Institutional racism, redlining & the decline of six Atlanta communities

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ABSTRACT

AFRICAN AMERICAN STUDIES

YOUNG, KURT B. 

INSTITUTIONAL RACISM, REDLINING AND THE DECLINE OF SIX ATLANTA COMMUNITIES

Advisor: Dr. Michael Bailey

Thesis dated July, 1994

Bank, mortgage and insurance redlining, as an extension of institutional racism, has been detrimental to the development of African American communities. Racism has always existed as a negative force in the lives of African Americans and has historically been observed with relative ease. Today, racism continues to hamper the social, political and economic advancement of African Americans but it has become highly sophisticated and less visible, making it much more difficult to detect by its victims. This difficulty in detection has caused confusion in the problem-solving efforts of those concerned with the decline of African American neighborhoods.

This study discusses the impact of redlining in six Atlanta communities, first by analyzing the ideology responsible for the practice of racism; second, by discussing how racism has become institutionalized; and last, by examining redlining’s role in community housing markets and
household finance. The research pinpoints particular indicators of neighborhood decline, such as homeownership, vacancy, abandonment and property value. Then the relationship between the redlining and decline, reflected in the behavior of the indicators, is exposed.

The study found that redlining, in spite of legislation to stop it, continues to stunt the growth of African American communities. Specifically, its practice results in fewer new homes, more residents forced to rent, more vacancies and lower relative property value. These factors combine to generate a process of decline in African American neighborhoods over time.
INSTITUTIONAL RACISM, REDLINING AND THE DECLINE OF SIX ATLANTA COMMUNITIES

A THESIS
SUBMITTED TO THE FACULTY OF CLARK ATLANTA UNIVERSITY
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS

BY
KURT B. YOUNG

AFRICAN AND AFRICAN AMERICAN STUDIES PROGRAM

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<td>Atlanta Bureau of Planning</td>
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<td>Community Reinvestment Act</td>
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<tr>
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<tr>
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INTRODUCTION

The history of the world will show that most, if not all, of the differences between races and nations have been caused through the infliction of injustice of the one race or nation upon the other.

Marcus M. Garvey

Redlining, as an extension of institutional racism\(^1\), has been and continues to be a most detrimental factor in the hyper-deterioration of African American neighborhoods. It remains a barrier to economic stability largely because the seed that produces it has not yet been eradicated.

Racism, in all of its expressions, continues to be a destructive force in the development or underdevelopment of African American communities throughout the United States. Whether it comes in the person of bank and mortgage redlining, employment discrimination, police brutality or lynching, the consequences are equally devastating to the advancement of African American lives, communities and institutions. However, where the presence of racism in the past, from

\(^1\)Redlining is defined here as the illegal practice of denying applicants equal access to financial assistance because of their skin color. Institutional racism is defined as an expression of the ideology of European Supremacy that perpetuates itself through its manifestations in social, economic and political institutions. Redlining and institutional racism will be discussed at greater length later on in the study.
slavery to segregation, has been widely acknowledged, the evolution and institutionalization of modern-day racism now requires a whole new approach to assessing its impact.

Racism in American society has historically played an active role in the configuration of African American lives since the onset of the slavery period. Furthermore, racism has shaped, and continues to shape, the perceptions of reality upon which African Americans structure observations and reactions to the conditions in which we find ourselves. But if racism, the force actively shaping our realities, adapts and perpetuates itself over a period of time, should not our collective process of analyzing its functions and consequences likewise evolve? In other words, has this change in the nature of racism brought about a broad-based change in the way African Americans perceive its long-term effect on them? Do our solutions to problems such as underdevelopment in African American communities in the nineties evolve from a proper evaluation? The fact is that solutions must be based on an accurate analysis of the problem or problems. Without a clear-cut understanding of the problem, any solution that is formulated will solve nothing and is doomed to failure in the long-run.

Racism and Its History

Before we can understand the role of racism and its impact on the different aspects of our reality, we must first put it in its historical context in order to recognize its
fundamental nature. Racism is a practice. It is the transformation of ideas and beliefs of racial superiority into real practices and decisions for the purpose of facilitating the domination of one group over another. All social behavior derive from an idea or system of beliefs. Therefore, to understand racism in its essence is to understand the ideological framework that supports the practice of racism, European supremacy. Historically, this ideology rests on the false notion that people of European ancestry are superior to people of African ancestry and, as a result, are licensed to dominate, rule and subjugate African people. This ideology, in its search for justification, looked to Judeo-Christianity, revised history, social Darwinism and military might - just to mention a few - for its support and advancement.

Indeed, the basis for the way European Americans perceive and interact with African Americans today is rooted in this belief that they are superior and reserve the right to exercise and maintain power and control over African

\[2\] The entire concept of race is erroneous and has never been consensually defined in terms its social, biological and anthropological properties. This lack of a coherent definition has lead to inaccurate uses of the term, both in a social and intellectual context. At the same time, however, this phenomenon has been and continues to be used as a weapon against people of African descent by people of European descent in their drive towards total domination and suppression. Its legacy has real and observable repercussions. Therefore, race, as a social, political and economic reality, must constantly be identified as an actively negative force until its origination and consequences have been totally resolved by those who suffer from its misuse the most.
Americans. This process of establishing and extending power over African Americans first manifested itself during the enslavement period, for the purpose of supporting an era of tremendous economic growth and development in Europe and the Americas. In addition, the primary item in the early stage of this process was African labor.³

Once power is established, it is only logical that those who control it attempt to preserve it, prompting the ideology behind power to take on a new dimension. This brings us to the current problem facing African Americans. We must understand that racism is not a static, one-dimensional phenomenon. It continues to evolve because the ideological soul that gives racism life will pursue survival by transferring itself from its old, wornout body into a new, perhaps more menacing one.

To this point in the sojourn of Africans in America, racism has taken on two general identities. One is historically based, deadly, and has served well, but it has become antiquated because of its inefficient and crude nature. The other is state-of-the-art, highly complex and, worse of all, has the power of invisibility. The first identity displayed itself in practices such as slavery, Jim Crow, black codes, lynching, police brutality and naked hatred. The newer one adopts more subtle practices such as employment

discrimination, the glass ceiling, standardized tests, criminal justice and redlining. The ideology of European supremacy has taken possession of the second identity. Nevertheless, it continues to have the same - if not more - malevolent effects that the first identity has had on people of African descent.

But after dealing with racism in theory as we have done above, how might we begin to assess the practical role racism plays in our realities and our perceptions thereof? Our communities are in desperate need of some answers and solutions whose validity rest squarely on our ability to find the root causes of our problems, which requires a redefining of our reality.

It was once said that an attribute of power is the ability of one to define the realities of others, and keep them reacting to that definition. Getting to the core of the problem begins with understanding that one of the ways European Americans have established power over African Americans is by defining their realities through domination. They are able to perpetuate their power over African Americans and other victims by constantly having them react to European definitions, within their parameters of understanding. Marimba Ani reminds us that Europeans

are successful in their efforts to economically and politically control others, because culturally they are able to force us to assimilate their definitions of our inferiority into our own self-image, while at the same time gaining support for their image of themselves as
superior. This is done in order to secure their power. If African Americans are to obtain economic, political and cultural power, the approach to capturing it must evolve independently from the influence of the powerful. As John Henrik Clark argues:

The most dangerous of all dependencies is to depend on your powerful oppressor to free you and share power with you, because powerful people never train powerless people to take their power away from them.

Likewise, the development of self-analysis must also take place independently from European perspectives. Definitions here simply refer to the conceptualizations and understandings African Americans have about what they see and feel about themselves.

The victim then becomes misguided, frustrated and disillusioned because he or she has limited their analysis of reality (i.e. problems) by constantly relying on definitions of those realities that are imposed by the powerful. After this takes place, the society takes advantage and begins to distort the perceptions of its victims' reality by overwhelming the powerless with their views - which usually blame the victim. That is only to say that before African

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Americans can begin to resolve any problem, there must take place a process of redefining the problem from an African American perspective.

African American communities today are faced with problems that are dilapidating the neighborhoods, and residents who are actively involved in improving the conditions usually find them continually worsening. If we look closely, perhaps we will find that the primary reason communities continue to decline in spite of the numerous attempts at its improvement is because of the analysis of the problem in the first place.

This analysis comes from a perspective that is not germane to the overwhelming majority of African Americans who reside there. Subsequent solutions are then drawn from the viewpoints of those outside looking in and who do not fully grasp the essence of the condition. Thus, the solutions based on that perspective will falter. So then, in the case of racism, an analysis that narrowly focus on the symptoms of racism without taking into account, for example, its history or its ability to become institutionalized, may become ineffective and troublesome in the long-run.

**Analyzing Racism, Redlining and Decline**

There are many instances that bear witness to this scenario. However, in terms of the depletion of African American neighborhoods, an issue that offers a practical example is institutional racism in general and bank and
mortgage redlining in particular. The latter being only one dimension of the former, which itself is a manifestation of the root ideology of European supremacy. Taking the approach detailed above, if we were to look deeper into institutional racism and specifically lending discrimination by financial institutions, we find that redlining is only one virus that disguises itself and slowly deteriorates the unsuspecting body of the host that it infects.

In order to find and eliminate problems that lead to the decay of urban communities, a detailed analysis of the concept of institutional racism and the practice of redlining will provide a broader understanding of how external forces exacerbate already severe conditions.

There is a vast amount of literature dealing with the issue of racism and the way it plays itself out in American society. One need not look far to find a wealth of data and statistics that detail what seems to be an internal devastation of African American neighborhoods throughout the country. What seems evident is that discussions of the social and economic differences between the African Americans and other groups never put the contrasts in their historical contexts. Discourses on how inner-city neighborhoods are continually plunging to the status of some lesser developed countries, always seem to pronounce the problem rather than give concrete remedies. But what about investigating the common thread that runs through all of the above and binds
them all to one another? How can this enable us to detect the idea or system of ideas that lead to hostile actions that adversely effect African American communities?

**The Research Design**

This study will look at the decline of the African American neighborhood from the standpoint offered above. That is, rather than study differences between people of European descent and those of African descent, or study the characteristics of the euphemistic "urban underclass," the goal is to first show that there is a larger external force at work. This force is institutional racism and is different in practice from the old forms of racism. However, it is fundamentally rooted in the very same ideal of European superiority, domination and control and bares the same repercussions. Second, the research will display that the form of institutional racism commonly known as redlining is indeed a deadly cancer that eventually thwarts the development of any community, not to mention those who are still suffering from the repercussions of racial inequalities. The empirical data used in the study will be geared towards displaying the cumulative results redlining has had on economic and financial underdevelopment in African American communities over a period of time.

