The Legacy of the Home Owners' Loan Corporation

Kristen B. Crossney
Rutgers, The State University of New Jersey

David W. Bartelt
Temple University

Abstract

The appraisal practices of the Home Owners' Loan Corporation (HOLC) and its Residential Security Maps are often cited as major contributors to later redlining and the perpetuation of segregation through unequal access to mortgage credit. This article focuses on whether there was a relationship between the HOLC's neighborhood assessments and mortgage outcomes.

Our results indicate that the agency was clearly instrumental in restructuring the home finance system and permitting far greater access to homeownership, but it is important to consider other factors in examining the HOLC's legacy in the reshaping of the mortgage market and the operation of the financial sector after the Great Depression. Specifically, the issue of increasing segregation in older cities in the late 20th century remains inextricably linked to both the shifting nature of real estate finance after the HOLC era and the demographic, economic, and residential changes affecting U.S. cities.

Keywords: Financial institutions; Mortgages; Neighborhood

Introduction

The legacy of racial segregation continues to hover over American society, especially in the cities. The roots of residential segregation are deeply intertwined with the development of the industrial city and the migration of blacks from the South to other parts of the country with opportunities for increased economic and political well-being. It has become almost a truism to suggest that public policy—and specifically a variety of federal policy—also plays a role (Bartelt 1992; Jackson 1985; Massey and Denton 1993). This article considers some of the empirical evidence surrounding the question of whether

© FANNIE MAE FOUNDATION 2005. ALL RIGHTS RESERVED.

one such policy, the creation and operation of the Home Owners' Loan Corporation (HOLC) during the 1930s, was racially biased and in turn had a racially discriminatory impact on the allocation of home mortgages in Philadelphia and Pittsburgh.

The institutional ecology—the interlocking matrix of political, economic, and social structures—within which urban racial segregation developed is a recurring theme in explaining both the emergence of ghettoes and the persistence of segregated communities. Federal housing, transportation, and banking policies are the forces most commonly cited in the literature as having contributed to increased segregation in many post–World War II cities. These policies were exacerbated by programs and social and economic forces that supported population movements from the cities to the suburbs and from the industrial heartland of the Northeast and Midwest to the new Sunbelt regions of the South and West.

The narrative of racial segregation that has emerged from the literature focuses on segregation as an outcome of government policies that supported bias in housing markets as part of the spatial restructuring of cities through policies that favored the suburbs (Bartelt 1992; Jackson 1985). In at least one statement of this argument, these twin policies were significant forces in the development in some cities of high levels of racial segregation comparable to apartheid (Massey and Denton 1993).

Three federal housing agencies, all with their roots in the Great Depression, are linked to this argument. The HOLC was the first of these agencies to be created, but until recently it was not as well known as either the Federal Housing Administration (FHA) or the Public Housing Administration, which are seen as more actively involved with the housing policies and objectives of the postwar era, even though they had their origins in the 1930s (Hays 1995). Both agencies had explicit regulations or guidelines that supported segregationist outcomes, and both became centers of major political concern during the 1960s and 1970s.

The HOLC's role as an agent of segregation has been referred to in a variety of sources (Bissinger 1997; Dreier, Mollenkopf, and Swanstrom 2001; Jackson 1985; Massey and Denton 1993; Metzger 2000). Citing the combination of color-coded maps of urban areas and neighborhood-by-neighborhood appraisals of housing characteristics, these authors note the strong links between the racial, ethnic, and class characteristics of neighborhoods and their suitability for mortgage loans. The HOLC used red as the color code for neighborhoods with the lowest appraisals, and so redlining became not just an evocative term for categorizing communities, but also an empirical reality in the agency that pioneered the long-term, fully amortized mortgage—and,

presumably, the first concrete evidence of the racial bias in federal housing programs.

Recently, however, Beauregard (2001) has urged that this overall narrative be reconsidered, that the "complicity" of federal policies in racial segregation and suburbanization be revisited, with far greater attention to the longer-term patterns of population movements and the socioeconomic forces affecting residential choices. Further, Hillier (2003b) has reviewed various HOLC-financed mortgages and concluded that the agency showed little evidence of racial bias in the distribution of its own mortgages and that the HOLC's likely impact on the lending industry and on other federal regulatory agencies was necessarily limited. Indeed, the HOLC restricted access to maps and neighborhood files primarily to its central officers, the field offices involved in the appraisals, and other real estate appraisal and insurance bodies such as the FHA and the California Veterans Welfare Board. To avoid misinterpretation, no maps were ever provided to private interests. All maps in district offices were recovered in 1941, and surplus maps were ordered destroyed in 1942 (Holdcamper 1965).

While there is evidence that the HOLC engaged in racial steering in the disposition of foreclosed properties, which constituted a relatively small portion of its lending activity (Hillier 2003b). "There is no evidence that HOLC serviced its loans differently according to the type of neighborhood in which it was located" (Hillier 2005, 2). Hillier's work (2003b, 2005) brings an important distinction to the attention of researchers, since it focuses on the *actual* distribution of mortgage loans; previous research had primarily addressed the emergence of the standardized appraisal system with racial overtones.

Our research extends that distinction, recognizing that the expression of racial bias in an appraisal system may or may not be related to actual lending practices. In this context, we systematically assess whether or not there was a relationship between the neighborhood assessments the HOLC undertook and mortgage outcomes. The remainder of this article uses data from the 1940 census linked to the neighborhood characterizations developed by the HOLC during the Depression to consider this question in relation to Philadelphia and Pittsburgh (U.S. Bureau of the Census 1942).

The creation of the HOLC

Throughout the 1920s, the U.S. government had a laissez-faire approach to housing and, in fact, to most domestic policy. The Great Depression, which began in 1929, led to a fundamental shift in "the American attitude toward government intervention" (Jackson 1985, 193) and provided an impetus for a broad set of federal responses, especially after the election of Franklin Delano

Roosevelt in 1932. As unemployment and poverty grew, savings eroded and—more significant for our purposes—banks of all types failed. Attempts by financial entities to recoup losses led to increased pressure on the recovery of mortgage investments at the same time that many households were unable to make their payments.

The banking and mortgage crisis

Mortgages had been an important part of the housing industry after World War I; then, as now, housing construction and financing were both highly dependent on loans. The short-term mortgages of that period (typically no more than a five-year note with a substantial balloon payment at term) made repayment, or even refinancing, a significant problem once unemployment rose and the availability of capital decreased during the Depression (Jackson 1985). Many banks foreclosed on mortgages in a vain attempt to regain liquidity.

Substantial attention had been paid to this problem toward the end of the Hoover administration. The Federal Home Loan Bank Act of 1932 created the Federal Home Loan Bank Board (FHLBB) as a governing agency to standardize banking activities in this sector and to regulate and charter S&Ls, which were designed to have a somewhat specialized line of business, using time deposits (savings accounts) as a source of funding for mortgages on single-family homes. By 1975, as a new era of regulatory restructuring was about to begin, savings institutions that were regulated by the FHLBB held over 50 percent of all mortgages on single-family homes (Bradford 1979).

Further, Hoover convened a Presidential Conference on Home Building and Home Ownership that provided significant input to later recovery legislation. In particular, the reports developed under the aegis of this conference emphasized the expansion of homeownership, slum clearance, and effective city planning as part of a strategy to increase home construction (Gries and Ford 1932).

In response to the crisis in the banking industry, the Roosevelt administration put in place a series of financial regulatory reforms. In 1933, Roosevelt suggested that Congress enact policies "to protect the small homeowner from foreclosure" and relieve him of part "of the burden of excessive interest and principal payments" (Harriss 1951, 9). These policy initiatives were clearly linked to rising mortgage defaults and declining homeownership rates. They were one of the first clear expressions of the federal government's commitment to supporting and protecting homeownership as a matter of public policy. The Home Owners' Loan Act was subsequently passed and the HOLC was created.

