

Redlining, the Federal Housing Administration & the Wealth Gap Part 2

RACE – THE POWER OF AN ILLUSION: How the Racial Wealth Gap Was Created

From RACE-The Power of an Illusion Episode Three, “The House We Live In”

Link: <https://vimeo.com/133506632?ref=em-share> [2016 (29 mins)]

From Vimeo: “These scenes are excerpted from California Newsreel’s acclaimed three-part documentary series, Race–The Power of an Illusion. To learn more and watch the entire series, please visit newsreel.org/video/RACE-THE-POWER-OF-AN-ILLUSION.” California NewsReel PRO

The federal government created the agencies and laws that resulted in racialized, segregated housing patterns. Whites would take advantage of low interest, easily obtainable mortgages, a boom in housing development in suburbia, and an opportunity to build wealth in their homes. Families of color—because of racist selling practices and Racial Restrictive Covenants, redlining, and white flight “devaluing” communities where families of color secured homes—were left in housing that did not generate wealth for them, their offspring, or future generations. Whites moving to the suburbs were subsidized in wealth, while Blacks were divested in wealth. American mortgage lending and real estate practices post WWII define Structural, Institutional and Systemic Racism: the government and aligned institutions create housing patterns—entrenched in Rochester and across the country—that became the key determinant for the wealth gap today between white, and Black and Brown families.

Geography in this country now does the work of Jim Crow and “that structure is what we still live with today.” How did it start? People needed homes and The New Deal came to the rescue in the 1930s in the form of mortgage support. Prior to that, buyers had to come up with 50% of the cost of the home—placing home ownership out of reach for the vast majority of Americans. With the new initiatives, families (as it is explained) could now put down 5-10% of the cost of a home and finance the rest—not over 5-10 years—but over 15 to 30 years!

Following WWII, in order to put veterans into homes, the American government created a GI Bill that provided additional government backing for loans and low interest, easy credit mortgages. The message to veterans was, “You can afford a new home. Buy a new home now.” There was a huge, tax dollar supported boom in housing construction and suburbia was born. Veterans who were white took advantage and found that the mortgage costs for new homes—for example in Levittown, on Long Island—were half what NYC rents were and came stocked with modern conveniences. For returning veterans who were Black, they were turned away and told that the homes were not for sale—to them. As one perspective buyer related: “Because of the color of my skin, I can’t have this.” The rationale: integrating neighborhoods would financially devalue neighborhoods.

To exclude Black and Brown people, “the racial logic adopted the principle that an integrated neighborhood is a bad risk...” Key to that reasoning were federal government color coded maps. Redlined areas, used by banks not only kept Black and Brown people out of suburbia where their presence was deemed to financially “devalue” property, but it also made it impossible to secure mortgages (also deemed “too risky”) in redlined neighborhoods where they could live. The federal government backed \$120,000,000 in housing loans. “Less than 2% went to non-whites.” Blacks were left completely out of the housing market-- except in public housing. In the city, public housing grew creating ‘vertical ghettos.

children's institute



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John Powell, law professor at UC Berkeley describes what happened. “It wasn’t just giving something to whites, it was constructing whiteness...the basic idea of whiteness is who is included and who is left out of the family... And the thing that is really slick about whiteness... is that most of the benefits can be obtained without ever doing anything personally. For whites, you get the spoils of racism even if you are not personally racist.”

The video ends with the message that we are all born into this unequal, inequitable world. None of us asked for it, but we can and must bring light to how it evolved—and we also must demand that these egregious wrongs be addressed with equitable change.

Additional Resources:

[White people own 86% of wealth and make up 60% of the population - USAFacts](#)

[The Fed - Wealth Inequality and the Racial Wealth Gap \(federalreserve.gov\)](#)