The study will utilize a simplistic bivariate analysis where the independent variable will be the institutional racism and the process of redlining. There is absolutely no
reluctance in juxtaposing these two elements in the category of the independent variable because redlining is merely an illustration of institutional racism and cannot be separated from its source. The dependant variable is the corrosion of African American neighborhoods in the city of Atlanta. The details of Atlanta's role in the study will be looked at more closely in Chapter 2. However it is worth mentioning here that "hypersegregated" cities such as Atlanta, Detroit, Milwaukee and Chicago (to name a few) offer a great deal in the way of tracking the causes and outcomes of its segregated communities. A simple drive through the city of Atlanta will reveal two cities that are either all African American or all white. Moreover, most of the state of Georgia's poorest communities are found in the Atlanta, but virtually none of them have a substantial number of white residents.

The process of drawing comparisons between a European American and an African American neighborhood is a vital tool in seeking out existing inequities. The intent here is surely not to diminish the importance of this sort of approach. For this method compels us to keep in mind that things have not

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Douglas Massey introduces the term, "hypersegregation," where major U.S. cities remain segregated according to some major trends. These include the following: the uneven distribution of African Americans in particular neighborhoods; racially isolated African American neighborhoods; neighborhoods concentrated in small, physically compact areas; a number of neighborhoods clustered together to form one large ghetto; a number of centralized neighborhoods that are located near the urban core. In, "Blacks Held Back By Racial Isolation." 8 (Summer 1991): 32.
changed much in terms of social and economic conditions are concerned. The masses African Americans still find themselves suspended in a state of persistent misery. However, there is one important factor that is usually lacking in this type of study. As was emphasized above, one must pinpoint and continually question the root causes of these differences, followed by an investigation into precisely how they contribute to making the problem worse. Many of these accounts tend to lack this prerequisite and, in the end, fail to capture the totality of the problem.

This study will be divided into three main parts. Part One will offer a literature review bringing together studies ranging from discourses on institutional racism to discriminating practices by financial institutions. Along with familiarizing the reader with some of the works focussing on the subject matter, the second goal of this part will be to introduce the primary ideas and terms that the study discusses. At this point, there will be a discussion into the relevant concepts, definitions and legalities that will help lay the groundwork for the investigation.

Part Two will discuss the items that makeup the empirical body of the study, such as target areas, chronology and the relevant indicators that will be used to unearth the economic trends in African American neighborhoods. The second segment of Part Two will discuss the variables involved and the ways in which they will combine to put the empirical data
into its proper perspective. Lastly, this part brings together raw data from areas that were focused upon and recounts just what they indicate in hopes of clarifying any confusions as to how a particular body of information was analyzed.

Finally, Part Three is where the theoretical foundations and the empiricism come together to reveal declination patterns and their ramifications. This segment will ultimately reveal the major conclusions of the study, followed by thoughts and suggestions that may lead to solutions and hopefully a way out.
PART ONE
CHAPTER 1
MAJOR CONCEPTS AND THE LITERATURE

The literature presented will fall into three primary areas including works that focus on the matter of racism and racial inequities; economic development and housing in communities; and financial institutions' practice of lending discrimination in African American communities. This segment will also include supplemental literature that will fill in gaps that may have been left in the two previous sections. The first two subtopics will consist of major works, leaving the third to incorporate the smaller, more specific, studies. The literature review generally serves to place the themes and arguments in a conceptual framework, in order to make possible a synthesis with the observable information from the physical study.

The section dealing with racism will not involve a an in-depth discussion of the matter. Instead, the material will be used to form a backdrop for analyzing financial redlining and its effects. The housing segment will offer general studies and observations that focus on the question of just how financial institutions impact on housing and community development. The final section will cover some literature on particular city neighborhoods that have experienced redlining,
and the effects that have come about as a result. All of these, when combined, will reflect the process of analysis previously argued for, thereby setting the tone for the remainder of the study to follow.

**Racism and Institutions**

In line with the necessary focus on the system of ideas that buttress individual and collective actions, Kwame Ture and Charles V. Hamilton, in *Black Power* laid a profound theoretical foundation for racism and the ways in which it manifests itself in American society. It puts "white power" under a microscope and observes the manner in which the concept of "black power" interacts with it. In terms of urban neighborhoods, the authors posit that the interaction between European and African Americans is dictated by the conceptions of colonialism:

> The economic relationships in America's black communities to the larger society also reflects their colonial status. The political power exercised over those communities goes hand in glove with the economic deprivation experienced by the black citizens.³

They contend that this "colonial" situation in the African American neighborhood has a direct effect on the decline of

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¹Kwame Ture was formally known as Stokley Carmichael, and was one of the forerunners of the Black Panther Party in Lowndes County in 1966.


³*ibid.*, 16.
these communities, with housing being one of the most profound examples of this. The authors add the following:

In America we judge by American standards, and by this yardstick we find that the black man lives in incredibly inadequate housing, shabby shelters that are dangerous to mental and physical health and to life itself. It has been estimated that twenty million black people put fifteen billion dollars into rent, mortgage payments and housing expenses every year.

This "yardstick" of American standards is symbolic of how many observers of the problems in African American localities come up short by using measurements that are not sensitive to the source of the problems.

As previously mentioned, in order for a racist ideology to perpetuate itself, it is paramount that it not only initiates power, but also maintains this power. Just as Ture and Hamilton, Sterling Tucker's Black Reflections on White Power accurately brings into view the manifestations of white power on African American lives. Everywhere, from the dangers

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4A revealing comparison in the book involves the viewing of the systemic devastation of the African American community through the same prism for looking at the European colonialists' stranglehold on the African continent. They argue that, "The colonies were sources from which raw materials were taken and markets to which finished products were sold. . . . Rich in natural resources, Africa did not reap the benefits of these resources herself. . . . This same economic status has been perpetrated on the black community in this country. Exploiters come into the ghetto from outside, bleed it dry, and leave it economically dependent on the larger society." ibid., 17.

5ibid., 155.

of African Americans walking through an all white neighborhood
to the co-optation of the civil rights movement by the white
power structure, Tucker argues that attacking racism in
America amounts to a change in the system that conserves it. 7

He reveals how white power’s ability to shroud itself
and operate in the African American areas is a formidable foe
in the attempt to improve conditions. The power structure
achieves this by disguising its intent and its effects.

[One reason] racism is so difficult to root out
is that it is like weeds growing in fetid soil.
The network digs deep into the earth and spreads
out far and fast. Its poison is hidden from
view. If any improvement is to be made, the
weeds must all be uprooted, and the soul must be
made wholesome again. . . . Weeds untended spread
and spread until the healthy grass becomes
poisoned, and it becomes impossible to measure
the diseased against the healthy, for the healthy
are unseen and forgotten. 8

It seems as though most traditional investigations into the
plight of the communities have left the weeds ‘untended’ and
cannot find ways to improve the soil because they continually

7 However, Tucker does not advocate a total dismantling of
the system. He writes that, "Black Americans have invested
fourteen generations in the system trying to find some
answers, looking for some help and some hope. They would like
their investment not to be lost. . . . Thus, even though we
suffer, we look to the system for answers-different answers,
yes, but answers that we still believe it can produce and
effectuate." ibid., 136.

Although Tucker’s premise is valid, his conclusions are
rather questionable. The assertion may be accurate in terms
of the civil rights movement’s nonviolent ideology but it
omits the revolutionary activities and the destructive urban
attacks African Americans waged against what they perceived as
"the system."

8 ibid., 31.
cut the grass without extracting the most fatal malignancy, the root.

Knowles and Prewitt's *Institutional Racism in America*\(^9\) contributes a solid dialogue pertaining to the intricacies of institutional racism. The work investigates the properties of institutional racism and its manifestations into the various social, political and economic institutions of American society. Underscoring the importance of putting a theoretical analysis in a proper practical context, the authors reveal examples of institutional racism's impact on different facets of society, primarily as they pertain to the disenfranchisement of African Americans. The authors offer this analysis as an example:

Perhaps the most serious form of consumer exploitation directed at black people is found in the housing market. Realtors, government housing agencies, and financial institutions have together managed to create almost total residential separation of the races.\(^10\)

Discussing the tenants of institutional racism is only the first part of the equation. Knowles and Prewitt take the next important step and identify the practicalities of the matter.

In the spirit of the Kerner Commission's not-so-shocking findings in 1968 declaring: "Our nation is moving toward two societies, one black, one white, separate and unequal,"


\(^10\)ibid., 26. The social and economic nature of this separation, however, is by no means equal.
Andrew Hacker's seminal work, *Two Nations*\(^\text{11}\), has found that conditions have not changed. He studies the ever-growing divergences in American society between European and African Americans, and demonstrates that these divergences are, by no means, equal. In doing so, he too approaches the subject from a theoretical observation of race, then moves on to empirically discuss its impacts on education, crime, economics and politics. He argues that enduring racist beliefs in European supremacy can be challenged and dismissed by looking at the "environmental answer" and its forces that shape the formation of African American neighborhoods.\(^\text{12}\) *Two Nations* contributes to the subject of the maldevelopment of communities by exhibiting that the source of the environmental forces emanate from racism, and that it is the most vital issue. He asserts that:

> The significance of racism lies in the way it consigns certain human beings to the margins of society, if not painful lives and early deaths. In the United States, racism takes its highest toll on blacks. No white person can claim to have suffered in such ways because of ideas that may be held about them by some black citizens.


\(^{12}\)He writes that "One of the most prominent [voices of racial supremacy] has been William Shockley, a winner of the Nobel Prize, who argued that evidence showed people of African origin to be lower on an evolutionary scale. Another well-known name is Arthur Jensen, a professor of psychology at the University of California. His stated position has been that because black children are genetically inferior, even compensatory programs like Head Start will fail because the native talents are not there." ibid., 26.
Once again, the importance of the idea in influencing behavior is stressed. He adds the following:

Ideas about equality and inferiority and superiority are not simply figments of people's minds. Such sentiments have an impact on how institutions operate, and opinions tend to be self-fulfilling. If members of a minority race are believed to be deficient in character or capacities, the larger society will consign them to subordinate positions.  

**Housing, Communities and Economic Development**

In the research, a glut of information discussing either urban housing markets, community development, racial discrimination or a combination of any two was encountered. The challenge, however, was finding sources that incorporated all three perspectives. Nonetheless, David Listokin and Stephen Casey's *Mortgage Lending and Race* is a competent combination of the three. The authors first compare and contrast two different models, the eco-based model and the eco-race model, that describe the considerations that guide the decision by lenders to extend mortgage loans. The former

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13ibid., 29.

14ibid. Following this strong point, however, Hacker fails to offer ways in which African Americans can combat the ongoing batteries of racism. He ends his analysis on merely exposing the racial differences in the areas already mentioned. As important as this is, one step is still lacking; solving the problem of the fundamental idea and its social crystallization.

model indicates that the underlying question in the mortgage decision is purely economic and the latter stresses that the choices are made from a combination of racial and economic considerations. The writers find that the eco-race model is clearly the more applicable of the two.\(^\text{16}\) Moreover, they break the eco-race model down and define its two major factors:

1) The race of the form applicant. The race of the applicant is viewed as an important determinant of whether or not a mortgage will be granted.