The role of HOLC at its inception

The HOLC was administered and governed by the FHLBB as a corporation for marketing government bonds to provide capital to purchase delinquent mortgages. It used its capital in two ways: (1) to relieve troubled financial institutions and purchase defaulting mortgages and (2) to provide relief directly to homeowners and offer fully amortized mortgages at a lower rate than their existing mortgages (Harriss 1951). This dual role, facilitating both the homeowner and the lending industry, is often not commented on or explored in the literature. In addition to refinancing existing mortgages directly, the HOLC occasionally made cash loans to homeowners for tax payments (Harriss 1951).

Harriss's (1951) account of the agency's activity, as well as the decline in the national homeownership rate from 47.8 percent in 1930 to 43.6 percent in 1940 (U.S. Department of Commerce 1993), suggests that it is unlikely that a large portion of the HOLC's lending went toward actively originating mortgages for new home buyers (see also Ely 1990). The nature of mortgage lending at this time was shifting in response to the economic crisis with its dramatic increases in mortgage defaults and impending foreclosures. It is likely that most, if not all, lenders in addition to the HOLC began to refinance existing short-term, balloon mortgages into longer-term, fully amortized mortgages rather than writing true origination or purchase mortgages (Harriss 1951; Jackson 1985; Stuart 2003). Longer-term, amortized mortgages began to emerge as the standard for most lenders (French 1941; Graaskamp 1967).

The HOLC made these significant changes in the length and terms of mortgage loans as part of its financial stabilization policy. Nationally chartered banks were effectively unable to make long-term mortgages because of an 1864 amendment to the 1863 National Bank Act that prevented them from making loans for real estate transactions (Jackson 1985). Significant alterations to the financial industry were made, and a new mortgage product that was longer than previous loans and fully amortized was introduced for potential use by all institutions (Harriss 1951). It was expected that the new mortgage would ameliorate financial stress for homeowners and reduce foreclosures, thereby stabilizing the ailing banking industry.

By refinancing defaulting mortgages, the HOLC was able to provide some measure of liquidity to financial institutions holding mortgages that were unlikely to be repaid (Federal National Mortgage Association 1969). Mortgages were available for houses worth no more than $20,000 and sheltering no more than four families (Harriss 1951), and while application rates for HOLC mortgages varied by state, 40 percent of eligible citizens across the nation sought assistance (Jackson 1985). In addressing the needs of homeowners directly, the HOLC wrote and held over a million mortgages valued over $1

billion between 1933 and 1936 (Federal National Mortgage Association 1969; Harriss 1951). The HOLC "ended its life as a solvent institution that had achieved its mission of shoring up the private housing market through massive intervention" (Stuart 2003, 46). However, some critics contend that despite the fact "the HOLC moderated the foreclosure crisis, it failed to restore the real estate market to health, much less reinflate the general economy" (Radford 2000, 107).

It is important to emphasize that the HOLC was not just a housing program, but rather was intended to bail out threatened building and loan societies and S&Ls that had been immobilized by a backlog of mortgages that no longer generated cash flow.[1] In the face of depositor claims on savings accounts, these institutions were vulnerable to panics and runs. How then did the HOLC embark on a third activity that went beyond providing capital to financial institutions and homeowners and that was more tied to neighborhood characteristics and to the housing stock itself?

HOLC appraisals and maps

Restructuring mortgages over a longer term appears to have driven the HOLC into conducting systematic appraisals, the key practice cited in its role in "racializing" the housing market (Gotham 2000). As a part of the transition to long-term, fully amortized mortgages, the HOLC began "to evaluate not only the creditworthiness of applicants but also the future projected value of the property on which the mortgage was held" (Goldstein 1996, 507). In the process, the investment potential of neighborhoods became linked to their socioeconomic characteristics and to the racial and ethnic characteristics associated with them.

To evaluate the future of housing and mortgage markets, the HOLC proceeded to use standardized coding categories to do systematic neighborhood appraisals. The appraisal sheets covered a range of topics, including population demographics, housing types, property values, and housing demand. This method of appraisal was a more refined and codified extension of the methods that were already being used in many cities but that often lacked specificity.

[1] The FHLBB, during testimony to Congress on the need to create the HOLC, recognized that the proposed 5 percent interest rate was unlikely to cover operating costs and expected losses and noted instead that it should be viewed as a necessary subsidy. In setting the maximum allowable loan, Congress grappled with how to balance the need to service larger mortgages and the need to provide assistance to as many households as possible, clearly suggesting that the act was intended to provide housing relief in addition to stabilizing the industry (Harriss 1951).

The goal was to enable "one appraiser's judgment of value [to] have meaning to an investor located somewhere else" (Jackson 1985, 197).[2]

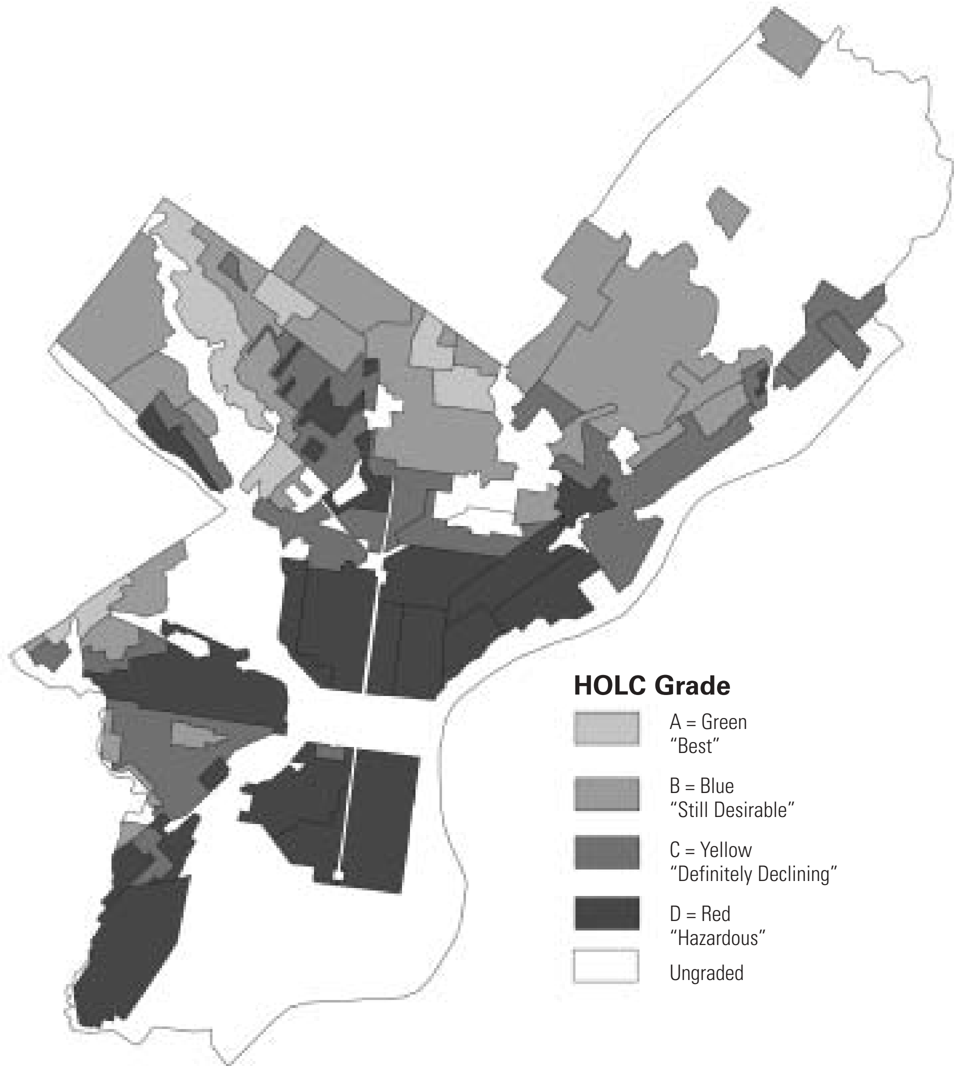
As a result of this process, Residential Security Maps were created between 1935 and 1940 for every major city (Jackson 1985). Indeed, over 200 such maps were developed on the basis of information collected during real estate appraisals. "While the scale of the City Survey Program [undertaken by the HOLC] was unprecedented, the concern for the relationship between neighborhood conditions and real estate investment risks was not" (Hillier 2005, 5). Moreover, the HOLC was not the first organization to include racial criteria as part of an appraisal or survey (Hillier 2003a; Jackson 1985).

