**Study Group July 7, 2020**

As you read, keep these questions in mind so you can answer at least two of them in our discussion. I am sorry there are so many statistics and that this article is so long. I tried to edit it, but I couldn’t figure out what to leave out. Thanks for reading it.

Susan

1. When did you first learn the term ‘redlining?’

2 Name something in this article you knew for 30/40/50 years.

3. Name something in this article you knew for fewer than 20 years.

4. Name something in this article that you didn’t know until you read it.

5. Have you ever heard complaints about how rundown Black neighborhoods are? How does this article answer that complaint?

6. Answer a question you wish I had asked.

7. Has reading this article changed your thinking?

8. Comments on the personal stories on the last page.

**How the government created devastating wealth disparities between white and Black families [[1]](#footnote-1)** by John D. Borders Jr. *Courier Journal,*  July 2, 2020 Opinion contributor

“History, despite its wrenching pain, cannot be unlived,

but if faced with courage, need not be lived again.” —Maya Angelou

There’s a movement afoot in our country right now for racial justice. The recent deaths of Ahmaud Arbery, George Floyd, [Breonna Taylor](https://www.courier-journal.com/story/news/local/2020/05/12/breonna-taylor-case-what-know-louisville-emt-killed-cops/3110066001/)and others — all unjustified and at the hands of white people — have sparked protests the size and likes of which we haven’t seen since the 1960s.

If we’re going to understand this movement, if we’re going to begin to understand where the frustration, anxiety, anger and exhaustion we’re seeing from Black people come from, we have to look backward and examine its roots. We have to evaluate the systems and events that, beginning decades and even centuries ago, launched our country on this inevitable trajectory.

One of the most significant factors affecting wealth — and its absence in Black communities — is homeownership. Equity in a home is the largest asset for most families. That’s not so surprising. What is surprising is that homeowners have, on average, 80 times the median net worth of renters.

According to U.S. Census Bureau researchers, equity in a home accounts for 34% of the average household’s net worth. And while non-Hispanic white households had on average $139,300 of wealth, Black households had only $12,780. Household wealth, of course, changes everything for that family.

If there’s an illness, a loss of a job, additional tuition for college, or a family emergency, household wealth provides the buffer. Homeowners can leverage their equity by taking out loans to gain access to money. And when that homeowner dies, she can pass her wealth to her family.

Some think that Black households today have only a fraction of the wealth of white households because of individual choices made in this generation, or that slavery, Jim Crow and discrimination are so long ago that they don’t impact household wealth today. It’s understandable that we don’t really know our history.

I’ve been a real estate attorney for more than 30 years and only recently did I learn how the government — not just racist individuals — intentionally and systematically robbed, looted and plundered Black wealth in America. This story has rarely been taught in school and we have never been made to understand it. But if we want to understand the unrest we see in the streets today — and if we want to try to right the wrongs that our government for centuries perpetrated — we have to take the time to understand how we got here.

Immediately following reconstruction in the late 19th century, and all the way into the 1960s and beyond, the government — all branches and all levels — encouraged and facilitated segregation and disparities of opportunity between white and Black citizens. It wasn’t an accident; it was planned, designed and executed by the government, in partnership with private industry and individuals. And its effects are still felt all over our nation today.

Whatever gains African Americans made after the Civil War were quickly erased by the Compromise of 1877, when the North pulled troops out of the South, allowing convict leasing (arresting Blacks for made-up or petty crimes and then “leasing” them to private parties), lynchings, disenfranchisement and Jim Crow laws to erase the vestiges of freedom that emancipation was supposed to bring. And this wasn’t just in the Deep South, as we’ve been taught to believe.

Beginning in 1917, motivated by a fear of communism, the government began encouraging whites to become homeowners, as a patriotic duty. They were encouraged to move to the suburbs, away from African American families. Roosevelt’s New Deal in the 1930s helped Americans out of poverty — if you were white.

The Public Works Administration (PWA) built the first public housing for civilians. All of the projects were segregated by race. In many instances, neighborhoods that were once integrated were forcibly segregated. And it concentrated African American families in low-income neighborhoods.

Because most white families could not pay cash for a home or get a mortgage without a large down payment, the Home Owners’ Loan Corporation (HOLC) was created, giving people an opportunity to borrow money with mortgages amortized over time. Suddenly, homeownership was possible for middle-class families.

Because they wanted to keep neighborhoods segregated, and because they only wanted to make loans to white families, the HOLC solicited real estate agents to help them color code neighborhoods. Communities that were deemed the least risky (aka white) were given the color green while riskier (aka Black) neighborhoods were given the color red.

These designations were based purely on race, not on the quality of the neighborhood. Maps were created with these color codes and “redlining” was born. African Americans were now deemed by the government to be risky investments so, naturally, private banks and lenders followed suit, utilizing the same maps to make loans to whites only.