2) The race of the area of the applicant. The racial composition of the neighborhood surrounding the would-be mortgage property allegedly also influence lender. Loan applicants in high minority locations (or transitional areas where whites are leaving) are allegedly denied outright or are scrutinized more closely than other locations. (italics original)\(^\text{17}\)

They add that, "Because of racial discrimination, blacks and other minorities are at a disadvantage."\(^\text{18}\)

Kerry Vandell, in his *Financial Institutions and*
Neighborhood Decline\textsuperscript{19}, primarily focusses on disinvestment in urban communities and the role financial institutions play in their decline. Vandell does not argue strongly for the case of racism. Instead, he takes into account the usually unfounded expectations of failure that financial institutions perceive about the urban communities that look to them for assistance. The author points out that:

First, the decision to disinvest may proceed early in the process of decline in response to falsely perceived signals of future decline. . . . The signals are falsely perceived in the sense that, had they been ignored, decline would not have proceeded further. In this case institutional disinvestment is essentially an initiate of decline and may be labeled a primal cause of decline.\textsuperscript{20}

According to Vandell, factors that cause neighborhood decline can either be an initiating cause or a secondary cause, one generating the decline and the other perpetuating it. Both are equally damaging to community stability.\textsuperscript{21}

Vandell's study also includes a detailed analysis of the different scenarios of decline, as well as a theoretical account of the process of decline.

And what of the role of the United States government -

\begin{flushleft}
\textsuperscript{19}Kerry Vandell, \textit{Financial Institutions and Neighborhood Decline} (Cambridge, Mass: Joint Center for Urban Studies of M.I.T. and Harvard University, 1974).
\end{flushleft}

\begin{flushleft}
\textsuperscript{20}ibid., 66.
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\begin{flushleft}
\textsuperscript{21}Whether the act initiates the process or perpetuates it, financial institutions' refusal to invest, at any stage, in urban, predominately African American neighborhoods is a detrimental decision. Whether it is guilty by causation or guilty by association, the verdict is still guilty.
\end{flushleft}
which is an institution in every sense - in the degeneration of African American communities? Is it an impartial bystander who only comes to aid in the reconstructing, and/or rehabilitating of needy neighborhoods? The fact is that the federal government has played a direct role in this present-day process of decline. What is more, one of the most notorious housing scandals involving the federal government was made possible through the enactment of a number of government programs that were intended to improve the conditions in America’s cities and poor communities. Ironically, some of these same programs served as the instruments used in the scandal.

_Cities Destroyed for Cash_22, by Brian Boyer, meticulously recounts the intricate process by which poor people’s lives and their communities were systematically ruined by government officials and employees who worked hand in hand with crooked investors and mortgage companies. The House Committee on Banking and Housing reported on January, 6 1971 that Federal Housing Authority (FHA) and the Department of Housing and Urban Development (HUD) was implicated in a scandal that involved the use of federal housing programs - designed to help low-income, inner-city families to own a home - to swindle unsuspecting buyers trying to improve their

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living conditions. This took place with the knowledge of high officials in the FHA who often disregarded complaints from poor victims attempting to voice concerns about what was going on. In the end, almost 20,000 homes were foreclosed and abandoned, boarded-up or ultimately torn down.

Boyer, in assessing the overall effect of the scandal, explains that:

The greatest cost of the FHA scandal simply cannot be added up from a row of figures representing foreclosures, rent supplements and the like. It can only be guessed at by crime statistics and heroin addiction, ruined dreams, human despair and our blighted city core. The real tragedy has been not monetary but human waste. Our cities have been ruined by deliberate and mis-managed government housing programs, money-hungry and indifferent investors, criminal speculators and crooked bankers.24

One can argue that this does not directly implicate racism as the primary suspect, but it definitely does not acquit racism from the crime either. In addition, the fact still remains that the victim is still the same, African Americans and other

23Under section 235 and 236 housing programs, the government was to assist low income families in owning a home by subsidizing part of the mortgage and by requiring that the buyer only pay a percentage the adjusted monthly income. Boyer found that the scandal began with independent speculators and investors purchasing an already depreciating home, invest just enough money into the house to make it appear improved, and selling it to a holding company who would mortgage it out to innocent poor people. What made it all possible, according to Boyer, was that government appraiser would over-appraise the property for kickbacks from the speculator, thereby allowing the speculator to turn a profit when it was sold to a mortgage company. This, in turn, enable the mortgage company to sell decaying, overpriced homes to unknowing buyers at outrageous payments.

24ibid., 19.
poor people who populate the major U.S. cities.

Where Boyer focussed primarily on the city of Detroit, John Kain and John Quigley conducted their study, *Housing Markets and Racial Discrimination*\(^{25}\), in St. Louis. This project represented a fine synthesis of the three major areas mentioned earlier. The book observes racial discrimination and economic trends in the St. Louis housing market, then examines the way the two combine to hamper the development of African American residential areas. By looking at a sample of St. Louis' African American population, the authors were able to show that there is indeed a strong interconnectedness between racism, decline and mortgage industry behavior. They accomplished this by looking at housing markets, first theoretically, then as they interact with homeownership, housing value and racial discrimination. The authors make an explicit attempt to place the role of racism in a new light, with the hopes of finally gauging its proper effect on the matter of housing.\(^{26}\) They argue that, in the past:

> Traditional theories of the housing market either entirely ignores racial discrimination or assume that it has no important effect on the welfare of black households, or on the functioning of urban


\(^{26}\)Once again, the writers do not make a direct connection between the manifestations of racism and the ideology producing it. However, their analysis is sound and the findings are consistent with what we have, to this point, gathered about the impact of racism on the stability of already disadvantaged neighborhoods.
housing market. Insofar as theoretical and empirical studies of the housing market have considered discrimination at all, they have asked only whether such discrimination causes blacks to pay more for the homogeneous good, housing.27

It is this same tradition that presents a problem in finding just what causes adverse conditions in the African American neighborhood. This is also a prime example of the manner in which the society defines and dictates the realities that characterize the conditions. African Americans, as a result, are left struggling over why "blacks pay more for the homoogenous good," instead of searching for the root cause of condition.

**Supplemental Case Studies and Reports**

Just as the case with Tucker, Ture and Knowles, Robert Hill likewise discusses the external forces of society as a whole on the livelihood of African Americans. His "Economic Forces, Structural Discrimination And Black Family Instability"28 focusses on how societal forces bombard the African American family unit and results in adverse conditions in the long-run. He contends that the major thrust behind these "economic forces" is racial discrimination. In addition, Hill argues that the racism is embedded in the American social, political and economic "structures" and,

27ibid., 3.

where the forces may not be intentional, they are
discriminatory by virtue of their results.\textsuperscript{29}

The author looks closely at how policy decisions and
economic trends result in the decline of the African American
family. He also explains the various forms of "structural
discrimination".

There are a number of items that concentrate on bank and
mortgage redlining and its effect on particular cities and
communities. Bill Dedman, for example, won a pulitzer prize
for his investigative report on redlining in Atlanta in 1988.
Entitled "The Color of Money\textsuperscript{30}," the four part article gained
nation accolades for its accurate revelations of redlining by
Atlanta's financial institutions.

Dedman revealed that Atlanta's African Americans
residents were denied mortgages or home improvement loans in
areas where the income and credit history (among other things)
were equal with European American, suburban areas.\textsuperscript{31} Also, he
found that the areas containing the highest percentage of

\textsuperscript{29}Hill uses "structural discrimination" in the same
fashion in which the study uses the term "institutional
racism." In terms of the cumulative effect of external forces
on the stability of African American institutions, the two may
be used interchangeably, as they relate to the society.

\textsuperscript{30}Bill Dedman, "The Color of Money," \textit{The Atlanta Journal
Constitution}, 1 May 1988 1(A). Series extended through May
4 and includes a number of articles in each part. The
Bibliography will list the titles of each article.

\textsuperscript{31}Found in part one of the study, in the article entitled
African Americans had the lowest number of bank and savings and loan branches. He indicates that, "52 percent of Fulton County residents are black, but 82 percent of the 208,089 are residents who live in census tracts without a bank branch." Dedman also looks at the lack of home improvement loans in African American localities and the conditions that emerge as a result.

Atlanta is a city with a long history of racial housing practices and has been a major target for investigation by federal regulators. Dedman's article gave many circles, from government officials to community activist, a starting point to both expose the historical legacies, and defeat the present practices of financial lending discrimination.

Another study that looks at redlining and its effects on particular cities and communities is Gregory Squires' "Insurance Redlining, Agency Location, and the Process of Urban Disinvestment." Whereas Dedman looked primarily at mortgage discrimination in Atlanta, Squires takes on insurance discrimination in Milwaukee. As expected, Squires also finds that there are adverse repercussions in the Milwaukee stemming from decisions by financial institutions to redline African American communities.

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32 Found in part two of the study, in the article entitled "Southside Treated Like Banks' Stepchild." Atlanta Constitution, 2 May 1988 1(A).

Because the city of Milwaukee is 97% African American, it is relatively easy, as in Atlanta, to study the difference in development between African American neighborhoods (found almost exclusively in the urban core) and white neighborhoods (mostly in the surrounding suburbs). Squires' strategy was to look at the locations of insurance agencies and apply these patterns to the location of African American communities. The author states, "Location and relocation of insurance agencies affects the accessibility and availability of homeowners insurance and thus influences patterns of urban investment and disinvestment." Squires then questions whether "there is a prosuburban (or antiurban) bias in the location and relocation of agents." And whether "the location of agents is associated with the racial composition of neighborhoods." 

In the end, Squires' findings support the notion that insurance companies' placement and movement of agency locations are racially motivated and do indeed have adverse influences on the economy of Milwaukee's African American areas.

34ibid., 570.

35ibid., 573. Although the issue is insurance redlining and agency location, Squires is on the mark because the fact still remains that it is still a form of institutional racism and possesses the same destructive impact on the development. While this research will focus primarily on mortgage redlining, Squires' study is important because it helps us understand how broad racially motivated actions stretch, and how multi-dimensional they are in nature. Also see "Insurance Redlining And The Transformation Of An Urban Metropolis." Urban Affairs Quarterly 23 (Sept 1987): 567.
There is also the case of Boston, where there was an obvious trail of bank bias. Here Peter Dreier's "Redlining Cities: How Banks Color Community Development"\textsuperscript{36} investigates the patterns of discrimination in Boston's African American neighborhoods and comes up with a familiar scenario. In Boston, Dreier states that the banks were refusing to make home and business loans to certain neighborhoods, creating a self-fulfilling prophecy of neglect and deterioration. Moreover, these decisions were often based on subjective perceptions—bankers' views of certain neighborhoods as risky—rather than on objective reality.\textsuperscript{37}

Part of the control these institutions have over African American neighborhoods is reflected in the idea of a "self-fulfilling prophecy."\textsuperscript{38} If a lender has an unsubstantiated expectation of an applicant and acts on that misconception, the negative result of that action reinforces what was believed in the first place.