The full, lasting impact of these appraisals and maps has not been completely understood and has only recently been examined critically (Crossney and Bartelt 2005; Hillier 2003a). Recent archival work has suggested that the availability of these maps was limited, and weak regression models on the assignment of grades and the location of mortgages indicate that maps and assignment of grades alone did not have an immediate or widespread impact on the lending industry (Crossney and Bartelt 2005). While there is little information available on how the collected survey data from the standardized appraisals were coded into the four grades in the Residential Security Maps, their visual impact is striking. Figure 1 presents a digitized version of the original 1937 Residential Security Map for Philadelphia. One glance at a Residential Security Map of any city reinforces the association with neighborhood downgrading, especially when the maps are linked with the appraisal rating files that are keyed to them and often include harsh, racist, and negative language. The appraisal rating files included information on the physical characteristics of the area; the age, style, and occupancy of neighborhood housing; the rents and housing values; and the racial and ethnic composition.

The denigration and dismissal in the language linked to racial and immigrant labels in the appraisal sheets is astonishing. Grade 4 areas on the Residential Security Maps (the red areas) are simply labeled as "hazardous," while one description read "Close to business, heavy obsolescence; concentration of foreigners and some Negro; some factories, predominance of lower class Jewish/Polish, Lithuanian, Slaves" (Crossney and Bartelt 2005). Figure 2 is an example of the appraisal sheets used in local surveys in Philadelphia.

[2] It is important to acknowledge that it is not clear whether appraisers actually visited neighborhoods as part of the process of producing Residential Security Maps. Harriss (1951), the source most cited by Jackson (1985), does not discuss the appraisals themselves but rather notes only the training of appraisers and the implementation of the property appraisal process for valuations before mortgages were granted.

Figure 1. 1937 Residential Security Map of Philadelphia



Source: Record Group 195, Box 71, National Archives.

Note: The 1937 Residential Security Map was created by the HOLC to indicate the perceived mortgage risk of neighborhoods based on a scale from 1 (best) to 4 (hazardous).

Figure 2. 1937 Neighborhood Appraisal Sheet for Philadelphia

NS Form-8
2-3-37

AREA DESCRIPTION

(For Instructions see Reverse Side)

1. NAME OF CITY *Philadelphia, Pa.* SECURITY GRADE *D* AREA NO. *6*
2. DESCRIPTION OF TERRAIN: *Level*
3. FAVORABLE INFLUENCES: *New Industry — Good transportation.*
4. DETRIMENTAL INFLUENCES: *Heavy concentration of negro — properties in poor condition.*
5. INHABITANTS:
   a. Type *Laborers* ; b. Estimated annual family income $ *800 – 1,500*
   c. Foreign-born *Italian-Polish 15%* % (Nationality) ; d. Negro *yes* (Yes or No) ; *65 – 70* %;
   e. Infiltration of *negro* ; f. Relief families *moderately heavy* ;
   g. Population is increasing ______ ; decreasing ______ ; *static* .
6. BUILDINGS:
   a. Type or types *2 & 3 story row* ; b. Type of construction *brick* ;
   c. Average age *20 – 30 yrs.* ; d. Repair *poor to fair*
7. HISTORY:

YEAR	SALE VALUES RANGE	PREDOMINATING	%	RENTAL VALUES RANGE	PREDOMINATING	%
1929 level	*$2,500 – 6,500*	*$5,200*	*100%*	*25 – 55*	*45*	*100%*
1934-36 row	*$1,300 – 3,000*	*$2,200*	*45%*	*15 – 27*	*22*	*50%*
June 1937 current	*$1,500 – 4,000*	*$3,000*	*60%*	*18 – 35*	*28*	*65%*

Peak sale values occurred in ______ and were ______ % of the 1929 level.
Peak rental values occurred in ______ and were ______ % of the 1929 level.

8. OCCUPANCY: a. Land *100* %; b. Dwelling units *100* %; c. Home owners *20 – 25* %
9. SALES DEMAND: a. *poor* ; b. *2-story row $2,800* ; c. Activity is *poor*
10. RENTAL DEMAND: a. *good* ; b. *2-story row $28.* ; c. Activity is *good*
11. NEW CONSTRUCTION: a. Types *none* ; b. Amount last year ______
12. AVAILABILITY OF MORTGAGE FUNDS: a. Home purchase *none* ; b. Home building ______
13. TREND OF DESIRABILITY NEXT 10-15 YEARS *downward*
14. CLARIFYING REMARKS: *Better class negro in this section. Conversion of 3-story houses in here. Close to Gratz High School. Close to good industrial section.*
15. Information for this form was obtained from *R. Hutzel*

Date *June 4,* 193*7*

(Over)

Source: Record Group 195, Box 71, National Archives.

Note: This appraisal sheet is a example of the forms used during surveys commissioned by the HOLC in neighborhood appraisals in Philadelphia. This form describes an area whose mortgage risk was characterized by a grade of 4 (hazardous) in 1937.

The likely underlying characteristics taken into consideration during the assignment of grades have only recently been reconsidered, revealing that despite the severe language used in the appraisal sheets, the actual basis of grades is likely to be rooted in characteristics beyond race (Crossney and Bartelt 2005; Hillier 2001). A recent examination of the characteristics of census-tract housing stock, demographics, and the assignment of grades by the HOLC in Philadelphia and Pittsburgh found differences in the content, not the form, of appraisal documents and also in the neighborhood-level predictors of downgrading (Crossney and Bartelt 2005). The appraisal narratives from the two cities further indicated that these survey and mapping efforts were designed to use perceptions of neighborhood viability to link applicant risk to property risk (Crossney and Bartelt 2005). Their relationship to actual investments was not assumed to be automatic. A comparison of the activity of various types of lenders and HOLC grades found that although there was significant variation between different types of institutions, areas receiving a grade of 4 were not lacking in mortgages. Approximately 30 percent of all mortgages in Philadelphia and Pittsburgh were made in these areas (Crossney and Bartelt 2005).

The results indicate that local offices and appraisal staff were relatively autonomous in using national survey sheets and assigning grades. Further, the relationship between appraisal sheets and the assignment of grades likely varied by city, and the translation from appraisals to grades does not seem to be based solely on the racially charged language in the appraisal sheets (Crossney and Bartelt 2005). These findings suggest that although there was some consistency at the national level in terms of guidelines and forms, the appraisals and the creation of maps were not identical across cities and that further attention should be paid to the role, if any, that the HOLC and these maps had on the post-Depression lending industry.

Appraisals, maps, and the HOLC's role as a lender

The literature often does not address the relationship between HOLC appraisals and subsequent lending trends from either private or public sources and centers on an argument linking the creation of these maps directly to the mortgage outcomes of financial institutions and subsequent disinvestment (Bissinger 1997; Dreier, Mollenkopf, and Swanstrom 2001; Jackson 1985; Massey and Denton 1993; Metzger 2000; Rae 2003; Sugrue 1996). There are occasions when the HOLC's role as a lender in the mortgage market appears to be overstated; for example, "HOLC single-handedly established the pattern for long-term mortgage loans" and then, through neighborhood appraisals,

"systematically deprived" minority areas of mortgages (Jones-Correa 2001, 565). The HOLC's influence on the private sector is also exaggerated. Despite the fact that the agency did not invent the racist standards or method of appraisal, Dreier, Mollenkopf, and Swanstrom (2001) contend that it

> put the federal government's stamp of approval on these practices, making racial discrimination part of government policy. Banks used HOLC's system in making their own loans, compounding the public and private disinvestment of black areas and urban neighborhoods by government and the private sector. Equally important, HOLC policy set a precedent for the later Federal Housing Administration (FHA) and Veterans Administration (VA) programs, which played a major role in changing postwar America, pumping billions of dollars into the housing industry. (108)

The assertion that the HOLC was the prime mover in developing government-facilitated redlining is also found elsewhere: For example,

1. "HOLC also initiated and institutionalized the practice of 'redlining'" (Massey and Denton 1993, 51).
2. "[R]eal estate appraisers employed by HOLC developed the practice we know as *red-lining*" (Ebner 1985, 379).
3. "[T]he Roosevelt administration undertook a racial mapping project of colossal proportions" (Ethington 2001, 42–43).
4. "[P]erhaps the agency's most far-reaching social impact, however, was its systemized appraisal policy, which became the national standard" (Nicolaides 2001, 85).

