Envisioning Our Future During Black History Month

Fast facts

- The 1934 **Home Owners Loan Act** (and Home Owners Loan Corporation, or HOLC) was created in 1933 as a reaction to the Stock Market Crash of 1929. With this part of the New Deal, FDR wished to ensure that the banks loaning money to potential homebuyers would be able to have the loans repaid. This introduced concepts like the 30-year mortgage. The banks drew up maps of the cities in which they operated and defined neighborhoods as good risks (greenlining) or bad risks (redlining). This ultimately determined who could get loans and who couldn't.
- In 1935, the newly created Federal Housing Administration (FHA) enlisted HOLC to create **residential security maps** for 239 cities. These maps indicated perceived levels of real-estate investment security for mortgage underwriting. Neighborhoods deemed "desirable" were given preferential lending status and coded green or blue. These were typically affluent suburbs or older white neighborhoods within the city limits, areas with white collar workers and businessmen. Neighborhoods with blue collar residents (and frequently neighborhoods considered Jewish or with a high percentage of recent immigrants) were coded yellow for "declining." Areas with a high population of African Americans, Mexican Americans or white low-income workers were coded red and labeled hazardous for investment.
- **Redlining** is the (now illegal) practice of refusing to offer credit or insurance in a particular community on a discriminatory basis (because of the race or ethnicity of its residents). Citizens in a red zone may not have defaulted on loans any more frequently than those in a yellow or blue zone, but after the maps were drawn, home buyers were very unlikely to get a loan with low interest rates or a mortgage.
- Take a look at the residential security **map of Spokane**. Have areas gentrified since the neighborhoods were classified in 1938? Are some areas still defined by their status as "high risk"? How have schools in Spokane been affected by their proximity to areas no one would invest in over 80 years ago?
- As African American families fled Jim Crow laws and violence during the Great Migration, redlined neighborhoods became more and more crowded. In order to get away from the violence, African Americans attempted to purchase homes elsewhere but were deemed too high risk to get conventional mortgages.
- As an alternative, families were offered predatory **land installment contracts**. The buyer makes payments directly to the seller over a period of time—often 30 years—and the seller promises to convey legal title to the home only when the full purchase price has been paid. If the buyer defaults at any time, the seller can cancel the contract (declare forfeiture), keep all payments, and evict the buyer. This meant a high turnover of families paying high rates for homes they would never be able to keep and a high profits for the real estate seller/owners. While lending at high rates to people of color, lenders would also notify others in the neighborhood that minorities were moving in and that their homes may become part of a high risk neighborhood, advising them to sell their real estate.

Fast facts

- **Blockbusting** is the practice of persuading owners to sell property cheaply by instilling the fear of people of another race or class moving into the neighborhood and thus profiting by buying and reselling the property at a higher price.
- Many of these real estate practices created segregation and fear of another race "taking over" an area. As a result, areas began adding **racially restrictive covenants** to the deeds of houses. In Spokane, these covenants were extremely common and used in several areas of the city, including Shadle, Audobon, Northeast Spokane, and the South Hill. They can still occasionally be found in local real estate documents, though they are no longer legally binding (most expired in the 1960s and 1970s). Covenants would say something similar to: "No person of any race other than the White or Caucasian race shall use or occupy any building or any lot except that this covenant shall not prevent occupancy by domestic servants of a different race domiciled with the owner or tenant." These documents were extremely effective at preventing people of color from renting or buying property in an area or city and also ensured that minorities would have more difficulty passing wealth to the next generation, while keeping their families restricted to high-cost, highly impoverished areas.
- The **Fair Housing Act** was passed in 1968 as part of the Civil Rights Act (Title VIII), though it was rarely enforced until much later. The Fair Housing Act protects against discrimination based on race, color, national origin, religion, sex, familial status, and disability in the sale and rental of housing.

SOURCES

Camporeale, Logan. "Mapping Segregation: Racially Restrictive Covenants in Spokane." The Local History, 6 October 2016. http://thelocalhistory.com/interesting-bits/mapping-segregation-racially-restrictive-covenants-in-spokane/

Harriss, C. Lowell. "History and Policies of the Home Owners' Loan Corporation." National Bureau of Economic Research Financial Research Program, p. 73, H Wolff Book Manufacturing Co., Inc., 1951, Columbia University. Accessed 7 Jan 2020. https://babel.hathitrust.org/cgi/pt?id=uc1.$b37493&view=1up&seq=73

Kuthy, Diane. "Redlining and Greenlining: Olivia Robinson Investigates Root Causes of Racial Inequity." *Art Education*, vol. 70, no. 1, 2017, pp. 50-57. ProQuest, https://search-proquest-com.proxy.scld.org/docview/1889708812?accountid=1631

Mancini, Sarah and Saunders, Margot. "Land Installment Contracts: The Newest Wave of Predatory Home Lending Threatening Communities of Color." *Federal Reserve Bank of Boston,* April 13, 2017. https://www.bostonfed.org/publications/communities-and-banking/2017/spring/land-installment-contracts-newest-wave-of-predatory-home-lending-threatening-communities-of-color.aspx

"Redlining." The Merriam-Webster.com Legal Dictionary, Merriam-Webster Inc., https://www.merriam-webster.com/legal/redlining. Accessed 20 December 2019

Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., "Mapping Inequality," *American Panorama*, ed. Robert K. Nelson and Edward L. Ayers, accessed January 10, 2020, https://dsl.richmond.edu/panorama/redlining/Spokane.