Dreier's study focuses a great deal on the way community organizations collectively respond to lending discrimination.


\textsuperscript{37}ibid., 16.

\textsuperscript{38}This self-fulfilling prophecy that Vandell and now Dreier discovers is merely an expression of a more rooted concept, which is a premature assumption about individuals or group of individuals based solely on their physical appearance. In addition, because they have a particular belief or set of beliefs, their actions that come as a result directly effects residents in African American communities. This ability is a major ingredient in the domination of one group by another.
He also makes a direct correlation between the decline of the housing stock in urban areas, and the simultaneous escalation in condominium financing.

Two of the landmark acts by Congress in regard to lending discrimination by financial institutions were the Home Mortgage Disclosure Act (HMDA) of 1975 and the Community Reinvestment Act (CRA) of 1977. These two acts were measures taken by the federal government as a result of the mounting pressure community organizations were putting on their representatives to force the lending institutions to abandon their policies.

Dolores Smith and Glenn Canner, in "Expanded HMDA Data on Residential Lending: One Year Later," looked at the effectiveness of the HMDA by comparing changes before and after the law was amended. In 1989, the HMDA was expanded to include disclosure of race, national origin, gender and income. Previously, institutions were only required to make public information on the geographic allocation of their loans. The authors find that, even with the seemingly expanded power of the HMDA, there continues to be inequities in the distribution of loans in African American neighborhoods. The article provides profiles of major cities with these persistent redlining activities. These include Atlanta, Boston and New York.

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The CRA was carefully analyzed by Griffin Garwood and Dolores Smith in "The Community Reinvestment Act: Evolution and Current Issues." This study tracked the effectiveness of the CRA since its enactment and outlines precisely how the law was supposed to work. It looks at the examination and evaluation process used by federal regulators to formulate ratings for lending institutions. The review of the CRA rating system in the study was useful in detecting loopholes in the law that ultimately makes it an ineffective tool. The CRA was designed to force financial institutions to support the credit needs of the community in which they operate. Yet, these same communities are continually redlined while local banks, savings and loans, insurance and mortgage companies simultaneously receive favorable lending ratings.

CHAPTER 2
INSTITUTIONAL RACISM AND REDLINING: DEFINITIONS AND LAWS

Before we can initiate a study of institutional racism and redlining, we must first define the terms from a perspective that encompasses interests and concerns of African American residents who ultimately pay the price. We must understand that looking at redlining from only an economic point of view will never capture the entire problem. Approaching the terms from a strictly sociological point of view also misses the mark. This study emphasizes a combination of all these perspectives that support the ideology of racial hegemony. Accordingly, institutional racism is defined as a contemporary expression of the concept of European supremacy that manages self-perpetuation by camouflaging itself in, and operating through, the intricate components of an economic, a social or a political institution. Institutions are structured on, and maintained by, established ideas that dictate precisely how institutions will function. They are designed to sustain any variation or turnover in the individuals who oversee them. Therefore, institutions transcend time and space and become very difficult to alter because the doctrines that buttress them do not change. Institutional racism's impact is very destructive.
because it is extremely elusive and plays mind tricks on its victim by continually concealing its true identity and purpose as a means of avoiding detection.

Redlining is defined as the criminal practice by banks, mortgage companies, savings and loans, and insurance companies refusing equal financial service and coverage to non-white applicants because of their ethincity. It is a form of racism that manifests itself in financial institutions, relying on the institution for its preservation, rather than on the klansman or the lynchmob. It facilitates the idea that European Americans should have access to mechanisms that ensure the maintenance of their power and control.

Redlining, in its application, is extremely damaging to African Americans in particular because it intensifies the already grave conditions many African Americans inherited from the slavery era and the Jim Crow systems. For European Americans, it serves as a means of improving their living conditions by providing homeownership and home improvement assistance. When African Americans are denied this same service and have no other alternative, the housing conditions decay, leading to a wholesale collapse of entire neighborhood.

Institutional Racism Defined

There are varying definitions of just what institutional racism consists of. As we will see, the definitions presented below all discuss one element, the transformation of racism from one form of practice to another.
In Ture and Hamilton's explanation of the nature of institutional racism, they offer the following view:

Racism is both overt and covert. It takes two, closely related forms: individual whites acting against individual blacks, and acts by the total white community against the black community. We call these individual racism and institutional racism.¹

As far as the results of the two are concerned, the authors argue that the impact is the same. They continue:

The first consists of overt acts by individuals, which cause death, injury or the violent destruction of property. . . . The second type is less overt, far more subtle, less identifiable in terms of specific individuals committing the acts. But it is no less destructive of human life.²

In line with our discussion of the establishment and perpetuation of racism, the writers summarizes it by stating that individual racism is when an African American family moves into a home in a white neighborhood and is stoned, burned or chased out. Institutional racism keeps the family locked into decaying houses and neighborhoods where they are continually preyed upon by outsiders.³ One form establishes the condition and the other supports and maintains it.

Tucker sees racism in general as "an attitude, position, or form of behavior" that results in the denial of individuals

¹Ture and Hamilton, 4. This does not say that individual racism has disappeared. It merely stresses that a second form is beginning to emerge in practice and, although not as physically violent, the potential for havoc is equal.

²ibid.

³ibid.
or a group of individuals an opportunity to prosper in the society as a whole. It establishes an "institutional pattern that systematically" deprives others of a chance at full participation and benefit. Specifically, Europeans apply their attitudes and positions of racism, according to Tucker, in a very distinct manner. White racism is manifested many times daily through the overt actions of the leadership structure of white America or through the covert support the structure gives to racist policies and decisions. And this type of institutional racism persist because it is sanctioned by enduring acts of discrimination by individual acts of racism. (emphasis mine)

The scenario exposing the application followed by the maintenance once again presents itself.

Robert Hill argues that there is a direct relationship between institutional racism and external economic forces that adversely influence the development of African American families. However, he posits that these economic forces are at times unintentional and evolve from the trends that do not "explicitly" attempt to discriminate against African Americans. He defines racism as "any attitude, action or

4Tucker, 37.

5Ibid., 38. Tucker argues that African Americans cannot be racist because racism in practice implies that one has the ability to turn a prejudiced attitude into real, collective suffering of other people. African Americans may have prejudiced thoughts, but these thoughts do not collectively result in adverse effects on other ethnic groups.

6He uses as, an example, the effects of industrialization and urbanization and what they mean to African Americans in terms of labor skills.
institutional structure that subordinates blacks relative to whites," and breaks it down into racial prejudice and racial discrimination. Both of these forms, Hill argues, can become institutionalized:

... institutional prejudice (or "cultural racism") refers to norms, values, beliefs or behaviors of the dominant society that are deemed superior to the norms, values and behavioral patterns of racial and ethnic minorities.7

As far as discrimination is concerned, he adds that:

Institutional discrimination (or "institutional subordination") refers to laws, regulations, policies and informal practices of organizations or institutions that result in different adverse treatment or subordination of racial and ethnic minorities.8

Redlining and Legislation

The term "redlining" comes to us from the alleged act by banks, mortgage companies, insurance companies and realtors of drawing a red line on cities maps indicating areas where no loans would be extended. These redlined areas were almost always predominately African American and located in dense cores of the major U.S. cities.

In the past, residents of these communities were well aware of the difficulties involved in attaining financial assistance for housing. Before federal regulations were enacted, blatant racism in financial institutions was commonplace. It was merely an offshoot of housing segregation

7Hill, 7.
8ibid.

37
and zoning codes established when African Americans began migrating to the urban cities. These frustrations began to boil over during the urban revolts in the 1960s and early 70's and as a result of the loss of jobs caused by the shift in labor demand by companies in these areas. After watching their neighborhoods fall into crisis, residents began to organize and demand changes in the way financial institutions operated in their communities. Dreier explains that

Redlining emerged as a community organizing and political issue in older American cities in the late 1960s and early 1970s when ghetto revolts had subsided. Restructuring of both the global and nation economies was changing the face of these cities, which were losing their manufacturing industries—and the jobs and tax base that those created. . . . Widening economic disparity between suburbs and cities evolved, along with deepening fiscal crises in the nation's older cities.\(^9\)

As a response to these factors, community activist began to pressure these companies and the federal government for some sort of regulation in the industry.

The HMDA and the CRA were two of the more important legislative acts that came as a result of the worsening urban conditions. The HMDA of 1975 was a landmark act because it, for the first time, required banks, credit unions and thrifts to disclose, by census tracts, lending data on mortgage and home improvement loans. The information required by the HMDA, according to Ryker, Pol and Guy, included total "number [of loans], dollar amount and location of original and purchased

\(^9\)Dreier, 16.
Since 1989, the HMDA has expanded to include independent mortgage companies in the group of financial companies under regulation.¹¹

The CRA was an enormous step in that it "imposes an 'affirmative' responsibility on lender to meet the legitimate credit needs of all the residents of their service areas from which they draw their deposits."¹² It was found that banks were taking deposits from members in African American neighborhoods but lending the deposits mostly to white applicants from outside communities.¹³ The CRA's strength lies in its rating system for local financial institutions based on their disclosure information. However, a problem remains:

About 10 percent of examine institutions receive an "outstanding" rating, and another 70 percent to 80 percent receive a "satisfactory."¹⁴

The authors point out that, as a result of this:

¹⁰Randy E. Ryker, Louis G. Pol and Rebecca F. Guy, "Racial Discrimination as a Determinant of Home Improvement Loans," Urban Studies 21 (May 1984): 178. This study was instrumental in measuring the connection between race and home improvement loans in particular. Where most of the studies focused on mortgages and insurance, this analysis helped to broaden the spectrum of the dynamics of decay in African American neighborhoods.

¹¹Canner and Smith, 801. Also note the required disclosure of race, place of origin, ethnicity mentioned earlier.

¹²Dreier, 16.

¹³Garwood and Smith, 251.

¹⁴ibid., 257.
Some community groups see a contradiction between these results and public data indicating that even highly rated institutions have significant racial disparities in their home mortgage lending.\textsuperscript{15}

Other important laws and legislation include the Fair Housing Act of 1968, that initially made redlining a crime, and the Equal Credit Opportunity Act of 1974, that made credit denial to applicants because of race illegal.