Moreover, according to Rae (2003), the HOLC grading system "embedded within it a whole courtroom mob of 'hanging judges' for the urban neighborhoods" (265).

An examination of the distribution of mortgages in 1940 reveals that the HOLC was not the first or even the second most dominant lender in terms of the percentage of total mortgages and that it held about 10 percent of the mortgages in both Philadelphia and Pittsburgh (Crossney and Bartelt 2005). This suggests that more dominant or active lenders may have had a stronger influence on the overall distribution of mortgages and also on the behavior of other lending institutions. Our previous research has suggested that the HOLC and the FHA did not cooperate as noted in the literature (Crossney and Bartelt 2005) but that instead they operated independently, with differing opinions and actions (Gordon 1945; Hansen 1941).

There can be little doubt, however, that appraisals under the Neighborhood Security Map program reveal a close link between race, ethnicity, and risk. The research reported here builds on earlier work by Crossney and Bartelt (2005) and Hillier (2003a, 2003b) and has the following goals: to distinguish between the attitudes reflected in these appraisals and the HOLC's lending behavior and to systematically assess the empirical relationship between those appraisal efforts and the lending behavior of financial institutions in the late 1930s. This article compares snapshots of lending activity in Philadelphia and Pittsburgh as captured in the 1940 census. As noted earlier, lending activity at this time was primarily in the form of refinancing existing, short-term balloon mortgages into longer-term fully amortized mortgages, rather than in true originations or purchases (French 1941; Graaskamp 1967). This type of refinancing is different from what takes place today because of the shift in the length and terms of mortgages, but as is the case with current refinancing, lending was largely contingent on existing spatial patterns of loan activity. The mainstream mortgage market before the HOLC's new loan product involved continual refinancing: In essence, the balloon mortgage is an instrument that assumes, in the absence of a property sale, the refinancing of any loan that is not paid in full at term.[3]

Put simply, the HOLC was created and given the responsibility for revolutionizing the home mortgage system to protect homeownership and stabilize financial institutions. The agency was also given the responsibility for helping financial institutions make the transition into the new system. As it pursued these goals, it became one key organizational locus for standardizing the assessment of neighborhood risks (Stuart 2003).

With respect to the role of the HOLC as a direct lender, there is evidence that its neighborhood appraisals were conducted and maps were created after a large number of its loans had already been granted (Hillier 2003a). Logically, a causal relationship in the dimension of HOLC lending may have been impossible unless racially based attitudes or ideologies jointly determined both appraisals and lending outcomes. It is possible that this other dimension exists, but it certainly constitutes a different argument from the usual one asserting that HOLC appraisals and maps were the instruments driving the continuation and later expansion of housing segregation and disparate patterns of investment by the agency itself and the other lending institutions it influenced (Dreier, Mollenkopf, and Swanstrom 2001; Jackson 1985; Massey and Denton 1993; Metzger 2000; Rae 2003; Stuart 2003).

[3] For further discussion of the changes occurring during the 1930s in response to the Depression, see Harriss 1951, Jackson 1985, and Stuart 2003.

Previous work has largely failed to distinguish between the agency's role as a lender and as an appraiser, leaving this issue of timing between the majority of the HOLC's lending and the creation of the Residential Security Maps largely unresolved. Similarities between the HOLC's lending patterns and the assignment of grades would likely reflect an attempt by the agency to build its own experience into a risk assessment, while disparities would suggest independence in the execution of these two activities. Recent research indicates that the FHLBB, the HOLC's parent organization, was the driving force behind the creation of Residential Security Maps and "may have initiated the survey in part to facilitate collection of HOLC loans, but it was also intended to inform the Board's non-HOLC activities" (Hillier 2005, 3).

Assessing the link between HOLC grades and mortgage outcomes

Research investigating the link between mortgage outcomes as recorded by the 1940 census and the assignment of the HOLC grades found in the Residential Security Maps of Philadelphia and Pittsburgh has documented evidence that the link is not as clear or as linear as was once thought (Crossney and Bartelt 2005). The analysis excluded other possible independent variables to address the simple linear relationship often presented in the literature (Jackson 1985; Massey and Denton 1993; Metzger 2000; Rae 2003). The relationship between HOLC grade and mortgages (modeled using all mortgages and then across eight individual types of lenders) was found to be weak, with the strength and direction of beta coefficients varying between ordinary least squares (OLS) regression equations (Crossney and Bartelt 2005).

Despite the apparent relationship between HOLC ratings and subsequent racial segregation, this may well be an example of a coincidental correlation or a *post hoc, ergo propter hoc* fallacy (sequence plus correlation does not necessarily indicate a causal relationship). HOLC ratings that occurred at one point in time and racial segregation that is found later may or may not be causally linked, and implying such a relationship almost certainly oversimplifies both the mortgage market and segregation in the cities. Our research considers the empirical relationship between these neighborhood ratings and mortgage outcomes across Philadelphia and Pittsburgh and moves away from the simple model equating grades and mortgage outcomes. We have questioned the validity of this model in previous research as well (Crossney and Bartelt 2005).

Methodology

Many authors have regarded Residential Security Maps as significant evidence of the complicity of the federal government in redlining and differential

access to mortgage and housing opportunity (Bissinger 1997; Dreier, Mollenkopf, and Swanstrom 2001; Jackson 1985; Massey and Denton 1993; Metzger 2000; Rae 2003; Sugrue 1996), while others have pointed to serious logical and evidentiary limits to such a claim (Crossney and Bartelt 2005; Hillier 2001, 2003a, 2003b). This article suggests a somewhat different direction for the analysis of the HOLC's role in real estate appraisal patterns and mortgage credit allocations along racial lines and uses Philadelphia and Pittsburgh as the bases for a statistical analysis.

The HOLC's archived appraisal data sheets detail the demographic, socioeconomic, and physical characteristics of mortgage markets. These neighborhood observations were later codified based on the perceived "desirability" of mortgage investments by financial institutions. The grading system ranged from 1 to 4, with 1, denoted by the letter A and the color green, determined to be the most attractive type of market, and 4, denoted by the letter D and the color red, considered "hazardous." The neighborhood boundaries the HOLC used were often—but not always—census-tract boundaries. To provide a common geographic unit of analysis, tracts were assigned grades based on the proportion of the total area represented by different grades. The ordinal system was effectively translated into interval grades, still ranging from 1 to 4 but now including decimals (Crossney and Bartelt 2005).

The information recorded through HOLC appraisals was in many respects similar to the type of information recorded through the census. Effectively, variables and information referred to in HOLC documents were also collected through the 1940 census, the 1940 *Census of Housing: Supplement to the First Series*, and the 1950 census (U.S. Bureau of the Census 1942, 1945, 1952). Our incorporation of HOLC grades and census tract–level data paved the way for a statistical evaluation of the relationship between the distribution of mortgages, the assignment of HOLC grades, and the socioeconomic and demographic characteristics of tracts.[4] Variables collected at the 1940 census-tract level, presented in table 1, were selected on the basis of HOLC appraisal sheets and the literature addressing the assignment of grades[5] (Bartelt 1979, 1984; Goldstein 1985, 1996; Harriss 1951; Hoyt and the U.S. Federal Housing Administration 1939; Jackson 1985; Massey and Denton 1993; Metzger 2000; Rae 2003; Sugrue 1996). Table 2 details the descriptive statistics for these variables in Philadelphia, while table 3 presents them for Pittsburgh.

