

**HOUSING AND THE LAW: LESSON 3: HANDOUT 1**

**ARTICLE: "THE COLOR OF MONEY"<sup>1</sup>**

"Atlanta blacks losing in home loans scramble  
Banks favor white areas by 5-1 margin"

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Published May 1, 1988, by Bill Dedman  
*The Atlanta Journal-Constitution*

"The Color of Money" was a work of investigative journalism published in 1988 by *The Atlanta Journal-Constitution*. The series exposed how banks in Atlanta were rarely lending in African American neighborhoods.

Whites receive five times as many home loans from Atlanta's banks and savings and loans as blacks of the same income – and that gap has been widening each year, an Atlanta Journal-Constitution study of \$6.2 billion in lending shows.

Race – not home value or household income – consistently determines the lending patterns of metro Atlanta's largest financial institutions, according to the study, which examined six years of lender reports to the federal government.

Among stable neighborhoods of the same income, white neighborhoods always received the most bank loans per 1,000 single-family homes. Integrated neighborhoods always received fewer. Black neighborhoods – including the mayor's neighborhood – always received the fewest.

"The numbers you have are damning. Those numbers are mind-boggling," said Frank Burke, chairman and chief executive officer of Bank South. "You can prove by the numbers that the Atlanta bankers are discriminating against the central city. It's not a willful thing. The banks really are considered the pillars of the community. If somebody walks in and applies, they'll get fair treatment."

Senior bank executives said any lending differences most likely are caused by factors beyond their control, including poor quality housing and lack of home sales in black neighborhoods, fewer applications from blacks, and limitations in the federal lending data. They also pointed out that lending patterns are influenced by real estate agents, appraisers, federal loan programs and other factors.

Here, the author provides perspectives from banking executives in Atlanta. Some, for instance, point to other factors that might contribute to racial disparities in lending rather than just race.

For example, banking officials said they would make more loans to blacks if real estate agents sent them more black applicants.

<sup>1</sup> Retrieved from <http://powerreporting.com/color/1a.html>.

Real estate brokers who work in black neighborhoods confirmed that they often don't send black homebuyers to banks or savings and loans, but said that is because those institutions have not been responsive and do not solicit their business....

Here, the author describes how homes and access to loans from banks lead to community and family investment. If people do not have the ability to build credit, then it makes it more difficult for them to save and build wealth they can pass on to their family.

Without equal access to credit, community leaders say they watch their neighborhoods slide. When people cannot borrow money to buy or fix up houses, property values decline. Real estate agents direct their best prospects elsewhere. Appraisers hedge their bets by undervaluing property. Businesses close. Homeowners sell to speculator.

Homeownership is the linchpin in the American Dream, the main way that families accumulate and hold wealth. Americans borrow against their homes for education, for vacations, for emergencies, for retirement. The family home often forms the bulk of parents' bequest to their children.

White families are more likely than blacks to build that wealth. They own homes more often, and their homes grow in value faster. The Census Bureau said in 1984 the income of a typical white family in America was twice the median income of a black family, but the median household net worth of whites was nearly 12 times that of blacks. That's \$39,135 versus \$3,397.

"It takes money to make money. The problem we have in the black community is there is no base with which to make money," said the Rev. Craig Taylor, a white Methodist minister and Southside housing developer.

Redlining and disinvestment were hot issues in the nation's cities in the mid-1970s, when Congress approved disclosure laws and the Community Reinvestment Act.

A decade later, activists claim red lines are being redrawn, and Congress is considering legislation to enhance enforcement of the law.

"Let's face it: Redlining hasn't disappeared," said Sen. William Proxmire (D-Wis.), chairman of the Senate Banking, Housing and Urban Affairs Committee. "Neighborhoods are still starving for credit."

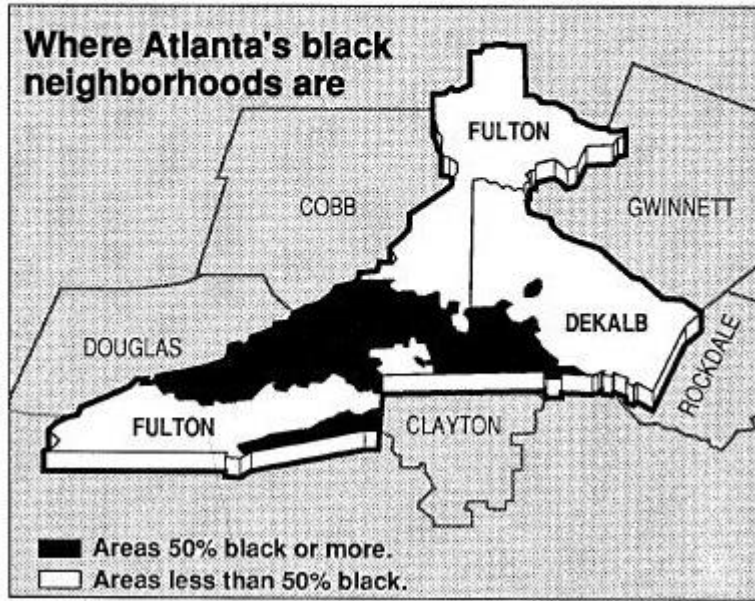
The Community Reinvestment Act was passed to help reduce discriminatory lending and require banks to provide services in all parts of a community. Changes have been made to the law over the years to help with enforcement and transparency.



# THE COLOR OF MONEY

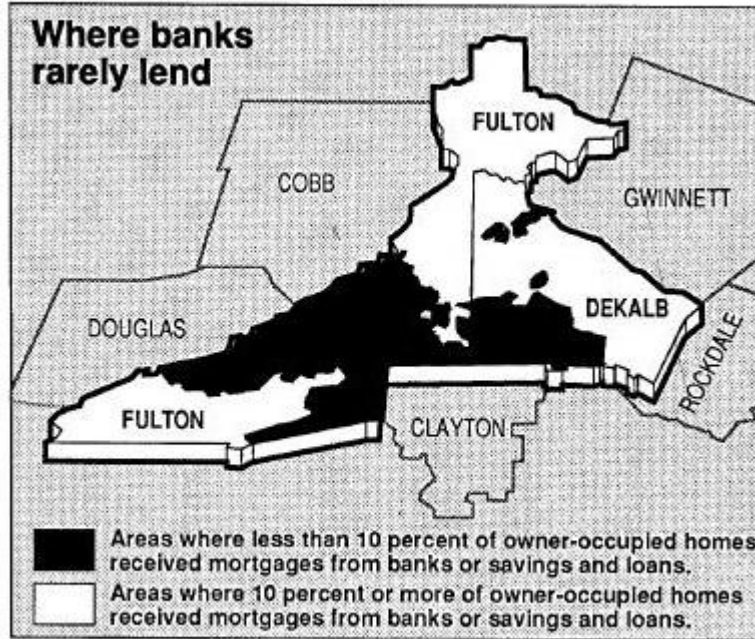
First of four parts

## Where Atlanta's black neighborhoods are



Source: 1980 U.S. Bureau of the Census figures

## Where banks rarely lend



Source: Federal Financial Institutions Examination Council figures for 1981-86

DAVE WINK/Staff