There are a number of additional regulations that are supposed to end lending discrimination and alleviate the consequences suffered by African Americans. But with all of this and countless of others unmentioned, why does redlining continue to be a persistent problem for communities in the home finance dilemma?\textsuperscript{16} The problem lies in the scenario detailed earlier in this study where solutions disregard or could not detect the root cause of the condition at hand. One can also suggest that the society never intends to bring about changes and only passes law to appease the demands of its victims. The laws give the illusion of progress but is actually a smokescreen designed to satiate and ultimately confuse those pushing for change. Marimba Ani explains:

But why do Europeans go to the trouble of creating the appearance of legality in their

\textsuperscript{15}ibid.

\textsuperscript{16}The Federal Reserve Board conducted a study of redlining in 1991 and found that African Americans were rejected for loans 35\% of the time, compared to 17\% for whites. Carolyn M. Brown, "How to Fight Mortgage Discrimination and Win," \textit{Black Enterprise} 23 (July 1993): 48.
dealings with majority peoples? Why not simply steal and exploit without the charade? The answer is that this "acting out" constitutes a strategic tool that politically disarms the victims of European expansion.\textsuperscript{17}

If the illusion of progress is appealing enough, the victim will let the perpetrator off the hook by forgetting to ask questions about the essence of problems and what laws are to produce.

\textsuperscript{17}Ani, 414.
PART TWO
CHAPTER 3
METHODOLOGY

The bivariate methodology used in the study is designed to keep the findings as simplistic as possible, yet revealing enough to capture the gist of just how redlining stunts the economic growth of particular areas. The study will refrain from simply supplying general data that only indicate a presence of lending discrimination. This examination takes it a step further and searches for relationships that indicate a direct (or indirect) connection between the two variables.

Location and Demographics

This study focuses on the six African American neighborhoods in Atlanta designated on Map 1 and traces the economic development therein over a period of time. Dedman's "The Color of Money" was instrumental in the decision to pursue this inquiry, from the standpoint that it revealed with sound evidence that redlining in Atlanta was explicitly relegated to the areas with high percentages of African American residents (Map 2). This, coupled with the reality of the severe conditions in Atlanta's African American population, inspired an investigation into the ramifications of redlining in Atlanta.
Carla Robinson demonstrates that Atlanta actually consists of two cities, one African American and the other European American. It is in the former that we find the most intensive economic depravity.\(^1\) She reveals that the city of Atlanta and the immediate counties contains the highest percentage of African Americans,\(^2\) prompting a selection of neighborhoods located inside these areas for this study. On Map 2, Dedman indicates that these central areas (west, southwest and east of the downtown district) are precisely the same ones with the most rampant acts of redlining.\(^3\) This study picks up where Robinson and Dedman leaves off and looks at just how these six African American communities, located primarily in the in Atlanta, have responded to the negative dynamics of redlining. The research selected the communities to be used from the four main sectors of Atlanta, so to establish a sense of diversity among the different communities throughout the city. Interstate 75-85 (traveling north and south) intersects Interstate 20 (running east and west)

\(^1\)Carla J. Robinson, "Racial Disparity in the Atlanta Housing Market," Review of Black Political Economy 19 (Winter-Spring 1991): 85-109. The author describes the situation as "one characterized by growth and prosperity and the other characterized by decline and despair." She shows that while the surrounding, predominantly white suburb continues to prosper, the core of the city, inhabited by African Americans, simultaneously experience low relative growth in employment, income and the housing stock.

\(^2\)Ibid., 89.

\(^3\)This map reflects Dedman's multi-county geographical analysis. This study will only focus on communities located in the city of Atlanta.
Source: Atlanta Bureau of Planning

1. Auburn Avenue District
2. Collier Heights
3. Mechanicsville
4. Reynoldstown
5. Vine City
6. West End
just south of the downtown business district and forms a
divide that was used to designate northeast, northwest,
southeast and southwest. There are virtually no locales in
the northern sector of Atlanta containing large African
American populations. As a result, the communities were
relegated to the east, south and west sides of downtown (Map
1).

**Neighborhood Selection**

The City of Atlanta Bureau of Planning (ABP) defines a
neighborhood as "a geographic area either with distinguishing
characteristics or in which the residents have a sense of
identity and a commonality of perceived interest, or both."4
This definition was reflective of the communities studied in
that both geography and common interests were factors. The
six communities used include the following:
- Auburn Avenue District
- Collier Heights
- Mechanicsville
- Reynoldstown
- Vine City
- West End

4 Neighborhood Planning Unit Map, Atlanta's Neighborhoods
(Atlanta: City of Atlanta Bureau of Planning) 1975. This map
was used to locate the boundaries of the neighborhoods. The
definitions of each area's boundaries are consistent with, but
not always identical to, the planning units. There may be
some slight variation in order to match census tract
boundaries.
Areas where less than 10 percent of owner-occupied homes received mortgages from banks or savings and loans.

Areas where 10 percent or more of owner-occupied homes received mortgages from banks or savings and loans.

Source: Atlanta Journal and Constitution
The criteria used in the selection was the percentage of the population that was African American and those communities that were located in sectors with the most redlining activities (Map 1 and Map 2).

The Auburn Ave. District is one of Atlanta's most historic communities, once time serving as the seat of the civil rights movement in the 1960s. The boundaries are: Baker St. and Highland Ave., north; Edgewood Ave., south; Jackson St., east; and Peidmont Ave., west.

Collier Heights is encompassed by: Bankhead Hwy, north; I-20, south; Hightower Rd., east; and I-285, west. It is the largest of the six sample locales in area covered.

Mechanicsville also includes the McDaniel Glenn neighborhood and is defined by: I-20, north; Southern Railroad Line, southwest; and I-75,85, east.

The Reynoldstown community extends from: the Atlanta-St. Louis Railroad Line, north; I-20, south; Moreland Ave., east; and Chester Ave., west.

Vine City, another large area, is defined by: Simpson St., north; I-20, south; the Southern Railroad Line and Whitehall St., east; and Ashby St., west. This area is the home of the Atlanta University Center located at its southern end. It is the most densely populated neighborhood.

West End, a neighboring community of Vine City, is surrounded by: I-20, north; the Louisville-Nashville Railroad Line, south and the west; and the Central & Georgia
Sources and Chronology

The data compiled was taken from census reports for 1980 and 1990 in the tracts that make up the sampled community. In some cases, census figures for the entire Atlanta Metropolitan Statistical Area (MSA) was calculated. The figures were taken from the census reports (under the tract subtopic) and the MSA for Atlanta in the data bases and reports. Each of the six communities were matched with corresponding census tract or tracts, depending on that particular neighborhood (Table 1). The table designates the community and the tract, or number of tracts that relates to the community.

The ten-year time period was chosen for two particular reasons. First, prior to the 1980 census, the federal government enacted the HMDA and the CRA ('75 and '77, respectively). The 1980 census would be the first to incorporate any changes that should have come out of these two acts of Congress. Second, this was the period where a number

5The areas in Map 1 are not to scale with the actual size of the communities.

6The Metropolitan Statistical Area is the unit under which figures for the whole Atlanta metropolitan area is compiled. It includes census tracts outside the city limits of Atlanta an covers about 18 counties.

### TABLE 1
CORRESPONDING NEIGHBORHOODS AND CENSUS TRACT NUMBER

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Census Tract Number(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave District</td>
<td>28</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>82.01</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>44, 46.95</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>31</td>
</tr>
<tr>
<td>Vine City</td>
<td>25, 26, 36, 37, 38, 43</td>
</tr>
<tr>
<td>West End</td>
<td>41, 42.95</td>
</tr>
</tbody>
</table>


City of Atlanta Bureau of Planning, Planning Units For Atlanta's Neighborhoods.
of myths about economic booms and financial gains were generated. This was supposedly the decade where the U.S. experienced strong economic activity and where more African Americans entered the middle class than ever before. The data will show that none of these represent the actual economic situation facing the majority of African Americans. In fact, the figures reflect no decade of prosperity for the masses of African Americans.¹⁸

**Indicators**

Here, indicators refer to the major categories under which the statistical data was drawn from the census reports. The items that were chosen reflect the major topics pertaining to the interaction between housing and the neighborhood residents. That is to say, an indicator is a feature that best illustrates the impact of redlining in African American neighborhoods.

The percentage of households that are renting, as an example, is a reliable indicator of whether or not a particular area is receiving new mortgages, depending on the change over a period. The percentage renting will serve as an indicator of homeownership, or lack of, in the study. Stegman offers this assessment of homeownership.

Owner-occupancy should not be perceived as an end in itself, but considered as one means of improving housing quality, arresting negative trends in inner-city housing conditions and

¹⁸Robinson, 86-95. And Hacker, 93.
expanding residential choice.\textsuperscript{9}

This is also true of the percentage of a household's income that goes to the rent. What is the long term financial status of a household whose income is lower but cost of rent increases over time? This question will be answered later.

And then there is vacancy. There may be no better indicator of a community in the process of decay. Many homes that are left vacant in these areas are left so because repairs and maintenance became too expensive, resulting in abandonment. Vandell argues that maintenance is "generally the first [cost] to be short-changed." Because it is not a fixed cost, such as taxes, it is one of the early signs of what direction a structure is going, especially when home improvement loans are denied in these areas.\textsuperscript{10} The other indicators include median household income, boarded-up units, change in total housing units and property value, which will be discussed more later on.

\textbf{Limitations}

The most immediate limitation is that of the census information and, more specifically, its problem of the undercount. No census is one hundred percent accurate because it is virtually impossible to collect data from all

\textsuperscript{9}Michael A. Stegman, \textit{Housing Investment in the Inner City: Dynamics of Decline} (Boston: Massachusetts Institute of Technology, 1972), 195.

\textsuperscript{10}Vandell, 34.
individuals in any given tract. Another problem was the process of matching ABP neighborhood units and census tracts. In the few cases where they were inconsistent, the study used the boundaries of the census tracts for the neighborhood definitions.

**Variables**

The dependent variable (declining African American Communities) was measured by the direct or indirect effects the independent variable (redlining) had on what a specific indicator displayed. In other words, the dependent variable was analyzed according to how the independent variable influenced the trends of an indicator. For example, the relationship between the viability of an area and an increase or decrease in its total number of units is an important one. Construction activity in a community will directly effect the age of the housing stock and the cumulative value of that community. Also, whether the older homes in the neighborhood are improved upon or abandoned and boarded up will, likewise, effect the status of the entire neighborhood. Increases or decreases in the number of households renting their homes in an area also shape community vitality because homeownership is a function of financial prosperity. Furthermore, the financial prosperity of a community rests largely on the income status of its households. The community as a whole will be influenced by any factor that prompts a rise or fall in the income flexibility of its residents.
All of these interactions are put in motion by the independent variable, ultimately stimulating the dependent variable. In sum, an indicator simply exposes the independent variable, consequently revealing its implicit character.
CHAPTER 4
COMMUNITY FINDINGS AND IMPLICATIONS

As indicated earlier in the study, communities with a high percentage of African Americans, and those areas in the city of Atlanta with the least amount of financial assistance from lending institutions were chosen. Only communities with an African American population of 90 percent or more were studied. The selected neighborhoods were all located in the darkened area of Map 1 and was confined strictly to the city of Atlanta. 1 After the data was compiled, it was separated into four categories including income, homeownership, vacancy—abandonment and property value. 2

Family Finance

Whether there is a rise or fall in the total number of housing units in a particular neighborhood is important in developing a general view of just what kind of economic activity is taking place. An increase may indicate a surge in

1West End, Collier Heights and Mechanicsville were almost 100 percent African American in 1990. In Map 1, Dedman indicates that these areas with 50% or more African Americans were identical to the areas receiving less than 10% of mortgages from Atlanta lending institutions.