[4] See Crossney and Bartelt 2005 for a more detailed discussion of the creation of this database and the spatial enabling process used to transform archival data.

[5] HOLC grade is an interval-level variable ranging from 1 to 4, and median housing value and median rent are recorded as ratio-level data and in dollar amounts, while all other independent variables are ratio-level variables recorded as percentages.

Table 1. Variables Used in the Analysis

Variable	Description
HOLC grade	HOLC grade of the census tract after geographic intersection with the 1937 Residential Security Map
Percent black	Percentage of the population in the census tract identified as black by the 1940 census
Percent other	Percentage of the population in the census tract considered not white and not black by the 1940 census
Percent immigrant white	Percentage of the population in the census tract identified as not native born by the 1940 census
Median housing value	Median value of owner-occupied housing in the census tract according to the 1940 census
Median rent	Median contract rent in the census tract according to the 1940 census
Owner-occupancy rate	Percentage of all housing units in the census tract that were recorded as owner occupied by the 1940 census
Percentage of one- to two-family units	Percentage of housing in the census tract identified as either one- or two-family units by the 1940 census
Percentage of housing built before 1920	Percentage of total housing units built before 1920, excluding those built after 1940, identified by the 1950 census*
Mortgages by lender	Number of first-lien mortgages held on one- to four-family units according to the 1940 *Census of Housing: Supplement to the First Series*, normalized by the number of owner-occupied housing units**

*The 1940 census (U.S. Bureau of the Census 1942) did not collect information on the age of housing units.

**The 1940 *Census of Housing: Supplement to the First Series* (U.S. Bureau of the Census 1945) collected information on first-lien mortgages and identified lenders as building and loan societies, commercial banks, savings banks, life insurance companies, mortgage companies, HOLC, individuals, and others.

Mortgage data as collected by the 1940 *Census of Housing: Supplement to the First Series* (U.S. Bureau of the Census 1945) serve as the dependent variables for a series of OLS regression models, examining the distribution of all mortgages by tract level and then by lender type. Mortgages were normalized by owner-occupied housing units in a tract; effectively, variables are equivalent to the number of reported mortgages divided by the number of owner-occupied units.

The weak bivariate relationship found between HOLC grade and mortgage outcomes suggests the need to include additional variables in examining the distribution (Crossney and Bartelt 2005). Both models were strong overall, explaining almost 70 percent and 75 percent of the variation in the assignment of grades in Philadelphia and Pittsburgh, respectively. However, the significance and strength of beta coefficients varied, suggesting differences in the appraisal and assignment of grades between the cities (Crossney and Bartelt

Table 2. Summary Statistics for Variables Used in the Analysis of Philadelphia (N = 297 Tracts)

Variable	Minimum	Maximum	Mean	Median	Standard Deviation
HOLC grade	1.0	4.0	3.0	3.0	0.9
Percent black	0.0	95.2	11.0	1.3	19.9
Percent other	0.0	2.8	0.1	0.0	0.2
Percent immigrant white	1.2	39.5	13.6	12.2	6.5
Median housing value ($)	0	16,278	3,607	3,228	2,380
Median rent ($)	0	124	27	26	14
Owner-occupancy rate (%)	2.6	91.1	41.4	42.4	17.7
Percentage of one- to two-family housing units	13.4	100.0	79.8	87.3	19.8
Percentage of housing built before 1920	0.0	100.0	66.2	79.4	33.9
All mortgages	0.000	0.851	0.401	0.379	0.170
Building and loan society mortgages	0.000	0.372	0.102	0.091	0.065
Commercial bank mortgages	0.000	0.209	0.055	0.043	0.043
Savings bank mortgages	0.000	0.660	0.032	0.019	0.053
Life insurance company mortgages	0.000	0.507	0.027	0.005	0.058
Mortgage company mortgages	0.000	0.337	0.020	0.009	0.037
HOLC mortgages	0.000	0.188	0.044	0.038	0.031
Mortgages by individuals	0.000	0.275	0.092	0.084	0.051
Other mortgages	0.000	0.311	0.029	0.023	0.031

Note: All mortgage variables reflect the number of mortgages divided by the number of owner-occupied units.

2005). The equations also varied dramatically between types of lenders and cities, further suggesting the need to include other independent variables and to consider differences between lenders and localities (Crossney and Bartelt 2005).

Our analysis hypothesizes that the demographic and housing characteristics[6] previously used to explain the assignment of HOLC grades (Crossney and Bartelt 2005) will also predict the distribution of mortgage outcomes across the two cities. It is expected that the ability of these variables, together with HOLC grade, to explain mortgage outcomes will differ depending on the city and the type of lender.

[6] The variables used to assess HOLC grade were percent black, percent other, percent immigrant white, median housing value, median rent, owner-occupancy rate, percentage of one- to two-family housing units, and the percentage of housing built before 1920. The sources of the variables used in Crossney and Bartelt 2005 are cited in table 1.

Table 3. Summary Statistics for Variables Used in the Analysis of Pittsburgh (N = 185 Tracts)

Variable	Minimum	Maximum	Mean	Median	Standard Deviation
HOLC grade	1.1	4.0	3.1	3.1	0.8
Percent black	0.0	95.5	9.5	2.2	18.1
Percent other	0.0	0.6	0.0	0.0	0.1
Percent immigrant white	1.6	28.5	11.9	10.6	5.0
Median housing value ($)	0	20,000	3,986	3,621	3,544
Median rent ($)	0	7,532	2,898	2,558	1,427
Owner-occupancy rate (%)	2.0	70.6	31.9	32.8	15.3
Percentage of one- to two-family housing units	8.0	97.5	72.1	80.5	20.7
Percentage of housing built before 1920	14.0	100.0	75.4	83.4	22.0
All mortgages	0.000	0.613	0.267	0.254	0.126
Building and loan society mortgages	0.000	0.283	0.104	0.100	0.070
Commercial bank mortgages	0.000	0.197	0.028	0.016	0.035
Savings bank mortgages	0.000	0.109	0.025	0.020	0.022
Life insurance company mortgages	0.000	0.071	0.008	0.002	0.013
Mortgage company mortgages	0.000	0.143	0.010	0.003	0.018
HOLC mortgages	0.000	0.108	0.033	0.030	0.024
Mortgages by individuals	0.000	0.123	0.044	0.040	0.026
Other mortgages	0.000	0.088	0.015	0.010	0.016

Note: All mortgage variables reflect the number of mortgages divided by the number of owner-occupied units.

Results

OLS regression models were each able to explain approximately 70 percent of the variation in the geographic distribution of mortgages from all lenders for the two cities.[7] These models were stronger than the models investigating the distribution of mortgages from each of the different types of lenders and differed in the statistically significant variables for each model (tables 2 and 3). In Philadelphia, the housing characteristics of the tract (median rent, style of housing, age of housing) have the strongest correlation with mortgage outcomes (table 4). The percentage of the population identified

[7] OLS regression models were first completed using the "enter" technique in which all variables are added at the same time. Next, variables were entered "stepwise" to gauge the stability of the enter model solutions and to address possible multicollinearity issues. The results obtained using the two techniques were consistent. The discussion presented here focuses on the results from the enter models, which provide a stronger theoretical framework for the inclusion of variables than stepwise models.

