

# The Washington Post

*Democracy Dies in Darkness*

## Redlining was banned 50 years ago. It's still hurting minorities today.

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Racial discrimination in mortgage lending in the 1930s shaped the demographic and wealth patterns of American communities today, a new study shows, with 3 out of 4 neighborhoods “redlined” on government maps 80 years ago continuing to struggle economically.

The study by the National Community Reinvestment Coalition, released Wednesday, shows that the vast majority of neighborhoods marked “hazardous” in red ink on maps drawn by the federal Home Owners’ Loan Corp. from 1935 to 1939 are today much more likely than other areas to comprise lower-income, minority residents.

“It’s as if some of these places have been trapped in the past, locking neighborhoods into concentrated poverty,” said Jason Richardson, director of research at the NCRC, a consumer advocacy group.

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Researchers compared the HOLC maps, the most comprehensive documentation of discriminatory lending practices, with modern-day census data to determine how much neighborhood demographics have changed in 80 years. The findings have implications for today's political debates over housing, banking and financial regulation, as well as civil rights, as Congress seeks to weaken the government's ability to enforce fair-lending requirements. Policies that influence access to capital and credit have long-lasting effects on residential patterns, neighborhoods' economic health and household accumulation of wealth, the report said.

In the 1930s, government surveyors graded neighborhoods in 239 cities, color-coding them green for "best," blue for "still desirable," yellow for "definitely declining" and red for "hazardous." The "redlined" areas were the ones local lenders discounted as credit risks, in large part because of the residents' racial and ethnic demographics. They also took into account local amenities and home prices.

Neighborhoods that were predominantly made up of African Americans, as well as Catholics, Jews and immigrants from Asia and southern Europe, were deemed undesirable. "Anyone who was not northern-European white was considered to be a detraction from the value of the area," said Bruce Mitchell, a senior researcher at the NCRC and one of the study's authors.

Loans in these neighborhoods were unavailable or very expensive, making it more difficult for low-income minorities to buy homes and setting the stage for the country's persistent racial wealth gap. (White families today have nearly 10 times the net worth of black families and more than eight times that of Hispanic families, according to the Federal Reserve.)

“Homeownership is the number-one method of accumulating wealth, but the effect of these policies that create more hurdles for the poor is a permanent underclass that’s disproportionately minority,” said John Taylor, president and chief executive of the NCRC. “I think most people believe the problem is not with the rules but with the people. Most middle-class whites in America don’t have empirical observations of what happens in underserved neighborhoods or understand the historical treatment of poor and minority communities.”

The Federal Housing Administration institutionalized the system of discriminatory lending in government-backed mortgages, reflecting local race-based criteria in their underwriting practices and reinforcing residential segregation in American cities. The discriminatory practices captured by the HOLC maps continued until 1968, when the Fair Housing Act banned racial discrimination in housing.

But 50 years after that law passed, the lingering effects of redlining are clear, with the pattern of economic and racial residential segregation still evident in many U.S. cities — from Montgomery, Ala., to Flint, Mich., to Denver.

Nationally, nearly two-thirds of neighborhoods deemed “hazardous” are inhabited by mostly minority residents, typically black and Latino, researchers found. Cities with more such neighborhoods have significantly greater economic inequality. On the flip side, 91 percent of areas classified as “best” in the 1930s remain middle-to-upper-income today, and 85 percent of them are still predominantly white.

Researchers found that redlined neighborhoods in the South and the West are more likely today to be home to a largely minority population. Neighborhoods in the South and Midwest display the most persistent economic inequality.

In Macon, Ga., 65 percent of neighborhoods were marked “hazardous” in the 1930s, making it the most redlined city in the United States, followed closely by Birmingham, Ala., and Wichita, Kan.

Here are the 10 U.S. cities with the highest percentages of neighborhoods marked “hazardous” in the 1930s:

In Macon today, 91 percent of redlined neighborhoods are inhabited by mostly minorities; 73 percent of such neighborhoods remain low-to-moderate income, researchers found. Whites, on the other hand, remain the overwhelming majority in Macon neighborhoods deemed “best” in the 1930s — all of which remain middle-to-upper income.

The racial disparity is reflected in the city’s poverty statistics. Nearly 35 percent of blacks in Macon live in poverty today, compared with less than 13 percent of whites, according to 2012 to 2016 census data.

In Baltimore, one of the earliest cities to officially adopt restrictive covenants limiting African Americans and Jews to certain neighborhoods, nearly every census tract labeled “hazardous” in the 1930s remains low-to-moderate income today, researchers found. The only exceptions are the areas surrounding Baltimore's harbor, a former industrial front that’s been redeveloped to attract businesses and tourism.

Nearly 70 percent of formerly redlined communities in Baltimore remain predominantly minority, as well as lower income. Even neighborhoods in western Baltimore that had been rated as “desirable” subsequently became populated with minority, low-income residents as middle-class whites fled to the suburbs, researchers said.

A 2015 study of home mortgage and small-business lending in Baltimore by the NCRC found that race, more than income, affected mortgage lending in the city. Lending is greater in neighborhoods with larger white populations, with banks making more than twice as many mortgage loans to whites as they did to blacks.

A February report by the Center for Investigative Reporting showed that redlining persists in 61 metro areas — from Detroit and Philadelphia to Little Rock and Tacoma, Wash. — even when controlling for applicants’ income, loan amount and neighborhood, according to its analysis of Home Mortgage Disclosure Act records.

Banks have largely blamed the racial lending discrepancies on borrowers' credit scores. Lenders were supposed to soon start reporting extra information about credit scores and other loan-pricing features. But the Senate recently voted to roll back the new reporting requirements for small lenders.

The researchers also analyzed 30 cities for patterns of gentrification, where once-redlined neighborhoods showed an increase in median home values and educational attainment between 2000 and 2010. They found that in cities with higher levels of gentrification, more redlined neighborhoods had become middle-to-upper-income neighborhoods. These areas saw a greater influx in economic activity and changes to their downtowns. They also now have lower levels of segregation, with more interaction between blacks and whites, as well as greater economic inequality between newcomers and those who have historically lived there.

Current lending discrimination reinforces the economic gulf, Mitchell said, as middle- and upper-income gentrifiers moving into lower-income areas are able to obtain loans to buy and renovate homes, while longtime residents rarely have access to that type of capital.

Researchers ranked Portland, Ore., which has seen an influx of financial investment from the tech sector, as the most gentrified American city, with 58 percent of its census tracts having gentrified. It is followed by Minneapolis, Seattle, Atlanta and Denver.

Detroit was the least gentrified city, the research showed, with less than 3 percent of its census tracts having gentrified, and only around the downtown core. But artists and other "urban pioneers" have in recent years begun moving into more pockets of the city, researchers said.

Longtime residents of formerly redlined neighborhoods are often pushed out when the areas' economic fortunes are reversed, researchers said. Many can no longer afford the rising rents. Homeowners often can't afford the increases in property taxes, and as their home values rise, many are tempted to sell and cash out.

“Is gentrification promoting sustainable desegregation?” Mitchell said. “Or is it just a movement towards increased segregation in the next census period?”

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