



# Redlining in the US

HISTORY AND LASTING IMPACTS

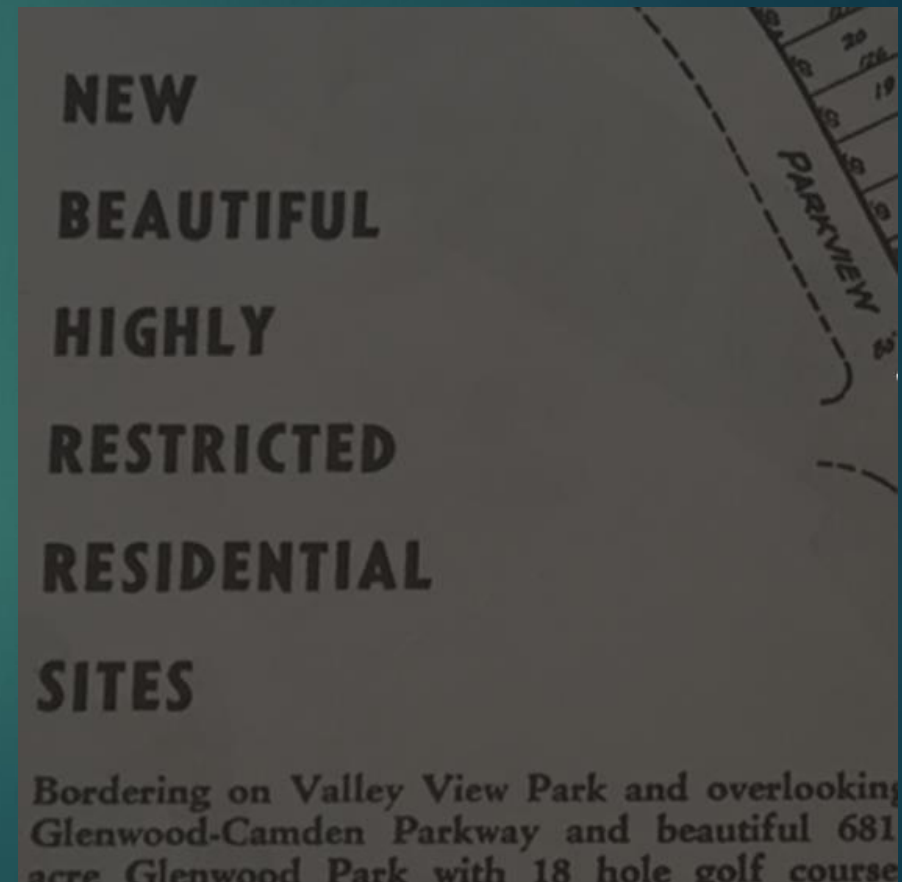



Home or land ownership is the  
single most important component  
in creating generational wealth.

# Restrictive Deed Covenants


- ▶ In the early 20<sup>th</sup> Century, restrictive covenants appeared all over the US.
- ▶ For example, one common Minneapolis covenant reads: "the said premises shall not at any time be sold, conveyed, leased, or sublet, or occupied by any person or persons who are not full bloods of the so-called Caucasian or White race."\*

\* *MAPPING PREJUDICE*: University of Minnesota,  
<https://mappingprejudice.umn.edu/what-are-covenants/>





