas. But immediate returns on the existing urban market proved too seductive to ignore. In 1970, 30% of Section 235 housing was “existing”, and by 1971 this had increased to 53%. Although 5% of HUD’s Section 235 budget was dedicated to the rehabilitation of distressed properties, the legislation was never intended to develop a market in old, urban properties” (Taylor, 2019, p. 139).

Discriminatory Lending/Mortgages post 1968 FHA

- Three factors contributed to undermining this goal
 - High demand for housing in urban areas, wake of urban unrest and riots
 - Resistance from the suburbs to any kind of low-income housing, including single-family homes
 - Intense lobbying from the housing industry to utilize existing housing.
- The FHA would continue to insure poorly constructed, existing homes with “faulty plumbing, leaky roofs, cracked plaster, faulty and inadequate wiring, rotten wood in the floors, staircases and porches, lack of insulation and faulty heating units” (Taylor, 2019, p. 141)

Discriminatory Lending/Mortgages post 1968 FHA

- “The problems that were to beset HUD’s homeownership program stemmed from the federal government’s reliance on a network of private institutions that, in turn, relied on racial discrimination as the guarantor of its bottom line” (Taylor, p. 135).
 - This heavily impacted Black women and welfare recipients who were targeted with the sale of FHA-insured homes that were falling apart and unsafe. Many were coerced into buying being told there were no rentals available.

Black Women bring lawsuits against HUD

- With the sudden (and manufactured) boom in the sale of inner-city housing came complaints about the conditions of homes sold under Sections 235 and 221(d)(2).
- This warranted a congressional investigation led by Democrats against Republican-administration programs.
 - Wisconsin Congressman and chair of the Committee on Banking and Currency, Wright Patman, reviews complaints and stated: “instead of providing ‘decent, safe and sanitary’ housing for low- and moderate-income people, many of these homeowners are finding themselves the unhappy possessors of nothing more than slums”. (Taylor, 2019, p. 141)

“My obligation is to sell. I’m in the business to sell. It’s not my business to warn people...It’s *caveat emptor*. Let the buyer beware”.

- Chicago based real estate agent quoted in journalistic investigation (Taylor, 2019, p. 145)

Black Women bring lawsuits against HUD

- By April 1970, Section 235 made up 75% of the mortgage lending business.
- Based on the congressional investigation, HUD inspected 1,281 homes across 52 FHA jurisdictions and reviewed 2,000 written complaints.
 - 25% of the investigated homes had deficiencies
- 11% of the 16,000 new homes had “significant deficiencies” affecting “safety, health, and livability”
- Of existing homes...
 - 25% were in such poor condition they should never have been insured
 - 50%+ had “significant deficiencies affecting safety, health or livability”
- 80% of existing housing had significant problems compared to 43% of the new subsidized homes with defects.

Black Women bring lawsuits against HUD

- Homes purchased under Section 235 and 221(d)(2) were unsafe, not up to code, and falling apart; however, the system left these predominantly Black, urban residents with little to no recourse adopting what
 - Prospective homeowners never even met with anybody from a government body regarding sales under these programs—instead, they could only deal with real estate agents (speculators) and bankers whose only interests are commissions and not meeting the needs of adequately housing low-income people.
- On August 4, 1970, four women, who were also welfare recipients, from Seattle, WA contacted Legal Services, eventually waging a class-action suit (as were many of the suits against HUD-FHA) on the basis that there was a violation of the law.

Black Women bring lawsuits against HUD

- Congress had made the provision that *existing* homes sold under Section 235:

“*shall...meet the requirements of all state laws, or local ordinances or regulations relating to the public health or safety, zoning or otherwise which may be applicable thereto*” (Taylor, 2019, p. 201).

- The women’s homes were condemned by the city of Seattle mere weeks after purchase...and never should have been insured by the FHA...a clear violation of the law.
- Similar lawsuits sprang up across the country

Liza Mae Perry purchased a home for \$15,000 in June of 1970. FHA did not make a compliance inspection report because the mortgagee certified that all necessary repairs had been made on the home and the house was in good condition. On July 6, 1970, only a month after the home was purchased, the city of Seattle inspected the home, declared it substandard and ordered it repaired or condemned.

Ida Mae Foster purchased a home in September 1969 for \$15,500. The same month, a few days prior to moving in, FHA issued a compliance report, stating that the house was in good condition. On July 6, 1970, the city of Seattle declared the house substandard, ordered it repaired or condemned.

Ada Coleman purchased a home in January 1970 for approximately \$18,000. On January 2, 1970, prior to occupancy of the home, FHA inspectors issued a compliance report, stating that the house was in good condition. On July 6, 1970, the city of Seattle inspected the home, declared it substandard, and ordered it repaired or condemned.

Sandra Cook purchased a home on March 5, 1970, for \$18,750. On March 3, 1970, FHA inspected the property and issued a compliance report stating that the house was in good condition. On July 6, 1970, the city of Seattle inspected the home, declared it substandard and ordered it repaired or condemned.

Y4. B. 221: HB1⁵²

INTERIM REPORT ON HUD INVESTIGATION OF LOW-
AND MODERATE-INCOME HOUSING PROGRAMS

92-1

HEARING
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES
NINETY-SECOND CONGRESS

FIRST SESSION

ON

HUD INVESTIGATION OF LOW- AND MODERATE-INCOME
HOUSING PROGRAMS

MARCH 31, 1971

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Committee on Banking and Currency



Black Women bring lawsuits against HUD

- HUD was forced to acknowledge that it facilitated in the illegal sale of faulty homes.
- So, what is the “solution” to this problem, existing only two years after the passage of the 1968 Fair Housing Act:
 - 1970 Housing Act provision, Section 518(b) allowed Section 235 homeowners reimbursement for damages in the amount they paid for repairs to their homes or payments to make repairs. However...
 - Deadline for making a claim under 518(b) was December 1971
 - HUD made very little effort to inform victims, relying on mortgage companies (who had also facilitated the sale of faulty homes) to inform their mortgage holders.
 - By October of 1971, HUD had spent only \$51,000 nationally on reimbursements or in grants to pay for home repairs.
 - The 159 claims filed in **Philadelphia** were flat out denied because the area FHA director disagreed with the premise of the 518(b).

Black Women bring lawsuits against HUD

- The situation in Philadelphia spurred resistance and the formation of grassroots organizations like *Concerned Section 235 Owners* to litigate against HUD-FHA for reimbursement demanding:
 - Permanency of Section 518(b)
 - Inclusion of those affected under 221(b)(2)...which made up most of the defective homes sold with government support in Philadelphia...in 1972 the *Concerned 221(d)(2) Homeowners* and *Concerned City-wide Homeowners* groups formed to take legal action against HUD-FHA.
- Grassroots activism led by Black women homeowners, with the help of Community Legal Aid, forced HUD-FHA to make changes in Philadelphia:
 - Mortgage companies, not the FHA, were now to be held financially responsible for selling defective housing...this leaves the FHA off the hook

These women and the thousands of others who publicly took legal action produced a counternarrative to what HUD and Secretary Romney had been proclaiming...that the poor conditions of these homes were the fault of the poor, Black homeowners themselves. Citing historian Rhonda Williams:

“In response to the ‘ghetto’ conditions of postindustrial capitalism, the flowering of vociferous struggles, and social disrepute, low-income black women waged their own battles for citizenship based on achieving empowerment, human dignity, and other basic necessities of human existence” (Taylor, 2019, p. 209).

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