2The "% (+) (−)" symbols on some of the tables indicate a percentage increase or decrease for that particular neighborhood and indicator.
newly built housing units. Conversely, a decrease in total housing units in a particular neighborhood over a ten year period can be attributed to a little or no new construction projects.

The study found that there was a decline in total housing units in four out of the six communities reviewed (Table 2). The only two experiencing a rise in units were Auburn Ave. and West End with a 3% and 4% increase, respectively. Mechanicsville lost the highest number of units from 1980 to 1990 with a 17% decline, followed by Vine City losing 12% (Table 2).

The decrease in total housing units can be translated into a wholesale devaluation of African American neighborhoods. It indicates that most of the neighborhoods are losing housing units at a faster rate than they are having new houses being built. With the rate of new houses being built falling, the community finds its structures getting older and older. This has a negative impact on the area as a whole, especially when there are no new houses to raise the value of the neighborhood.

What happens when total units fall and the percentage of units being rented in a particular neighborhood increase? According to Table 3, four out of six the communities experienced a rise in the percentage of units being rented.\(^3\)

\(^3\)The U.S Bureau of the Census refers to occupied units being renter-occupied or owner-occupied as "Tenure." Table 3 represents rent as a percentage of the occupied units.
**TABLE 2**

**TOTAL HOUSING UNITS PER NEIGHBORHOOD**

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980</th>
<th>1990</th>
<th>% (+)(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave. District</td>
<td>1,249</td>
<td>1,281</td>
<td>3+</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>2,485</td>
<td>2,465</td>
<td>1-</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>1,782</td>
<td>1,486</td>
<td>17-</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>808</td>
<td>790</td>
<td>2-</td>
</tr>
<tr>
<td>Vine City</td>
<td>5,064</td>
<td>4,474</td>
<td>12-</td>
</tr>
<tr>
<td>West End</td>
<td>2,174</td>
<td>2,254</td>
<td>4+</td>
</tr>
</tbody>
</table>


**TABLE 3**

**MEDIAN HOUSING UNITS RENTER–OCCUPIED AS A PERCENTAGE OF ALL OCCUPIED UNITS**

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980(%)</th>
<th>1990(%)</th>
<th>% (+)(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave District.</td>
<td>85</td>
<td>90</td>
<td>4+</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>23</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>93</td>
<td>94</td>
<td>2+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>62</td>
<td>63</td>
<td>2+</td>
</tr>
<tr>
<td>Vine City</td>
<td>89</td>
<td>90</td>
<td>2+</td>
</tr>
<tr>
<td>West end</td>
<td>75</td>
<td>73</td>
<td>3-</td>
</tr>
</tbody>
</table>

Collier Heights' rental percentage did not change over the decade and the only decrease in units being rented was found in West End at 3%. However, the percentage of rented units in West End still remained over 70% of the total units occupied from 1980 to 1990 (Table 3).

In the Auburn Ave. District, Reynoldstown and Vine City, the data revealed that virtually all of the occupied housing units were rented. In 1990, Auburn Ave. and Vine City's percentage of renter-occupied homes were both at 90%. Reynoldstown recorded a 94% renter-occupancy rate (Table 3).

The flip side of a rise in the percent of rented homes in a particular community is a fall in the percentage of new mortgages extended to that area. This circumstance becomes even more profound when juxtaposed to a decline in the total units in the same neighborhood, as in the cases of Mechanicsville, Vine City and Reynoldstown. This is because new mortgages are a function of homeownership and its unavailability results in more people renting. Statistically speaking, even a 3% unit increase in the Auburn Ave. neighborhood is outweighed by a 4% increase in people renting, especially when 90% of the households are already renting (Table 2 and Table 3).

Homeownership here includes those who own their homes outright as well as households who are currently mortgaging their home. The rational is that households with new mortgages or who are still financing homes are engaged in the purchasing process (they have vested interests by, for example, accumulating equity and personal attachment to the house).
### TABLE 4
**MEDIAN HOUSEHOLD INCOME**
*(Calculations Taken From 1979 and 1989)*

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980($)</th>
<th>1990($)</th>
<th>% (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave District</td>
<td>5,674</td>
<td>9,257</td>
<td>32+</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>11,246</td>
<td>20,588</td>
<td>45+</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>3,793</td>
<td>6,367</td>
<td>40+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>7,452</td>
<td>16,221</td>
<td>55+</td>
</tr>
<tr>
<td>Vine City</td>
<td>4,769</td>
<td>7,205</td>
<td>34+</td>
</tr>
<tr>
<td>West End</td>
<td>6,848</td>
<td>14,322</td>
<td>52+</td>
</tr>
</tbody>
</table>


### TABLE 5
**MEDIAN GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME**
*(Calculations Taken From 1979 and 1989)*

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980(%)</th>
<th>1990(%)</th>
<th>% (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave. District</td>
<td>18</td>
<td>33</td>
<td>45+</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>25</td>
<td>30</td>
<td>17+</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>18</td>
<td>28</td>
<td>36+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>22</td>
<td>33</td>
<td>33+</td>
</tr>
<tr>
<td>Vine City</td>
<td>17</td>
<td>30</td>
<td>43+</td>
</tr>
<tr>
<td>West End</td>
<td>21</td>
<td>27</td>
<td>22+</td>
</tr>
</tbody>
</table>

A presumably positive finding in the study was the rise in median household income in the communities studied. All of the neighborhoods saw an increase in their household income, compiled from 1979 and 1989. The highest increases came from Reynoldstown and West End, with a 55% and a 52% increase in income, respectively. Collier Heights and Mechanicsville also had significant increases (Table 4).

This is very encouraging when seen in isolation, but when the case of renter-occupancy is brought into the equation, things begin to take on a different meaning. All of the communities, along with an increase in household income, had a similar increase in the median percentage of household income going to gross rent. Table 5 shows that, in 1990, the neighborhoods studied paid an average of 30% of their household income towards gross rent. Specifically, Auburn Ave. had a 32% increase in household income, but simultaneously experienced an eyeopening 45% increase in the percentage of income going to rent. West End's household income increased 34%, but the percentage absorbed by gross rent grew by 43%. Mechanicsville and Reynoldstown saw their gross rent percentage increase by 36% and 33%, respectively (Table 5).

So we find that a rise in household income, when put in the context of the amount going to rent, is not as redeeming as initially thought. How significant is a rise in income when larger and larger amounts of it is being lost to rent
### TABLE 6
PERCENTAGE OF HOUSING UNITS VACANT

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980(%)</th>
<th>1990(%)</th>
<th>% (+)(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave. District</td>
<td>11</td>
<td>15</td>
<td>27+</td>
</tr>
<tr>
<td>Collier Heights.</td>
<td>.5</td>
<td>6</td>
<td>92+</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>14</td>
<td>18</td>
<td>22+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>13</td>
<td>19</td>
<td>32+</td>
</tr>
<tr>
<td>Vine City.</td>
<td>12</td>
<td>27</td>
<td>56+</td>
</tr>
<tr>
<td>West End</td>
<td>13</td>
<td>14</td>
<td>7+</td>
</tr>
</tbody>
</table>


### TABLE 7
NUMBER OF UNITS BOARDED UP

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980</th>
<th>1990</th>
<th>% (+)(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave. District</td>
<td>82</td>
<td>24</td>
<td>71-</td>
</tr>
<tr>
<td>Collier Heights.</td>
<td>2</td>
<td>16</td>
<td>87+</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>29</td>
<td>33</td>
<td>12+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>5</td>
<td>23</td>
<td>78+</td>
</tr>
<tr>
<td>Vine City.</td>
<td>51</td>
<td>290</td>
<td>82+</td>
</tr>
<tr>
<td>West End</td>
<td>12</td>
<td>37</td>
<td>68+</td>
</tr>
</tbody>
</table>

(which is a cost that returns no financial benefit)? In a sense, it amounts to case of one step forward and two steps back.

The Housing Stock

Tables 2 through 5 represent the interconnectedness of lending discrimination and family finances in African American neighborhoods. Tables 6 through 9 focus on what happens in the case of the physical housing structure, specifically how redlining relates to vacancy, abandonment and property value. For our purposes, abandonment will be reflected in the number of units boarded-up.

There was a substantial increase in the percentage of vacant units in each neighborhood, with the exception of the relatively low 7% increase in West End. Table 6 indicates that the two communities with the highest vacancy increases were Collier Heights with a 92% increase and Vine City with a 56% increase. Almost thirty percent of the occupied units in Vine City were vacant in 1990, the highest in that category.