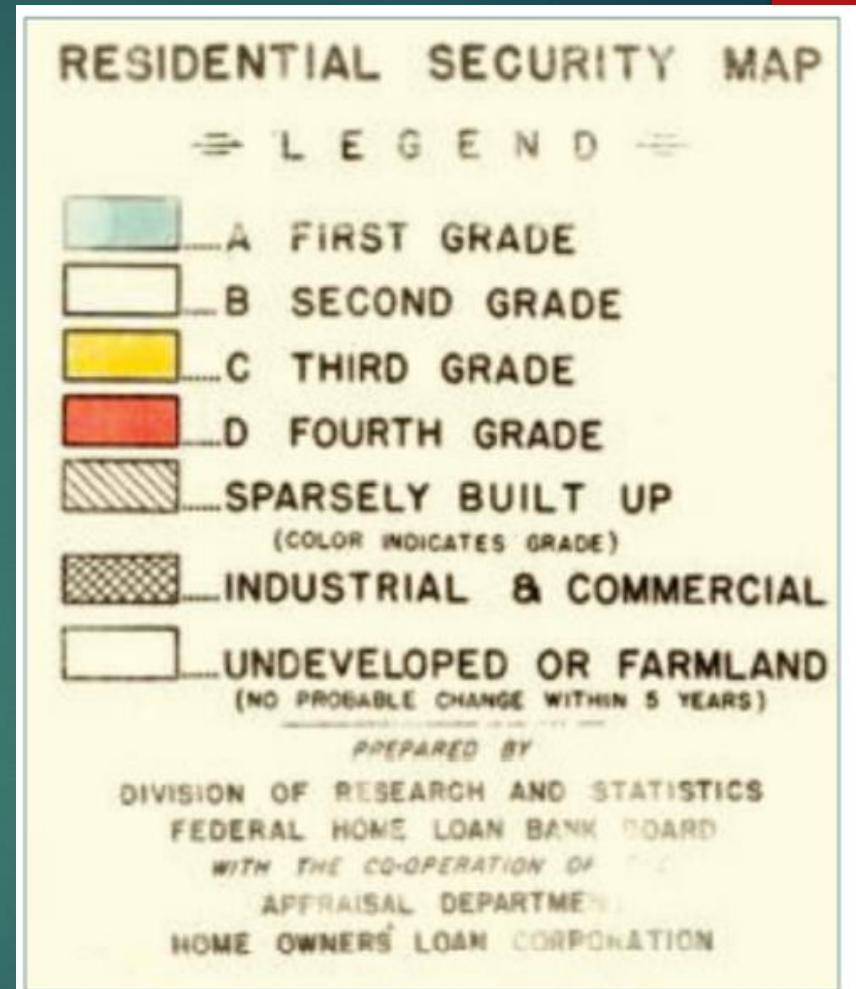
In 1934, the Federal Government institutionalized the practice of restricting racial groups from specified areas of U.S. cities.




***National Housing Act of 1934*** created a new agency, Federal Housing Authority (FHA), to ease pressure on lenders by backing mortgage loans.

To guide lending decisions the FHA and the Homeowners Loan Corporation (HOLC) prepared ‘residential security maps’ grading areas from least risk to highest risk.

Areas graded “D,” or highest risk, were outlined in RED and lenders were discouraged from funding mortgages in those areas. Redline areas were predominantly African-American.