Table 4. Regression Solutions on Mortgage Distribution in Philadelphia by Lender Type

	All Mortgages	Building and Loan Societies	Commercial Banks	Savings Banks	Life Insurance Companies	Mortgage Companies	HOLC	Individuals	Other
HOLC grade	0.07	0.331***	–0.377***	0.052	0.158*	0.206**	0.015	–0.316***	0.082
Percent black	–0.141***	–0.230***	–0.02	0.02	–0.066	–0.055	0.182**	–0.152**	–0.044
Percent other	–0.016	–0.084*	–0.049	0.001	0.041	0.018	–0.012	0.033	0.014
Percent immigrant white	0.031	–0.212***	0.195***	0.01	–0.036	0.061	0.177***	0.105*	–0.024
Median housing value	0.058	–0.195***	0.125**	0.128*	0.214***	0.114	–0.209***	–0.087	0.149**
Median rent	0.109**	0.048	0.158***	–0.091	–0.051	0.048	0.156**	0.122*	0.114
Owner-occupancy rate	–0.153**	0.249***	–0.346***	0.149	–0.217**	–0.343***	–0.028	–0.191*	0.022
Percentage of one- to two-family housing units	0.450***	0.331***	0.082	–0.068	0.190**	0.315***	0.373***	0.329***	0.144
Percentage of housing built before1920	–0.598***	0.071	–0.294***	–0.450***	–0.644***	–0.554***	–0.006	–0.074	–0.265***
R^2	0.700	0.388	0.463	0.244	0.361	0.233	0.149	0.295	0.188
Adjusted R^2	0.691	0.369	0.446	0.220	0.341	0.203	0.123	0.273	0.162

*$p > 0.10$. **$p > 0.05$. ***$p > 0.01$.

as black, as well as the owner-occupancy rate, was also significant in Philadelphia. The results were similar, but not identical, in Pittsburgh; housing characteristics (age of housing, style of housing) were related to mortgage outcomes (table 5). The owner-occupancy rate and racial minorities (expressed as percent other) were also significant explanatory variables. In both cities, HOLC grade was not statistically significant in explaining the overall distribution of mortgages. This finding supports earlier work that documented a weak, but mixed, relationship between HOLC grades and mortgage outcomes overall and by individual type of lender (Crossney and Bartelt 2005).

Our earlier examination of total lending activity and distribution by grades found that mortgage outcomes varied dramatically between lenders and grades, as well as between Philadelphia and Pittsburgh (Crossney and Bartelt 2005). The strength of the models presented here for all mortgages strongly contrasts with those for individual lenders. This, taken with differences between lenders in market share and activity between grades, suggests the possibility of lender specialization or mortgage market segmentation. All lenders do not have the same volume of activity or the same geographic distribution. The emergence of different variables as significant and the varying intensities reinforce the idea that individual lenders were not using industry standards or HOLC grades as their primary determining factor. The individuality of these equations indicates that lenders were likely using their own method of risk assessment, rather than the HOLC's or another lender's, to lead to very different investment patterns.

HOLC-financed mortgages appear to have operated largely independently of grades. This is not surprising, given that the refinancing of mortgages was likely completed before real estate appraisals began and Residential Security Maps were created. These findings suggest that the assignment of grades and area representations in Residential Security Maps did not necessarily reflect or represent the agency's actual lending decisions or attitudes, but perhaps resulted from the opinions or experiences of the local realtors and bankers doing the appraisals. It is possible that these appraisals and grades were an attempt by the HOLC to incorporate the experience these individuals or the agency itself had with local mortgage markets into a process of risk assessment, but the absence of specific geographic loan performance data for HOLC mortgages makes it difficult to assess the relationship between these loans and the appraisals and grades. This relationship, coupled with Hillier's research (2005), suggests that these surveys and maps were designed to serve another purpose.

In Philadelphia, there is some similarity in the apparent criteria used by lending institutions for mortgages as indicated by the significance of independent variables in the regression models (table 4). HOLC appraisal grades were

Table 5. Regression Solutions on Mortgage Distribution in Pittsburgh by Lender Type

	All Mortgages	Building and Loan Societies	Commercial Banks	Savings Banks	Life Insurance Companies	Mortgage Companies	HOLC	Individuals	Other
HOLC grade	0.056	0.020	–0.015	0.030	–0.304***	0.242*	0.129	0.098	–0.043
Percent black	0.075	–0.330***	0.324***	0.083	–0.015	0.237***	0.086	0.377***	0.197**
Percent other	0.126***	–0.034	0.029	0.165**	0.077	0.033	0.156**	0.241***	0.119
Percent immigrant white	–0.061	–0.280***	0.187***	–0.062	0.101	0.227***	–0.058	0.019	0.128*
Median housing value	0.058	–0.202***	0.315***	0.287***	0.217**	–0.072	0.037	–0.033	0.144
Median rent	0.020	–0.324***	0.465***	0.241*	–0.130	0.109	–0.099	0.226*	–0.026
Owner-occupancy rate	0.326***	0.093	0.175	0.216	0.006	0.419**	0.063	0.341*	0.335*
Percentage of one- to two-family housing units	0.221**	0.373***	–0.091	0.015	–0.026	–0.112	0.312**	0.019	–0.056
Percentage of housing built before1920	–0.500***	–0.360***	–0.088	–0.071	–0.418***	–0.381***	–0.437***	–0.210**	–0.293***
R^2	0.730	0.680	0.569	0.352	0.454	0.244	0.357	0.276	0.277
Adjusted R^2	0.716	0.664	0.547	0.319	0.426	0.205	0.324	0.239	0.240

$^*p > 0.10$. $^{**}p > 0.05$. $^{***}p > 0.01$.

a part of the predictive equation for five of the other seven lender types. Lower appraisal grades helped predict mortgage allocation patterns by building and loan societies. Better appraisals and grades were a part of the predictive set of variables for all other lenders but HOLC-originated mortgages, which were predicted by housing characteristics and percent immigrant white. However, some notable differences in the significant variables, the size and direction of beta coefficients, and the explanatory strength of the models between lenders remain. The racial composition of tracts predicted some types of lenders, but not all.

In Pittsburgh, as in Philadelphia, some similarity between models does persist (table 5). The age of housing was significant for six of the lender types, while percent black was significant in five of the equations. HOLC grade and the style of housing (percentage of one- to two-family units) were significant for only two of the seven lender types. The remaining variables were about evenly split in terms of significance across all individual lenders.

Differences persist between the same types of lenders across these two cities (tables 4 and 5). It is interesting to note that HOLC grade was significant in explaining the distribution of mortgage outcomes by building and loan societies, commercial banks, and individuals in Philadelphia, but not in Pittsburgh. Overall, the equations were stronger and explained more of the dependent variables in Pittsburgh than in Philadelphia. The estimations for mortgage outcomes from building and loan societies varied greatly in explanatory power and in which variables were significant. Equations for HOLC mortgages also varied between the two cities: in Philadelphia, the model is relatively weak and includes race (percent black, percent immigrant white) and housing characteristics, while in Pittsburgh the model is moderately strong and contains race (percent other) and the style and age of housing. These differences can be found in varying degrees depending on the type of lender, but suggest that lenders were not operating identically or even entirely consistently between cities.

Thus, this study indicates that the mortgage market in the years immediately after the Depression shows a complex interrelationship between HOLC appraisal grades, differential access to mortgages, the criteria used by different types of lenders, and the ethnic and minority composition of neighborhoods. The regression models also predicted mortgage allocation at the tract level by individual types of lenders and suggest that different types used different criteria. These models were able to account for a significant amount of variation for some lenders and only some variation for others. Larger residuals suggest the influence of other factors not identified by this research, perhaps further evidence of lender specialization, mortgage market segmentation, or the use of local knowledge and experiences.

Data on borrowers would be useful for a property-level analysis and a discussion of the role of these individual characteristics in lending decisions by different organizations, but unfortunately the 1940 census reported mortgage data aggregated to the tract level only. An analysis of the office location and organizational structure of each type of lender might explain geographic disparities (Crossney and Bartelt 2005) and differences in apparent lending criteria.