Compiling the figures for vacancy, however, does not go far enough. After the number of vacant units for a particular neighborhood is observed, one must then consider what happens to the empty unit over time. Are they renovated or remodeled and then put back on the market? Or are they left to become abandoned and boarded-up? The data shows that an increasing
number of units were eventually allowed to become abandoned.\footnote{A unit is considered abandoned when it has been left to become boarded up. This is because once a unit is boarded up, it no longer is a part of the market, as far as producing a profit for the owner and providing available housing for neighborhood residents are concerned. At that point in time, the unit is basically useless.}

In the Auburn Ave. District, there was a seemingly promising percentage decrease in the number of boarded up units, falling 71% from 82 units to 24 (Table 7). All of the remaining five communities had a percentage increase in the number of abandoned homes from 1980 to 1990, with Collier Heights heading the list with an 87% increase. Vine City and Reynoldstown followed with increases of 82% and 78%, respectively. Vine City also had the most abandoned houses with 290 units boarded-up (Table 7). Referring back to the decrease in Auburn Ave., it is interesting to note that its 24 units in 1990 were still larger than the 16 units for Collier Heights. Collier Heights is significantly larger in area and population and has more total housing units than Auburn Ave. (Table 7).\footnote{Vine City, in 1990, had the highest number of persons with 11,840, as well as total housing units with 4,474. Collier Heights followed with 6,066 persons and total units with 2,465. Auburn Ave. was fifth with 1,976 and 1,281, respectively.}

The issue of property value in the community was examined relative to the property value of the MSA. The Atlanta MSA includes 18 counties surrounding the city. For the sake of clarity, it should by noted here that there is a distinction
Source: Atlanta Chamber of Commerce
### TABLE 8

**MEDIAN PROPERTY VALUE FOR THE NEIGHBORHOOD AS A PERCENTAGE OF THE MEDIAN PROPERTY VALUE FOR THE ATLANTA MSA**

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>1980(%)</th>
<th>1990(%)</th>
<th>% (+)(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Ave. District</td>
<td>37</td>
<td>62</td>
<td>61+</td>
</tr>
<tr>
<td>Collier Heights</td>
<td>74</td>
<td>85</td>
<td>13+</td>
</tr>
<tr>
<td>Mechanicsville</td>
<td>26</td>
<td>37</td>
<td>30+</td>
</tr>
<tr>
<td>Reynoldstown</td>
<td>45</td>
<td>37</td>
<td>18-</td>
</tr>
<tr>
<td>Vine City</td>
<td>36</td>
<td>35</td>
<td>3-</td>
</tr>
<tr>
<td>West End</td>
<td>51</td>
<td>64</td>
<td>20+</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Bureau of the Census, 

### TABLE 9

**MEDIAN PROPERTY VALUE FOR NEIGHBORHOODS COMBINED AND MEDIAN PROPERTY VALUE FOR THE ATLANTA MSA IN 1990**

<table>
<thead>
<tr>
<th>Combined Sample</th>
<th>Atlanta MSA</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,454</td>
<td>89,300</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Bureau of the Census, 
between the 18-county MSA for Atlanta, defined by the Census Bureau, and the seven-county Atlanta region, specified by the Atlanta Chamber of Commerce (see outlined area on Map 3).

In comparing the specific property value figures for each community and the MSA, we find that, the neighborhoods' median property value as a percentage of the MSA's median property value rose in four of the six communities. The Auburn Ave. community had the highest percentage increase with 61%. Median property value in Reynoldstown and Vine City respectively decreased by 18% and 3%, as a percentage of the MSA (Table 8). This percentage decrease in Reynoldstown and Vine City is consistent with the high increase in vacancy and abandonment. Essentially, this is because the more vacant and abandoned housing units a neighborhood has the lower the property value will be in that vicinity.

When the 1990 median property value for all of the samples were combined, its total was only 60% of the median property value for Atlanta's 18-county MSA (Table 9).7

So then, where vacancy, abandonment and property value is concerned, there is a direct relationship between these factors in that the presence of empty or boarded-up houses negatively influence the value of the entire area. In the end, each indicator had a negative effect on at least two of the six sample communities.

7The combined property value for the sampled neighborhoods also amounted to 60% of the seven-county Atlanta Metropolitan Area.
PART THREE
CHAPTER 5
A SYNTHESIS

The theoretical discussion and the empirical data have been presented in a fashion pertinent to the perspective of the African American community. Now, a clear relationship between the practice of redlining and the subsequent decline of African American neighborhoods must be delineated. This chapter will concretely display the correlation between the two variables, thereby making the study a functional tool for developing solutions to the problem. It will take the implications from the research data in the communities that were studied, look at the role of redlining in the shaping the outcomes, and explore the ramifications that emerge from the synthesis. There will be a direct reference to the major groups of indicators such as homeownership, household income, abandonment and property value.

**Homeownership**

A large-scale scarcity of financial assistance for purchasing a house in a particular area is directly connected to the growth in households that rent their home in that community. But what are the effects of this inability to secure financial help? The answer lies in the relationship
between homeownership and financial progression.

The advantages of owning a home is multi-faceted and benefits have a rippling effect on the community in general. Homeownership is a financial investment that opens doors to greener financial pastures and a greater sense of self-respect. By the same token, an inability to achieve homeownership results in dire consequences for those who are locked out of the process in a number of ways. Homeownership not only symbolizes wealth, but is a direct contributor to it. In fact, homeownership represents the most wealth the average American family ever accumulates, as a result of the financial advantages that come with homeownership. When African Americans in communities such as Mechanicsville, Reynoldstown and Vine City are forced to continue renting their home because of the difficulty in getting a loan, not only do they miss out on particular financial advantages, but they end up paying more than they would had they been able to finance a house. Kain and Quigley assert, "Limitations on homeownership have significant effects on black housing costs, income, and welfare. . . . An effective limitation on homeownership can increase black housing cost by over 30 percent, assuming no price appreciation." In addition, they argue that an ideal


2Stegman, 181.

3Kain and Quigley, 4.
example of this is the tax breaks allotted to homeowners by the federal government. They add the following:

Black household at all income levels are impeded by housing market discrimination from purchasing single family homes. As a consequence, black households cannot take full advantage of these tax benefits. Since tax savings from home ownership increases with income, this aspect of discriminatory housing markets most sharply hits middle and upper middle-income black households.4

In many cases, these "middle to middle-upper class" households live in neighborhoods that have, over a period of time, fallen to a lower-class level as a result of gradual decay.

Henry Aaron, in "Income Tax and Housing," adds that it is precisely these savings that allow a family owning a home to prosper financially through the assistance of tax breaks. Aaron states, "The tax benefits to homeowners are shown to be equivalent to a reduction in the price of housing homeowners that results in a benefit to them approximately equal to the tax savings."5 Owning a home allows a family to accrue savings through avenues provided by the government, and denial of this access results in lost saving in the long run. This loss of savings can be observed in the increasing percentage of income going towards gross rent in the previous chapter.

There is also the case of home equity. The most beneficial aspect here is the ability to convert the housing investment into an asset by having access to the equity that

4ibid., 6.

has been built up in the house. In addition, for most families, equity is the most dominant form of wealth in the household, accounting for almost a half of all household wealth.⁶

This form of asset availability through equity gives the homeowner much more freedom to explore other financial opportunities that would not have been there if the household was renting. For example, if a homeowner wishes, they have the option of using their home equity to free-up funds for maintenance or rehabilitative home repairs, making their possession more valuable in the housing market.⁷

But those who are forced to rent have a much different situation to deal with. Payments towards a mortgage is fundamentally money going towards a present and future investment. Payments towards rent, on the other hand, results in nothing beneficial for the renter and provides for no financial advantages to the family. In the end, more and more of the household's income will be directed towards rent, making it more and more difficult to build a substantial savings or down payment to purchase a home. African American families have found this process of falling behind and the ensuing financial decline of the entire neighborhood all to familiar.

Some have attempted to look to other options to remedy

⁶Kain and Quigley, 118.

⁷Vandell, 57.
the problem of unequal housing patterns. Johnson and Sherraden argue that there should be policy changes in the manner in which the government subsidizes housing for the poor. Instead of directing money towards rent assistance, the government should help poor families benefit from the advantages of owning a home. In their call for an "asset-based" welfare policy, Johnson and Sherraden submit that:

The welfare of a household is determined not only by income, but also by the accumulation of assets. For the non-poor, wealth accumulation occurs within institutional structures with special subsidies designed particularly for this purpose. . . . This money contributes directly to asset accumulations in home equity and retirement accounts of the nonpoor. The poor have little access to these asset-building tax benefits because they are less likely to be home owners.

In the case of African Americans, many families and communities suffer this same scenario, but not because of their status as poor or non-poor. Many African Americans are denied access to the "institutional structures" such as tax deductions and equity regardless of their status as poor or non-poor.


9Ibid., 66.

10Dedman, "Fulton's Michael Lomax: 'If I can't get a loan, what black person can?'" The Atlanta Journal and Constitution, 2 May 1988, 1(A). Michael Lomax, Fulton County Commission Chairman at the time of the publication, reveals his difficulty in getting a loan. He was turned down for a home improvement loan regardless of his upper-middle class neighborhood and more than adequate qualifications.
concerned, such a remedy, although effective, misses the mark in dealing with the role of redlining in denying the community equal access to home ownership and financial flexibility.

Discriminating against an applicant solely because of the color of their skin not only denies that applicant an opportunity to own a home, but it also initiates a cycle. Listokin and Casey explains that this cycle of poverty in turn perpetuates itself because

If minorities cannot accrue assets from homeownership, then they will continue to encounter difficulties in purchasing a home since they will lack the adequate downpayment and may fail to gain credit approval.\(^\text{11}\)

This cycle generates a persistence in the number of households renting in African American communities and fosters the inability of residents to finance loans for owning a home. Thus, the result is an impeded growth in the status of homeownership in that area, particularly if the total housing units decrease, ultimately leading to degenerated neighborhoods.

**Abandonment and Property Value**

In the case of abandonment, the role of redlining is a less noticeable one. It is measured by the number of houses in a specific neighborhood that could have been saved had financial assistance been available. In assessing this relationship, two questions emerge. 1) What are the factors

\(^{11}\)Listokin and Casey, 161.
that lead to the abandonment of a unit? 2) How does abandonment impact on the viability of a community?

It is common knowledge that houses eventually age and require renovation of some sort. It is also common knowledge that improvements can become expensive and may sometimes require large amounts of money and capital. What happens if, for example, the breadth of the repairs outbalance the ability of an African American household to produce the funds required for the repairs? This family must resort to some type of financial assistance to make the necessary corrections. Now it is obvious that redlining is not totally responsible for the increase in abandoned houses in a particular neighborhood. But the history is that when families such as the one above attempt to secure loans from financial institutions for home improvement, they have been met with unequal results relative to European Americans. Ryker, Pol and Guy offer a candid discussion of the relationship between racial discrimination and home improvement loans. Their findings are as follows:

If the housing in certain sections of a city is allowed to deteriorate - in part as a result of residents being unable to secure home improvement loans - then further deterioration is guaranteed as those sections become less desirable places to live.13

12Vandell, 56. When African Americans are unable to secure conventional loans, they are forced to seek out loans from private sources who prey on the residents' misfortunes.

This leads us towards an answer to the first question in that financial institutions have a direct impact on the process of improving the value of a housing unit. There is no in-between, or neutral zone when it comes down to the condition of a house (and a community for that matter). Either the value of house will increase with repairs and renovations, or the structure will decrease in value from lagging repairs or from the deprecation of surrounding units. In European American communities, there is a glut of financial resources available for home improvements and, subsequently, neighborhood improvement. In the African American neighborhood, where home improvement loans are scarce, decline begins to set in, as a result of the deprecating conditions of the homes.