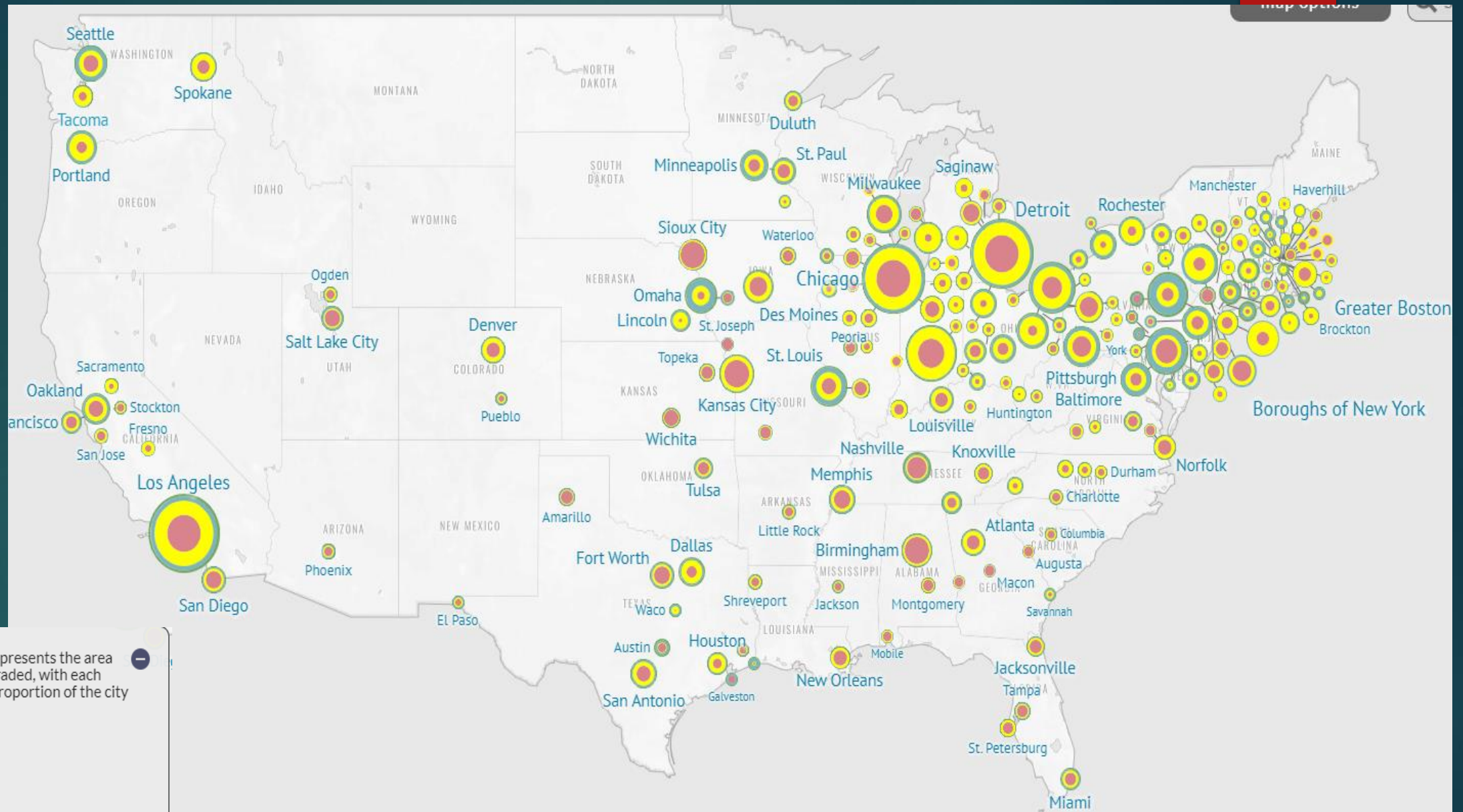


*Source: Rothstein, Richard. "The Color of Law: A Forgotten History of How Our Government Segregated America." 2017.*



The practice became known as  
“Redlining” and occurred in large and  
smaller cities across the United States.