It would also be helpful to include mortgage data from 1950 or 1960 to evaluate any possible relationships between these outcomes, HOLC grades, and earlier patterns of investment. However, the 1940 census was the only one to collect and report detailed mortgage data, eliminating the possibility of including measures of mortgage activity in subsequent analyses. The results presented here suggest that it would be unwise to continue to separate the discussion of the HOLC's legacy from the reshaping and nature of the mortgage market and the operation of the financial sector likely occurring beyond the agency's sphere of influence and as a result of larger political and economic shifts.

Conclusion

On the basis of our results, we must revisit three points: the nature of the HOLC, its appraisals in relation to its primary role, and its part in federal policies that promoted and perpetuated segregation (the complicity argument).

First, the nature of the HOLC must be recognized as more complex than is usually thought, since its original role as a safety net for thrift institutions and a refinancer of defaulted mortgages was supplemented by the development of a neighborhood appraisal system. Its own loan activity must be discussed in a more nuanced fashion, since its lending patterns have recently been shown not to conform to the racially restricted model suggested in the literature (Crossney and Bartelt 2005; Hillier 2003b). Nevertheless, the strong association between its appraisal ratings and racial and ethnic factors strongly suggests that the case made by Jackson (1985), Massey and Denton (1993), and others is largely on point: That is, the HOLC incorporated racial labeling into its appraisals and assessment of neighborhood risk.

What this research suggests is that these labels were a part of a general attitude in the real estate and banking industry that associated new housing and nonimmigrant white communities with positive investment choices. While many lenders actually provided loans in older areas of the city as reflected by mortgages held in the 1940s, access to mortgage capital for neighborhoods with immigrant and black residents appears to have been facilitated by a lim-

ited set of lenders—local building and loan societies and, ironically, the HOLC itself. Our examination of census data, HOLC grades, and mortgage outcomes suggests that HOLC appraisals presented an approach to defining neighborhood risk in the mortgage market when longer-term mortgages began to be used (Stuart 2003), but were not necessarily strong predictors of outcomes. The lack of evidence of a widespread distribution of Residential Security Maps (Hillier 2003a; memo from Flora B. Hudson to Charles Torrance, cited in Holdcamper 1965) and the limited powers of the HOLC as a direct lender suggest that its role in the redlining and racial segregation of urban areas is more indirect than is often asserted.

A second major conclusion that can be drawn from our research is that the residential security appraisals the HOLC performed were an adjunct to its central role in restructuring the nature of the home mortgage market. Therefore, the agency has a mixed legacy in developing greater access to homeownership. Its activities, especially when bolstered by federal and private forms of mortgage insurance and by the development of a secondary market have made financial institutions more stable and less vulnerable to the types of failures associated with the Depression.

However, these goals were achieved at the cost of incorporating prevailing racial and ethnic biases into calculations of financial risk (Stuart 2003). If we look at another entity that did, in fact, have a direct role in mortgage lending after the 1930s and that developed similar approaches to community risk, we can see why HOLC appraisal maps and files have attracted such attention over the years. The FHA developed underwriting manuals in the late 1930s that would ensure the continued application of racial categories in federally insured mortgages. Indeed, the FHA policies that supported loans for the purchase of newly constructed homes and allowed for the refusal of guaranteed loans to would-be home buyers who would disturb the racial character of the surrounding housing market have been identified as an early way of legitimizing overt racial discrimination. Gaps continue to persist not only in the homeownership rates between non-Hispanic whites and minorities, but also in the benefits that owner-occupancy yields with regard to net worth and net financial assets (Shapiro 2004).

While the HOLC and the FHA developed similar approaches to housing risk, they should not be thought of as the same agency, and even their affiliation should be questioned. Organizational friction appears to have existed between them because of differences in their objectives (Hansen 1941) and appraisal criteria (Gordon 1945). The analysis presented here and previous archival research (Crossney and Bartelt 2005) suggest that HOLC grades were not uniformly adopted by mortgage lenders and that the agency did not require

mortgage lenders to follow these standards. This is in sharp contrast to the demonstrated control of the FHA and the relationship between it and the private sector in the pattern of mortgage investments (Bradford 1979; Hays 1995; Jackson 1985; Radford 2000; Semer et al. 1976; Sugrue 1996).

Third, what then of Beauregard's (2001) complicity debate? Was the HOLC part of a federal policy supporting segregation and suburbanization? In some important aspects, it remains fair to argue that this is the case. But the HOLC's roles as an appraiser and as a lender were very different. The agency was certainly complicit in labeling areas, but its impact as a lender is more equivocal, as is its impact on other lenders. Both questions need to be explored further. The HOLC had a very uneven level of activity from state to state and region to region (Federal National Mortgage Association 1969; Harriss 1951). It would follow that the agency's impacts, if they are national, would be in the ways in which race and ethnicity were legitimized as lending criteria in an industry that actually generated these categories as it advised the HOLC.[8]

It should be noted that bank regulation, which included the regulation of thrift institutions, was structured not as a powerful political force, but rather as a group of industry specialists who balanced the interests of individual institutions against industry-wide standards of stability. Indeed, Snowden (1997) has suggested that a major force in the development of the HOLC was the attempt of the growing S&L stock companies to assert their business model over the associational form of the classic building and loan society.

These discussions raise a more complex question, one that is inherent in the case made by many HOLC critics. To what extent is the argument about federal prosegregationist policies an artifact of a theory of the state that stresses mediating and redistributive missions? While it might serve some purpose to point out that the "progressive" policies of the New Deal were products of their time in that they continued an existing racial narrative of access to property, the actual story of the HOLC suggests that state policy is rarely shaped by public interest. Rather, governments are akin to contested arenas in which policies are extensions of the ways that power, institutional actors with parochial interests, and social, economic, and political events coalesce. The failure to address patterns and outcomes of racial discrimination in American culture transcends specific institutional actors and particular policies (Omi and Winant 1994).

[8] The HOLC City Survey Program provided national guidelines and funded the process, but the appraisal of contiguous mortgage markets was likely conducted by local realtors and banks (Crossney and Bartelt 2005). To reiterate the point discussed in footnote 2, it is still not clear whether appraisers actually went to neighborhoods or whether the information was based on experience and previous knowledge.

The issue of how segregation increases in older cities remains inextricably linked to the demographic, economic, and political changes that swept across the United States in the 20th century. The origins of the strong relationship between race and financial valuation goes far deeper than one agency at one point in time, although the HOLC clearly has a role of some significance.

We close by suggesting that the persistence of housing segregation as an outgrowth of public policy is at least as much a question of omission as of commission. It is striking that, noble individual efforts at fair housing aside, federal policy makers have paid attention to racially redistributive issues only twice since the Depression: once when the attention of the Civil Rights Movement was concentrated on racial covenants and again when racial upheavals in the cities produced a domestic policy response (Hays 1995). Political compromises at the national level among parties with differing agendas have led to weak federal policy on racial discrimination in housing markets, the effective suppression of local grassroots organizations, the removal of housing discrimination from local government agendas, and the lack of enforcement of existing fair housing laws (Sidney 2003).

The role played by the HOLC in the perpetuation and growth of segregation in today's cities may not be in the lending it did or in the creation of race-based labeling practices, but in the ways in which the ethnic and racial labeling used by the agency and by other actors was incorporated into the housing market. Put simply, the HOLC was neither immune from the racial divisions of American society in the 1930s nor quite as dominant an actor in advancing neighborhood segregation as many have assumed. The agency's mapping and neighborhood security records provide an important look at the direction in which residential real estate was moving at a critical point in the development of urban housing policy. Allocating responsibility for the institutionalized attitudes and practices of appraisers, real estate brokers, lenders, public and private investors, and various mortgage insurance entities, while important, requires that attention be paid to the ways that these elements interact with each other and with the nation's broader sociopolitical context.

Authors

Kristen B. Crossney is a Ph.D. candidate in the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey. David W. Bartelt is a Professor of Geography and Urban Studies at Temple University.

The authors would like to acknowledge the helpful comments of Carolyn Adams, Ira Goldstein, Michael Greenberg, Amy Hillier, David Listokin, and Corianne Scally, as well as those of two anonymous reviewers. Any errors or omissions belong to the authors.