It is, as Vandell puts it, a process of disinvestment that eventually leads to a intensified rate of decay in the housing market. He argues that this disinvestment process can take two forms: First, the unavailability of mortgages to potential purchaser and, second, the inability of property owners to make major repairs or refinance their dept.\textsuperscript{14}

The author asserts that the first form of disinvestment may cause people who cannot get a loan to resort to unconventional loans that only compounds the problem. For the second example, he argues that

the inability of property owners to refinance and lack of rehabilitation or repair loan money,

\textsuperscript{14}Vandell, 11.
causes improvements to be differed and thus causes properties to decline in quality.\textsuperscript{15}

It is this gradual deterioration in the quality of houses in a neighborhood that leads to eventual abandonment and the overall decline in communities.

Stegman describes the magnitude of decay that abandonment casts on vulnerable communities. He explains the impact as follows:

Abandonment of the stock, far from guessing any sort of community gain, must be viewed as a problem of increasing seriousness. If the forces producing \textit{unnecessary} boarding up are not arrested, any program of new construction will continue to be swamped by a construction that is now bleeding our supply of existing houses. (emphasis mine)\textsuperscript{16}

Here is where we answer the second question presented above. Abandonment, in the final analysis, is indeed an unnecessary phenomenon but is continually allowed to multiply. It is a deadly disease that stunts the growth of communities and is one of the most definitive representations of redlining's destructive residue. It is also a perfect example of just how institutional racism's perplexing nature allows it to appear far removed from the condition that it helped to create.

\textbf{Business, Insurance and Psychological Effect}

Redlining can also cause dire consequences in areas other than housing and income. Lending discrimination in the

\textsuperscript{15}ibid.

\textsuperscript{16}Stegman, 66.
areas of local African American businesses, insurance and the long-term effect it has on the psyche of African American residents are very important factors that must be considered.

What is the relationship between African American community businesses and the inability of these establishments to receive assistance from financial institutions? In addition, how does this inability to access finance contribute to failing neighborhoods? An integral part of any vibrant community is the viability of the businesses inside the community and the interactions between the residents and the businesses. Today, one needs not look far to find businesses in African American neighborhood owned and run by individuals from outside. Europeans, Asians, Arabs and others all experienced successful business operations in African American areas. The problem intensifies when these individuals take the profits made inside the community and circulate the money elsewhere. Some observe this scenario and concludes that African Americans can only blame themselves because they do not attempt to establish their own businesses and would rather patronize those who do.

In February of 1993, a conference of businessmen, entrepreneurs and economists found evidence to the contrary. African Americans have indeed attempted to establish businesses in the community but have been plague by the inability to acquire capital from the same financial institutions that support entrepreneurs from outside. At the
Symposium,

Countless conference-goers argued, often passionately, that they had been denied loans for no good reason. A recent Roper poll of 500 black entrepreneurs revealed that 83% found raising capital a "very serious problem" and that 91% believed this was because black-owned business were thought to be high-risk investments. (emphasis mine)

Financial institutions have seemingly established a positive relationship with other business loan applicants, but they readily redline African American businesses. They justify their rejections by convincing themselves that African American businesses do not meet the standards required to obtain a loan and are basically too much of a risk. Knowles and Prewitt find that judging the reliability of African American businesses according to other standards is extremely troublesome.

The greatest difficulty the Black would-be businessman faces is the lack of available credit. Aside from overt discrimination among financiers, the black entrepreneur is at a sharp disadvantage in the face of credit standards designed to measure the reliability of white

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17"Black Entrepreneurs: Have Capital, Will Flourish," The Economist 27 February 1993, 33. This article provided sound statistical information and was very helpful in assessing the state of African American business. However, it is a perfect example of how observers only look at the symptoms of the problem and fail to address the root causes of the situation. This article fails to consider the historical impetus that shapes African American business activity, Nor does it touch on the reasons why lenders operate unfairly towards African American entrepreneurs. This is precisely the quandary that was addressed in the open segment of this study.
In the end, African American businesses cannot gain stability and prosperity because they cannot rely on financial assistance from the sources that support other outside entrepreneurs. This, along with the loss of community money as outside business owners take their profits away from the neighborhood, results in community decline because the African American community is deprived of a cycle of intra-dependency and benefit between its residents and entrepreneurs.

Insurance coverage in urban communities is another area of financial activity, but with the same consequences. Home insurance coverage is to function as a financial support for homeowners in the case that their abode experiences some sort of damage or problem. It is essential not only for repairing, restoring and maintaining the property, but it also provides a financial crutch for families who have fallen victim to catastrophes.

In the African American locales, we find that insurance companies operate differently than they do in European American neighborhoods. They regularly charge higher premiums for coverage or do not extend coverage at all. African Americans who own or are financing homes often pay more for

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18. Knowles and Prewitt, 16. The manner of measuring African American applicants with yardsticks designed for European American applicants is an example of the argument against the use of external perspectives for analyzing and solving internal problems. As long as lenders look at the condition from their own point of view instead of from that of African Americans, redlining will continue to exist.
theft and fire coverage even when their qualifications match those of other applicants.\textsuperscript{19} African American neighborhoods also find insurance companies closing down local agency branches and expanding operations in suburban neighborhoods.\textsuperscript{20}

Over a period of time, these practices result in a combination of entire neighborhoods unable to protect their housing investments and residents falling behind financially because of the high amounts of income going to insurance. Both are active factors in neighborhood decline. As African Americans and their neighborhoods are continually bombarded by these kinds of racially discriminatory practices by institutions in the society, the psyche of the residents also pay a tremendous price. When residents continually are faced with no means of attaining opportunities such as homeownership, the consequences result in a psychological reverberation that cannot be measured with statistics.

Using homeownership as an example, Stegman argues that it offers a degree of psychological comfort that is not available when one rents a home.\textsuperscript{21} This comfort is expressed in a personal attraction to one’s home and by an intrinsic interest in the condition and value of the house. The less an individual has invested in a house, the less they will devote

\textsuperscript{19}Kain and Quigley, 298.

\textsuperscript{20}\textit{Squires et al., "Insurance Redlining"}

\textsuperscript{21}Stegman, 181.
themselves to the maintenance of the house. If practically all of the residents in a community are relegated to renting a home rather than owning it, efforts to beautify or maintain the community will remain at a minimum.

Redlined areas and their families currently find themselves in conditions initiated in the past and upheld in the present. The future generations of a contemporary family unable to own a home can only expect worsening neighborhood conditions. Hayward Horton asserts that:

If the younger of black families are unable to become homeowners, then a major means of wealth accumulation and intergenerational mobility is eliminated. In other words, a disproportionate number of black householders are likely to fall into the category with the least chance of homeownership, which, in turn, has serious implications for social inequality and stratification in general.  

This brings us to the importance of understanding the historical context and how certain conditions grow from it. If a family can never become a homeowner, then future generations of that family will be introduced to the same conditions the family was forced into. The key to understanding the present or the future lies in understanding the past.

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CHAPTER 6
CONCLUSIONS

One of the pathways to understanding the decline of the African American community leads to redlining, and the path to understanding redlining leads directly to institutional racism. So then, for us to comprehend the impact of redlining, we must acknowledge and explore the intricacies of institutional racism and the source that creates it. For any attempt to evaluate decline, redlining or a combination of the two without an explanation of the history and ideology of racism will come up short.

One of the problems is that we live in a society that suffers from amnesia and does not recognize the importance of history. This society constantly tells its victims not to live in the past and to forgive and forget, perhaps because it is in the best interest of those who dictate the society. It accomplishes this through its ability to force its concepts and definitions of truth and fact on its victims. The victims eventually fall in line and accept that which is told to them. As a result, they begin to forget how they got to their present position, who or what is responsible, and what is the motive. When the victims realize that they are angry about the conditions they exist in and wish to change them, their
solutions never account for the history, the perpetrator and the motive, only the by-product. These omissions render all solutions ineffective. African Americans, the group which suffers the most despair in this society (in the view of the author) do not have the luxury of omitting these factors. Primarily because African Americans do not have the luxury of continually concocting unsuccessful solutions for betterment.

Redlining has found a home in most of America’s major cities and Atlanta is by no means immune. African American communities in the city of Atlanta have had to deal with redlining ever since Congress took action and passed laws against housing discrimination. As long as housing discrimination was a norm in the society, there was never a need for redlining because financial institutions would just overtly exclude African Americans from financing. When legislation was passed, racial disenfranchisement adapted to the law and re-emerged in the form of redlining. Today, redlining exists in the form of unwritten codes of operation and resides in the minds of individuals who control the functions of the major institutions in America. Here in these institutions are where African Americans can look to find the source of redlining and other covert forms of racism. And it is in the minds of those who govern these institutions that we can find the origins of institutional racism. Once again, the organization of ideas dictate the patterns of behavior. If the behavior remains the same, with only a shift in technique,
then the ideas at the root remains the same. Thus, we can conclude that until the ideology of European domination is addressed, all of its manifestation (redlining included) will remain.

In Atlanta, redlining's presence has been detected and documented. The main concern now should center on calculating the results of redlining. This study is an attempt to expose the repercussions of redlining by referring to the areas of the city with the most intensive redlining activity. This step, once placed against the backdrop of institutional racism, demonstrates detrimental effects in these areas as a result of lending discrimination. The neighborhoods chosen for this study consisted of law-abiding, productive citizens who work hard for a living. The majority of the residents in African American neighborhoods do not fit the descriptions of the social outcast, unwilling to "pull themselves up by the bootstraps." These residents are people who, if given equal opportunity, would build the same vibrant, resourceful communities that thrive in Atlanta's suburbs. However, they are faced with formidable, most times invisible, obstacles that impede their community development. There are internal forces that contribute to this breakdown and resolving these alone demands a great deal of effort. The situation becomes exacerbated when the residents in Atlanta's African American communities, and neighborhoods throughout the country, have to deal with external forces such as redlining.
So then, where does this leave the African American community? How can the inner-city win in this struggle against institutional racism and its by-products? Finally, what workable solutions can we develop to alleviate the problems in our communities? As it stands at the present, the conditions are getting no better. These African American neighborhoods have experienced no significant changes in homeownership and property value and do not see any changes in the immediate future.

Changes can take place if and only if concerned individuals, from both inside and outside the community, begin to re-evaluate the reality of racism and how it influences everyday lives of African Americans. First of all, assuming that racism has declined or has lost its significance is a groundless and dangerous fallacy because it gives a false sense of security and complacency. Racism appearance perhaps has changed but it is remains a real threat to the lives of African Americans. This assumption causes those who are affected by racism to lose sight of what they must struggle against. Thus accepting this notion will hinder any successful attempt from the start. We must begin by defining for ourselves what our realities are and how they affect us specifically.

The next step requires an effort to pressure locally elected officials in our communities to use the powers of their office to expose vestiges of institutional racism. The
following step requires that government policies take into consideration the ground African Americans have lost as a result of our unique history here in America.

If a society, through its racial wrongdoing, place African Americans at a disadvantage, and, through its institutions, maintain and escalate the disadvantaged conditions it helped to invent, it must look to itself, and those actively involved in protracting the problems, for solutions.
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