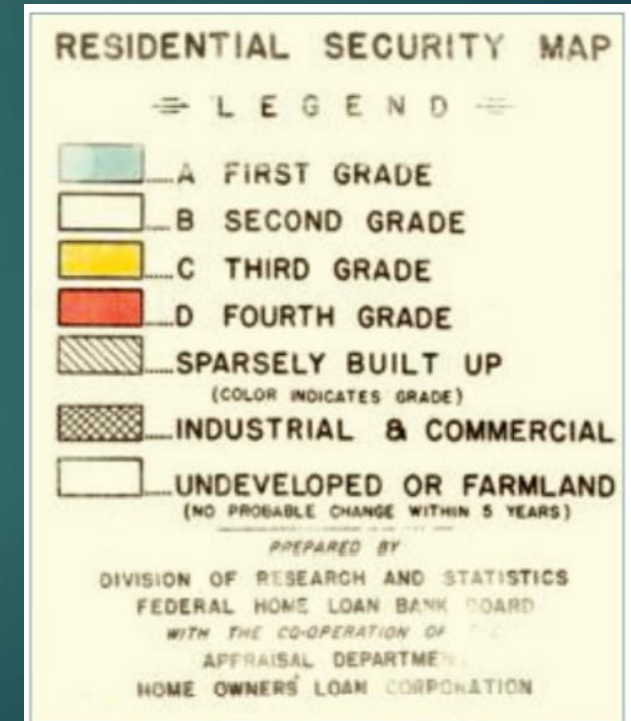
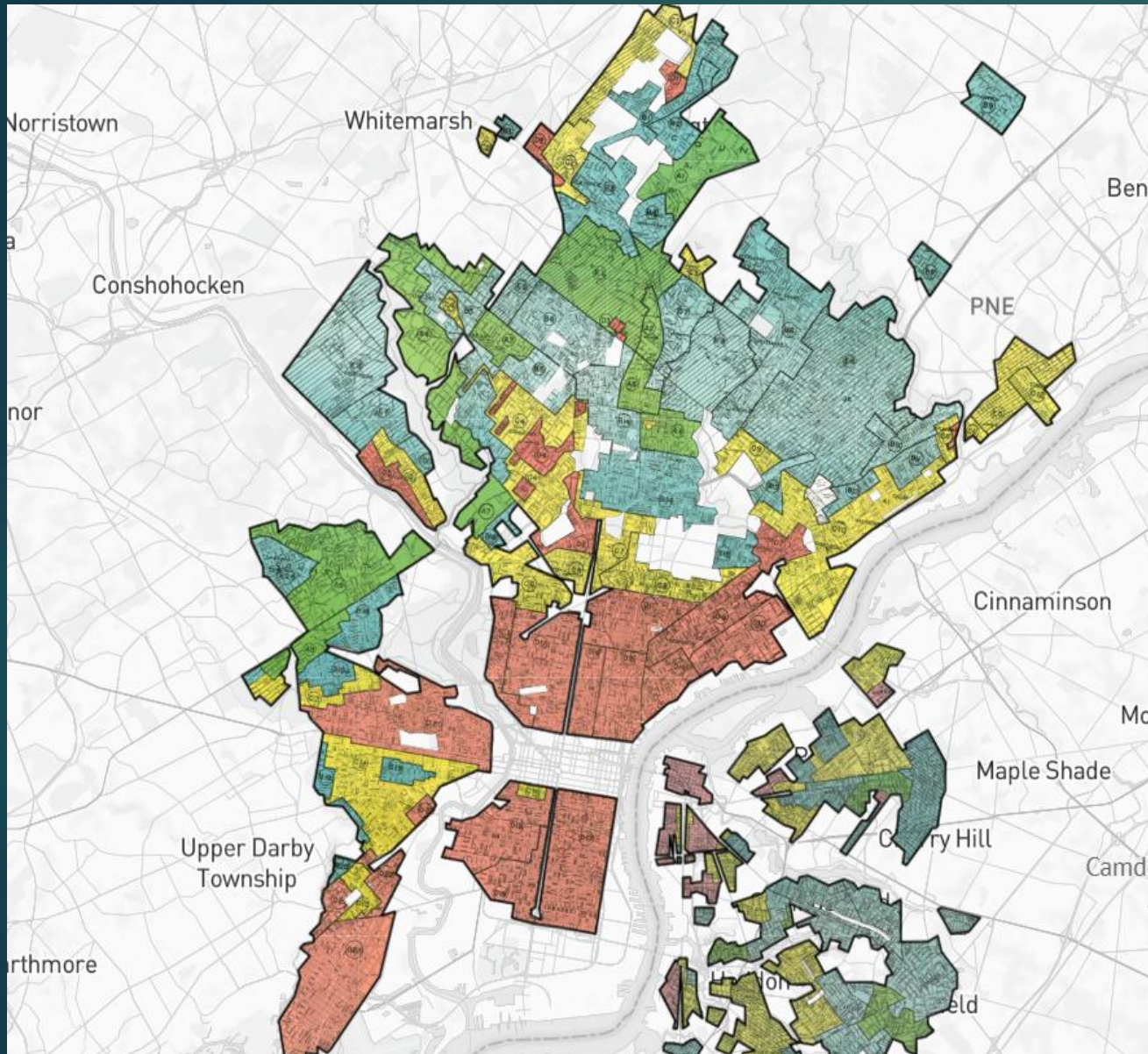




**Mapping Inequality**, <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>



# Philadelphia Redline map




Source: Rothstein, Richard. "The Color of Law: A Forgotten History of How Our Government Segregated America." 2017.