References

Bartelt, David W. 1979. Redlines and Breadlines: Depression Recovery and the Structure of Urban Space. Unpublished paper. Temple University, Department of Geography and Urban Studies.

Bartelt, David W. 1984. Race, Residence and Redlining: Historical Ecology and the City. Unpublished paper. Temple University, Department of Geography and Urban Studies.

Bartelt, David W. 1992. Housing the "Underclass." In *The "Underclass" Debate*, ed. Michael B. Katz, 118–57. Princeton, NJ: Princeton University Press.

Beauregard, Robert A. 2001. Federal Policy and Postwar Urban Decline: A Case of Government Complicity? *Housing Policy Debate* 12(1):129–51.

Bissinger, Buzz. 1997. *A Prayer for the City.* New York: Random House.

Bradford, Calvin. 1979. Financing Home Ownership. *Urban Affairs Quarterly* 14(3): 313–35.

Crossney, Kristen B., and David W. Bartelt. 2005. Residential Security, Risk, and Race: The Home Owners' Loan Corporation and Mortgage Access in Two Cities. *Urban Geography*, forthcoming.

Dreier, Peter, John Mollenkopf, and Todd Swanstrom. 2001. *Place Matters: Metropolitics for the Twenty-First Century*. Lawrence, KS: University Press of Kansas.

Ebner, Michael H. 1985. Re-Reading Suburban America: Urban Population Deconcentration, 1810–1980. *American Quarterly* 37(3):368–81.

Ely, Bert. 1990. The Resolution Trust Company in Historical Perspective. *Housing Policy Debate* 1(1):53–78.

Ethington, Philip J. 2001. Ghost Neighborhoods: Space, Time, and Alienation in Los Angeles. In *Looking for Los Angeles: Architecture, Film, Photography, and the Urban Landscape,* ed. Charles G. Salas and Michael S. Roth, 29–56. Los Angeles: Getty Institute.

Federal National Mortgage Association. 1969. *Background and History of the Federal National Mortgage Association.* Washington, DC: U.S. Government Printing Office.

French, David M. 1941. The Contest for a National System of Home-Mortgage Finance. *American Political Science Review* 35(1):53–69.

Goldstein, Ira J. 1985. *The Wrong Side of the Tracts: A Study of Residential Segregation in Philadelphia, 1930–1980*. Philadelphia: Temple University.

Goldstein, Ira J. 1996. Methods for Identifying Lenders for Investigation under the Fair Housing Act. In *Mortgage Lending, Racial Discrimination, and Federal Policy*, ed. John M. Goering and Ron E. Wienk, 505–29. Washington, DC: Urban Institute Press.

Gordon, Stanley T. 1945. The Post-War Organization of Federal Housing Functions. Box 51, File R–23/39–1, Record Group 51. National Archives.

Gotham, Kevin Fox. 2000. Racialization and the State: The Housing Act of 1934 and the Creation of the Federal Housing Administration. *Sociological Perspectives* 43(2):291–317.

Graaskamp, James. 1967. Development and Structure of Mortgage Loan Guaranty Insurance in the United States. *Journal of Risk and Insurance* 34(1):47–67.

Gries, John M., and James Ford. 1932. *Home Finance and Taxation; Reports of the Committees on Finance, Frederick H. Ecker, Chairman; and Taxation, Thomas S. Adams, Chairman.* Washington, DC: President's Conference on Home Building and Home Ownership.

Hansen, Alvin. 1941. Letter to D. Howard Smith, Bureau of the Budget. Box 120, Series 39–52, File R–4/41–1, Record Group 51. National Archives.

Harriss, C. Lowell. 1951. *History and Policies of the Home Owners' Loan Corporation.* New York: National Bureau of Economic Research.

Hays, R. Allen. 1995. *The Federal Government and Urban Housing*. Albany, NY: State University of New York.

Hillier, Amy E. 2001. Redlining and the Home Owners' Loan Corporation. Ph.D. diss. University of Pennsylvania, School of Social Work.

Hillier, Amy E. 2003a. Redlining and the Home Owners' Loan Corporation. *Journal of Urban History* 29(4):394–420.

Hillier, Amy E. 2003b. Who Received Loans? Home Owners' Loan Corporation Lending and Discrimination in Philadelphia in the 1930s. *Journal of Planning History* 2(1):3–24.

Hillier, Amy E. 2005. Residential Security Maps and Neighborhood Appraisals: The Home Owners' Loan Corporation and the Case of Philadelphia. *Social Science History* 29(2): 207–33.

Holdcamper, Forrest R. 1965. *Preliminary Inventory of the Records of the Federal Home Loan Bank System.* NC 94 (March 1965): Supplement in the National Archives Microfiche Edition of Preliminary Inventories. Record Group 195. National Archives. World Wide Web page <http://www.archives.gov/research/guide-fed-records/groups/195.html> (accessed October 29, 2005).

Hoyt, Homer, and the U.S. Federal Housing Administration. 1939. *The Structure and Growth of Residential Neighborhoods in American Cities.* Washington, DC: U.S. Federal Housing Administration.

Jackson, Kenneth. 1985. *Crabgrass Frontier: The Suburbanization of the United States.* New York: Oxford University Press.

Jones-Correa, Michael. 2001. The Origins and Diffusion of Racial Restrictive Covenants. *Political Science Quarterly* 115(4):541–68.

Massey, Douglas S., and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass.* Cambridge, MA: Harvard University Press.

Metzger, John T. 2000. Planned Abandonment: The Neighborhood Life-Cycle Theory and National Urban Policy. *Housing Policy Debate* 11(1):7–40.

Nicolaides, Becky M. 2001. Where the Working Man Is Welcomed: Working-Class Suburbs in Los Angeles, 1900–1940. In *Looking for Los Angeles: Architecture, Film, Photography, and the Urban Landscape,* ed. Charles G. Salas and Michael S. Roth, 57–96. Los Angeles: Getty Institute.

Omi, Michael, and Howard Winant. 1994. *Racial Formation in the United States: From the 1960s to the 1990s.* 2nd ed. New York: Routledge.

Radford, Gail. 2000. The Federal Government and Housing during the Great Depression. In *From Tenements to the Taylor Homes*, ed. John F. Bauman, Roger Biles, and Kristin M. Szylvian, 102–20. University Park, PA: Pennsylvania State University Press.

Rae, Douglas W. 2003. *City: Urbanism and Its End.* New Haven, CT: Yale University Press.

Semer, Milton P., Julian H. Zimmerman, Ashley Foard, and John M. Frantz. 1976. *Housing in the Seventies. Evolution of Federal Legislative Policy in Housing: Housing Credit.* Washington, DC: U.S. Department of Housing and Urban Development.

Shapiro, Thomas M. 2004. *The Hidden Cost of Being African American: How Wealth Perpetuates Inequality.* New York: Oxford University Press.

Sidney, Mara S. 2003. *Unfair Housing: How National Policy Shapes Community Action.* Lawrence, KS: University of Kansas Press.

Snowden, Kenneth A. 1997. Building and Loan Associations in the U.S., 1880–1893: The Origins of Localization in the Residential Mortgage Market. *Research in Economics* 51(3): 227–50.

Stuart, Guy. 2003. *Discriminating Risk: The U.S. Mortgage Lending Industry in the Twentieth Century.* Ithaca, NY: Cornell University Press.

Sugrue, Thomas J. 1996. *The Origins of the Urban Crisis.* Princeton, NJ: Princeton University Press.

U.S. Bureau of the Census. 1942. *Census of Population and Housing*. Washington, DC: U.S. Government Printing Office.

U.S. Bureau of the Census. 1945. *Census of Housing: Supplement to the First Series*. Washington, DC: U.S. Government Printing Office.

U.S. Bureau of the Census. 1952. *Census of Population and Housing*. Washington, DC: U.S. Government Printing Office.

U.S. Department of Commerce. 1993. *We the Americans: Our Homes*. Washington, DC.