



Dismantling Racial Discrimination Fact Sheet: **RACISM, HOUSING, AND REDLINING**

Racism, housing, and redlining intersect in a complex web that has fundamentally shaped American residential patterns and wealth inequality. Redlining serves as a prime example of how racist policies became embedded in housing systems with lasting consequences.

The Origins and Mechanics of Redlining

Redlining emerged in the 1930s when federal agencies like the Home Owners' Loan Corporation (HOLC) and Federal Housing Administration (FHA) created color-coded maps rating neighborhoods for mortgage lending risk. Areas with significant Black populations were outlined in red and deemed "hazardous" for investment, regardless of residents' creditworthiness or property conditions. This practice codified existing racial prejudices into federal policy, making discrimination systematic and widespread.

The maps explicitly cited racial composition as a key factor, with appraisal manuals stating that the presence of "inharmonious racial groups" would lower property values. These weren't just private bank policies—they were government-sponsored programs that used taxpayer money to enforce racial segregation in housing.

Creating and Reinforcing Segregation

Redlining didn't just reflect existing segregation; it actively created and deepened it. White families received federally backed mortgages to purchase homes in newly built suburbs, while families of color were systematically excluded from these opportunities. The FHA required that subdivisions receiving federal backing include racially restrictive covenants prohibiting sale to Black families.

This created a two-tiered housing system where White families could access affordable homeownership with government support, while families of color were relegated to rental housing or forced to seek mortgages from predatory lenders at much higher rates. The result was the rapid suburbanization of White America alongside the concentration of people of color in urban areas with declining investment.



Wealth Accumulation and Exclusion

Housing has historically been the primary mechanism for middle-class wealth building in America. Through redlining, entire racial groups were excluded from this wealth-building opportunity during the crucial post-World War II economic boom. White families who purchased homes with federally backed mortgages in the 1940s and 1950s saw massive appreciation in home values over subsequent decades.

Meanwhile, families of color were excluded from these gains and often trapped in neighborhoods where property values stagnated or declined due to deliberate disinvestment. This created a compounding effect where initial exclusion from homeownership led to progressively larger wealth gaps over time.

Neighborhood Disinvestment and Services

Redlined neighborhoods became self-fulfilling prophecies of decline. Banks refused to provide mortgages or business loans in these areas, leading to deteriorating housing stock and limited commercial development. Municipal services like garbage collection, street maintenance, and school funding often suffered in redlined areas. This disinvestment made the neighborhoods less desirable, appearing to validate the original discriminatory assessments.

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The concentration of poverty in redlined areas also meant these communities faced higher rates of environmental hazards, from industrial pollution to lead paint in older housing stock. This created health disparities that persist today.

Contemporary Manifestations

Though explicit redlining was outlawed by the Fair Housing Act of 1968, its effects continue through several mechanisms. Many neighborhoods remain highly segregated due to the residential patterns redlining created. Families of color still face discrimination in lending, with studies showing they're more likely to be denied mortgages or offered higher interest rates even when controlling for income and credit scores.

Modern forms of discrimination include "reverse redlining," where predatory lenders target communities of color for harmful loan products. The subprime mortgage crisis disproportionately affected communities of color, with many families losing homes they had worked decades to purchase.

Appraisal and Valuation Bias

Contemporary research reveals that homes in predominantly Black neighborhoods are systematically undervalued compared to similar properties in White neighborhoods. This appraisal bias means that even when families of color achieve homeownership, they don't receive the same wealth-building benefits as White homeowners. Their homes appreciate more slowly and are valued less, limiting their ability to build equity or use their homes as collateral for other investments.

Educational and Opportunity Segregation

Because school funding is tied to local property taxes, redlining created educational segregation that persists today. Children in formerly redlined neighborhoods often attend schools with fewer resources, limiting

their opportunities for social mobility. This educational segregation reinforces housing segregation as families with means seek areas with better schools.

Policy Responses and Ongoing Challenges

Various policies have attempted to address redlining's legacy, including the Community Reinvestment Act, which requires banks to serve all communities in their service areas. However, these efforts have had limited success in reversing decades of segregation and disinvestment.

Gentrification presents a contemporary challenge where increased investment in historically redlined neighborhoods can displace long-term residents who were previously excluded from wealth-building opportunities. This creates a cruel irony where neighborhoods improve just as their original residents can no longer afford to live there.

The intersection of racism, housing, and redlining demonstrates how discriminatory policies can become embedded in seemingly neutral systems, creating disparities that persist long after the original policies are eliminated. Understanding this intersection is crucial for developing effective approaches to address ongoing housing inequality and its broader social consequences.

Learn more [here](http://www.osfphila.org/justice-and-peace/racism/).