## AREA DESCRIPTION

(For Instructions see Reverse Side)

1. NAME OF CITY Phila. Sub. Along Delaware River SECURITY GRADE "D" AREA NO. 27  
~~25~~
2. DESCRIPTION OF TERRAIN. Low-almost river level
3. FAVORABLE INFLUENCES. New industrial development-low cost living
4. DETRIMENTAL INFLUENCES. Mixture of low class population principally negro
5. INHABITANTS:
- a. Type Negro-laborers, low class ; b. Estimated annual family income \$ 800-\$1,000.
- c. Foreign-born American ; 15 % ; d. Negro Yes ; 75 % ;  
(Nationality) (Yes or No)
- e. Infiltration of Negro ; f. Relief families heavy ;
- g. Population is increasing slowly decreasing slowly ; static.
6. BUILDINGS:
- a. Type or types shacks - rows ; b. Type of construction Frame, brick-stucco ;
- c. Average age 12 - 25 years ; d. Repair Poor




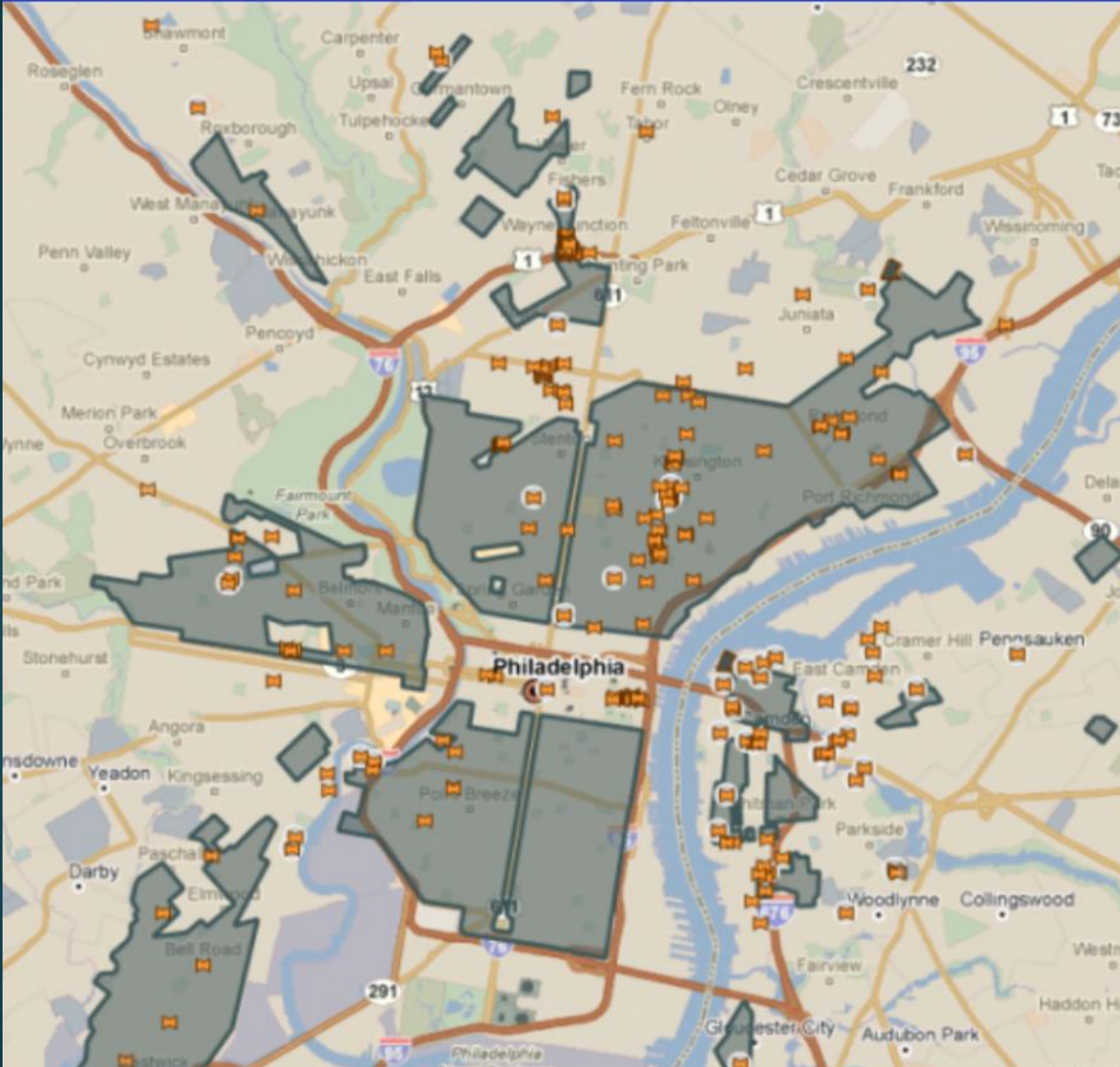
Both redlining and racially restrictive  
deeds remained legal until the Fair  
Housing Act of 1968