The Federal Housing Administration (FHA) was created in 1934, insuring bank mortgages. This meant that banks could take risks on homeowners because the government would insure those loans. And people wanting to own homes could now afford to get a loan, borrowing money over time. But FHA’s appraisal standards would only permit loans to white borrowers.

Racially mixed neighborhoods, and sometimes ones that were simply next door to Black ones, were deemed too risky for insurance. Furthermore, FHA didn’t want banks making loans anywhere but in new suburbs. They weren’t concerned about creditworthiness. They were concerned about race. The VA soon followed suit.

FHA’s and VA’s influence on homeownership cannot be overstated. Whites were now able to get loans on fair terms from banks that previously wouldn’t take the risk. Blacks, even those with good credit, were not given that same opportunity. Equally impactful, FHA and VA created racially segregated neighborhoods by requiring deed restrictions that prohibited African American families.

Similar restrictions would soon be the norm around the country. New homes would be built in safe neighborhoods, but they would only be occupied by white families. This changed the face of America: The middle class would be almost exclusively white. To be clear, success and failure had a lot to do with opportunity, created and fostered by the government.

Under President Truman, the 1949 Housing Act made things worse for African American families. Public housing was necessary for those who could not afford to buy a home but the act allowed segregated housing facilities. This effectively left African Americans concentrated in high-rise slums with no access to wealth, little access to jobs (which had mostly moved out to the suburbs) and with none of the protections that a safe home in a safe neighborhood offers.

Public housing had become a ghetto. It’s important to remember this occurred during the Great Migration, when six million African Americans moved out of the South because of violence, discrimination and little opportunity. This exodus from the towns and cities of the South into almost exclusively large cities in the North and West meant that there was an urgent need for decent housing for millions of displaced people.

Following the federal government’s white supremacist lead, state and local zoning laws made things worse. Toxic and polluting industries and businesses were zoned into areas occupied almost exclusively by African Americans. Highways were placed in Black neighborhoods. Deed restrictions or “restrictive covenants” were created, and enforced by courts, keeping Blacks out of white neighborhoods.

Realtors didn’t help matters. The National Association of Real Estate Board (NAREB) code of ethics stated that “a realtor should never be instrumental in introducing into a neighborhood … members of any race or nationality … whose presence will clearly be detrimental to property values in that neighborhood.”

In 1948, the Supreme Court declared restrictive covenants unconstitutional in Shelley v. Kraemer but FHA ignored the law. This didn’t really stop until 1962. And while the Shelley case prohibited courts from allowing evictions of Black residents because of restrictive covenants, these restrictions could still be enforced in civil suits for damages until 1972.

Because African American families were legally and practically excluded from loans, many tried unconventional ways to buy homes. Rent-to-own and contracts for deed (where the buyer pays over time) became popular around the country, including in Louisville. Under these agreements, people trying to buy homes would often pay usurious interest rates or would lose their homes after paying for years if they missed a single payment.

This, of course, led to the further destruction of houses and neighborhood stability when tenants did anything they could to keep their houses, including renting out rooms to help cover their payments. That changed in Kentucky anyway in 1979 when our highest court ruled in Sebastian vs. Floyd that sellers on a contract for deed couldn’t evict a homeowner but would have to foreclose (with its additional protections for borrowers).

In the housing crisis of 2008, we learned that many defaulting borrowers had been victims of “reverse redlining,” where banks and lenders targeted African American borrowers — regardless of their credit worthiness — for subprime loans (where the interest rates and terms are predatory).

When the housing crisis occurred, these homeowners were among the first to lose their homes. We saw this extensively in west Louisville, where property values plummeted, often below the amount due on the mortgage. Many people who had made payments for years on their mortgages were, and remain, trapped.

Housing, of course, isn’t the only area in which the government has been actively involved in creating devastating disparities of wealth between Black and white families.

As we’ve learned from the murders of Breonna Taylor, George Floyd, Eric Garner, and countless others, and as we finally acknowledge the racist drug laws that unjustifiably and disproportionately criminalized Black behavior, we can see how the criminal justice system has been complicit in the theft of lives and livelihoods. But because homeownership is a game changer in terms of wealth building, this is a fruitful area upon which we can work to create systemic change.

**Why and How We Should Respond**

What many of us who own homes fail to recognize — even when we learn about how African American residents have been plundered — is that the same policies that harmed Black people gave advantages to white families. Disinvestment and a lack of opportunity in west Louisville meant the chance for wealth building elsewhere. Knowing this, people of goodwill are called to respond. And there is much we can do. Invest in organizations that offer homeownership counseling programs, like the Louisville Urban League.

Consider becoming a social impact investor by loaning some of your money to LHOME, a community development financial institution, which in turn will lend to Black businesses. Make a donation or volunteer with Metropolitan Housing Coalition, Habitat for Humanity, River City Housing, or New Directions Housing Corporation, all of which are making significant investments in fair housing in west Louisville. Seek out Black-owned businesses at [blackownedlouisville.com](https://www.blackownedlouisville.com/).