Researchers across the country have been exploring the various lasting effects of redlining on US cities




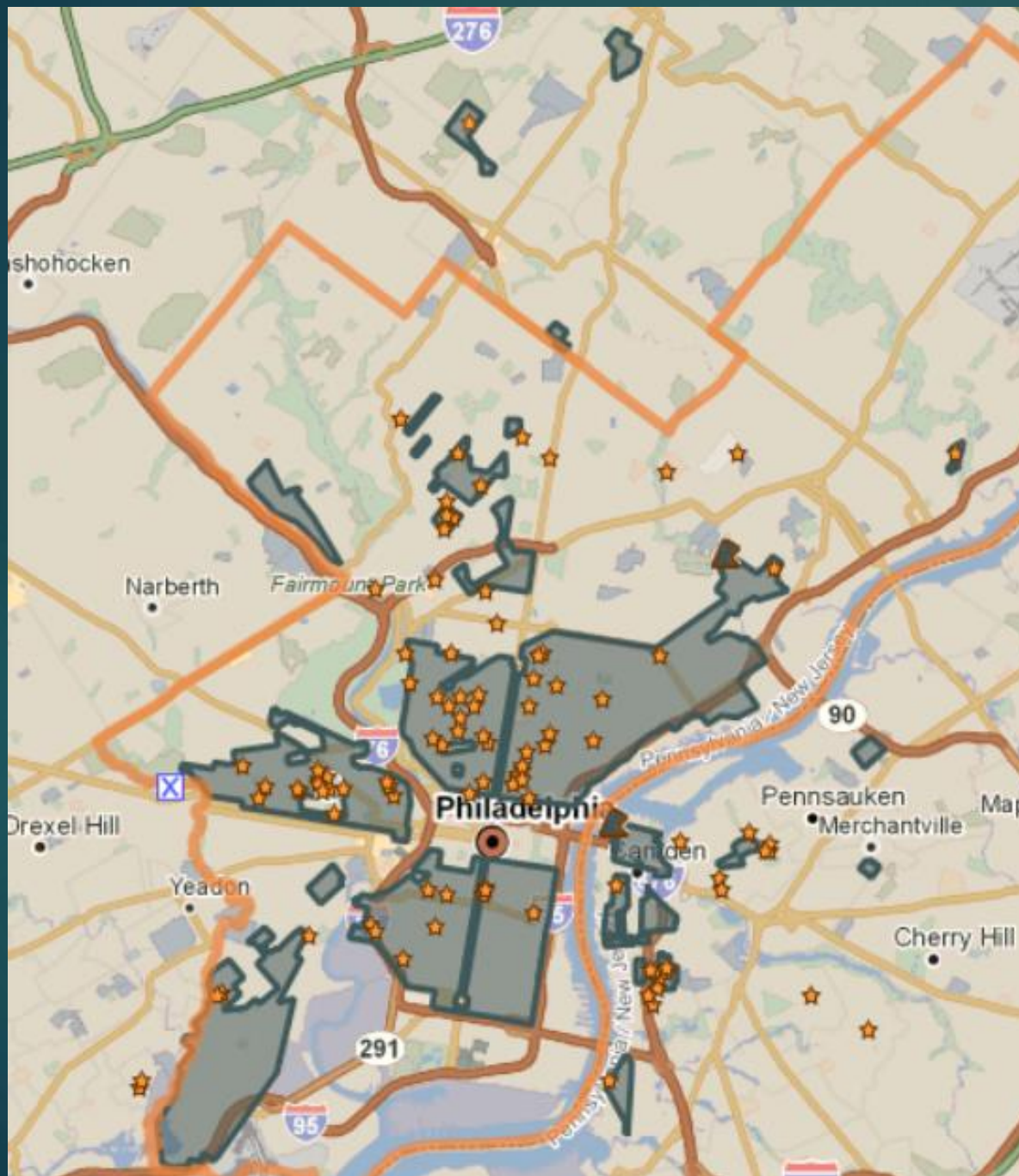
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1. Redline areas became targets for undesirable development such as pollution-generating and industrial waste sites.



Map shows the concentration of toxic brownfields in redlined sections of Philadelphia. (Map by PolicyMap/Next City)

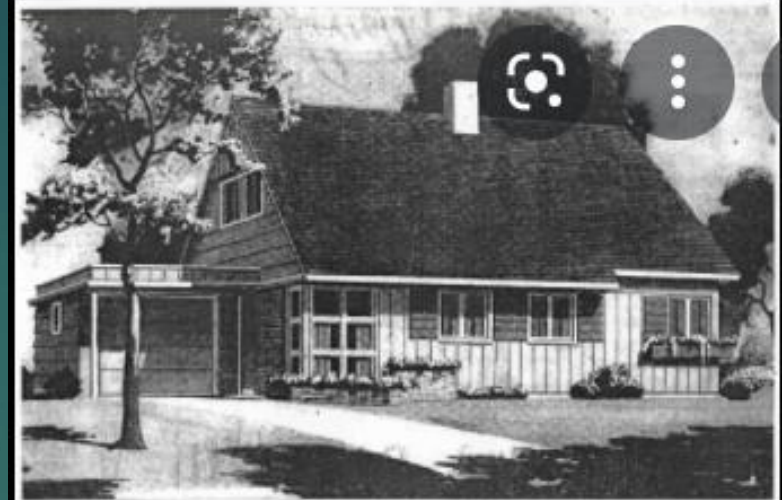


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2. Because redline areas had lower property values, public housing projects were located primarily in these areas, increasing segregation in cities.



Map shows the concentration of public housing developments in redlined sections of Philadelphia. (Map by PolicyMap/Next City)

Another factor contributing to racial segregation in cities has been termed “whitelining”



**Value, Beauty, and Charm**  
**FOUR BEDROOMS, TWO BATHS**  
**\$11,990; \$87 a Month!**

► In Invernal Park at Lee-Hoan, New Jersey, we're building the pretty house pictured above. In the two generations that we've been creating suburban communities, never have we produced anything as attractive as this house.

► Downstairs there's a spacious living room, a large kitchen, two bedrooms, a complete bathroom, a dining room, and an over-the-garage.

- Update: there are two more bedrooms, another complete bathroom, and some really large closets.