If you’re a lawyer, an accountant, a builder, a real estate agent, an electrician — whatever your skill or experience — there’s a way for you to help.

Investing in west Louisville is a way to respond to our nation’s and our city’s history, recognizing the laws and events that created the poverty we see in many communities today. This isn’t about blame or guilt. Many white families have had few opportunities and many have had to build something out of nothing.

But when the system itself — all three branches of local, state and federal government — was rigged against Black people since the first slave landed here in 1619, actively removing opportunities for wealth building, it becomes a simple question of fairness. It’s our responsibility as residents of a compassionate city to respond. Together, let’s invest in individuals, neighborhoods and a city worth living in — for all of our citizens. If we’re concerned about unrest, about looting, about violence, about justice, about peace, we first acknowledge our past and then we allow it to inform our future.

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**Personal Stories** [**From Ab SH July 2 at 11:57 AM**](https://www.facebook.com/abena.sanders/posts/10157315957283671)**[[2]](#footnote-2)**

On generational wealth. So. We needed to get our home appraised. The appraiser came by and he was immediately unpleasant - making one rude comment after another. He expressed exaggerated surprise when he saw me working at my home office during the walk-through. At the end of it we received an appraisal result that was so low that it was laughable. We appraised far lower than \*neighboring\* home sales with fewer bathrooms, fewer bedrooms, significantly lower square footage and half the land.

I knew immediately what needed to happen. We ordered a second appraisal and took down all family pictures containing Black relatives. We took down all pictures of African-American greats that we display to inspire our son. Zora Neale Hurston and Toni Morrison came down from the bookshelves; Shakespeare went up. My son and I took a convenient shopping trip during the appraisal, leaving my white male husband to show the appraiser around, alone.

We appraised $162,000 higher the second time around. The amount of an entire house in some areas.

Racism silently but conspicuously steals wealth. Racism wastes time. Racism raises blood pressure. Racism makes me hate myself for my calm acceptance of what I had to do, and have always had to do, to achieve a fair result. I write this from a place of absolute anguish, to sort through my emotions. I want better for my son.

ETA: I am aware of how and where to report. Thank you

[Daryl Adams](https://www.facebook.com/daryl.adams.14?comment_id=Y29tbWVudDoxMDE1NzMxNTk1NzI4MzY3MV80MDIzODUxMDIxMDIxODEx) Same game, different angle. So we wanted to buy the house across the street from us. We are 2 miles from the new Rams stadium so we figured ok, good investment. The appraiser was an older white gentleman. Mind you the house was not in the best shape, but I already had the vision. The inspector met me. He thought I was the seller. Told me he didn’t want to see any old carpet, any window damage had to be repaired, and he wanted the whole house painted. Then gave an estimate 55 thousand less than was asked. He left, called the owner, the owner went nuts. But the house had fallen out of escrow 9 times. So he took our offer. When we went to sign our escrow papers at the last page it asked our race, white was already checked. Wife asked... Do we change it? I said no. Now we see what they get. Fantastic rate, remodeled, almost doubled in price.

[Sybil Griffith](https://www.facebook.com/sybil.griffith?comment_id=Y29tbWVudDoxMDE1NzMxNTk1NzI4MzY3MV80MDIzOTIxNzM3NjgxNDA2) This happens to Native Americans as well. When I applied for a mortage the African American women was helping me and said are you sure you want to say Native American.

[Charissa McCullers](https://www.facebook.com/charissa.mccullers?comment_id=Y29tbWVudDoxMDE1NzMxNTk1NzI4MzY3MV8xOTg4NTE1NTgyMzk2ODk%3D) I can remember selling my first townhouse in NC. I was happy that I had a realtor, who was white, that was upfront with me about reality. She advised me to take down all my African art work. She also advised that I remove books by Toni Morrison and other authors that could identify me as being Black. At the time I was dating a White man and asked him for pictures of his nephews and niece to put up. It was amazing how fast I sold my house. My friends who lived in the same development did not sell theirs as quickly and got less per square foot.  
Institutional racism is real.

P.S.  the ironic part is that my realtor told me my house would not turn off perspective buyers It was the appraisal value she was concerned about, if I did not shield my identity

Other resources:

A 'Forgotten History' Of How The U.S. Government Segregated America, <https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america>

1. <https://www.courier-journal.com/story/opinion/2020/07/02/how-government-robbed-black-wealth-louisville-and-america/3279130001/> [↑](#footnote-ref-1)
2. <https://www.facebook.com/abena.sanders?__tn__=%2CdC-R-R&eid=ARAnIF64-Qh0Xu0C4CiJOEL0wjVoiFlC3qGunzEF-rY8SFf9srd2uWNDDpXxm5eRjhYviM-Z7XlotPb_&hc_ref=ARS99fOXKAVunK7XEcWTfACDZ8TTb1-jm_HM4u_t2hMB9pJ5PprIir9gkjklnokawMg&fref=nf> [↑](#footnote-ref-2)