- But housing, folx, that's only part of the story. Anybody can build rooms. It's how those rooms are arranged, how they're decorated, what appliances and appointments they have, how the landscaping looks, what the community is like

—It's not those things that really matter.

► Come on over and join about our brand new schools, our swimming pools, our smart shopping centers, our commitment to downtown Philadelphia is (just an easy 30 minutes), our rapid transportation facilities.

► With everything, this house sells for \$11,990 plus a ten-dollar fee for all settlement charges. That's all, not a penny more! For that you get the whole house, complete of 32 by 100 expensively handcrafted, a General Electric refrigerator, range, and washer. Total cash required is \$400—yes, just four hundred dollars—and carrying charges are \$67 a month!

• It's a bargain, and everybody knows it. You'll need \$100 with your application, and repayment is this fall or later if you wish.

*Our Exhibit Building and six exhibit houses—priced from \$11,999 to \$14,499—are open seven days a week until 9 P. M. Drive over and take a look. You're always welcome.*

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Fossiliferous Shales and shales in  
state? White Redwood Co. Inyo  
Twp. 10 N. 10 E. & 10 S. 10 E.  
See also page 10.

From South Philadelphia, Dave L. Williams moved west and lived for many years in Southern California before settling in Minneapolis where he has been a resident for 10 years.

*Journal of Health Politics, Policy and Law*, Vol. 35, No. 4, December 2010  
DOI 10.1215/03616878-10000000000000000000  
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From Dr. John and Barbara's New Book:  
Take your mind to the next level with  
this. Some idea experts on how to  
communicate. **Book 10.**



Massive suburban housing developments like Levittown had to submit plans and designs to the FHA in order to secure low-interest loans.

The FHA required William Levitt and many others like him to agree not to sell their homes to African-Americans.



# Some additional effects of redlining include

- ▶ Lack of business investment because lenders were shy of extending credit in these areas
- ▶ Poorer quality schools because schools rely on property taxes
- ▶ Higher crime rates
- ▶ Higher health risk due to pollution, toxic waste and lack of tree canopy

# *National Housing Act of 1934* also led to Predatory Lending Practices

African-Americans were typically ineligible for federally backed mortgages. Only 2% of all federally-backed loans went to Blacks, while 98% went to whites.\*

\* Bread for the World, Wealth Gap Simulation Policy Packet



# Predatory Lending

As a result, a secondary industry of lending high-rate mortgages, called “contract lending” grew up to serve Black families.

These mortgages had high rates, the purchaser had no equity in the home until the entire mortgage was paid, families could be evicted for a variety of causes, and defaults were extremely high. Contract lending lasted through two generations.\*

\* Bread for the World, Wealth Gap Simulation Policy Packet

# Lending Inequity Still Exists

In 2018, *REVEAL*,\* an online investigative magazine, listed 8 lenders who have a poor record of lending to Blacks and Latinos.

- Capital One
- Ruoff Home Mortgage
- Citizens First Wholesale Mortgage
- First National Bank in Staunton
- First Federal Savings and Loan Association of Greene County
- KleinBank
- Associated Bank

And the most likely to say “no” .....



African American and Latino borrowers are more likely to get turned down by TD Bank than by any other major mortgage lender. The bank turned down 54% of Black homebuyers and 45% of Latino homebuyers, more than three times the industry averages. Credit: Sarah Blesener for *Reveal*

# ADVOCACY: WHAT NOW?

Suggestions for redressing the effects of redlining have included

- Assistance for down payments and closing costs for those living for more than 10 years in public housing
- Allowing residents of former redline areas living below the poverty level in select cities to purchase abandoned properties

# ADVOCACY: WHAT NOW?



- However, the racial makeup of formerly redlined areas in American cities varies greatly from city to city. In some cities, redlined areas are no longer predominately Black.
- Some have suggested that efforts should be directed primarily toward reducing the racial wealth gap overall.

<https://www.brookings.edu/research/americas-formerly-redlines-areas-changed-so-must-solutions/>