Community Development, Research, and Reinvestment: The Struggle against Redlining


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James M. Lloyd

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This thesis titled
Community Development, Research, and Reinvestment: The Struggle against Redlining

by

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Abstract

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Using archival data and oral histories, I describe the community reinvestment movement in Washington, DC from 1970 until 1985. Though the movement began as isolated private advocacy in the early 1970s, it helped pass key pieces of federal legislation, such as the Home Mortgage Disclosure Act (HMDA) and the Community Reinvestment Act (CRA). Additionally, DC’s reinvestment movement is unusual in that the city government used an interstate banking law to force reinvestment. Furthermore, I describe class-based barriers to reinvestment within the African American community and the community development and reinvestment struggle of the Adams Morgan Organization in the late ‘70s. I conclude with a discussion of how advocacy and research led to reinvestment because of successful venue-shopping and scale-jumping. This work fills specific gaps in the literature, to include DC’s role in the writing of CRA and HMDA, qualitative evidence of the effects of redlining, the use of interstate banking laws for reinvestment, and class issues within the African American community in the context of reinvestment.
This thesis is dedicated to the memory of Professor Robert Michael Lloyd, 1938-1994.
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<tr>
<td>ACORN</td>
<td>Association of Community Organizations for Reform Now</td>
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<td>ACTION-Housing</td>
<td>Allegheny Council to Improve Our Neighborhoods- Housing</td>
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<tr>
<td>AEDC</td>
<td>Anacostia Economic Development Corporation</td>
</tr>
<tr>
<td>AMO</td>
<td>Adams-Morgan Organization</td>
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<tr>
<td>AMTPA</td>
<td>Alternative Mortgage Transaction Parity Act</td>
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<td>CBCC</td>
<td>Central Brooklyn Coordinating Council</td>
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<tr>
<td>CCC</td>
<td>Center for Community Change</td>
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<td>CDC</td>
<td>Community Development Corporation</td>
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<tr>
<td>CRA</td>
<td>Community Reinvestment Act</td>
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<td>CRMI</td>
<td>Commission on Residential Mortgage Investment</td>
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<td>DC</td>
<td>District of Columbia</td>
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<tr>
<td>DC PIRG</td>
<td>District of Columbia Public Interest Research Group</td>
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<tr>
<td>DIDMCA</td>
<td>Depository Institutions Deregulation and Monetary Control Act</td>
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<tr>
<td>DOJ</td>
<td>US Department of Justice</td>
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<tr>
<td>ECOA</td>
<td>Equal Credit Opportunity Act</td>
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<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
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<td>FFIEC</td>
<td>Federal Financial Institutions Examination Council</td>
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<td>FHA</td>
<td>Federal Housing Administration</td>
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<td>FHLB</td>
<td>Federal Home Loan Bank</td>
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<td>FHLBB</td>
<td>Federal Home Loan Bank Board</td>
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<tr>
<td>FIRREA</td>
<td>Financial Institutions Reform, Recovery, and Enforcement Act</td>
</tr>
<tr>
<td>FNU</td>
<td>First Name Unknown</td>
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<tr>
<td>GAO</td>
<td>US Government Accountability Office</td>
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<td>HMDA</td>
<td>Home Mortgage Disclosure Act</td>
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<tr>
<td>HOLC</td>
<td>Home Owners Loan Corporation</td>
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<td>HUD</td>
<td>US Department of Housing and Urban Development</td>
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<td>IRB</td>
<td>Institutional Review Board</td>
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<td>MBA</td>
<td>Massachusetts Bankers Association</td>
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<td>Metropolitan Washington Planning and Housing Association</td>
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<td>NHS</td>
<td>Neighborhood Housing Services</td>
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<td>NPA</td>
<td>National People's Action</td>
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<td>NTIC</td>
<td>National Training and Information Center</td>
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<td>OBA</td>
<td>Oriental Building Association</td>
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<tr>
<td>OCC</td>
<td>US Office of the Comptroller of the Currency</td>
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<tr>
<td>SBA</td>
<td>Small Business Administration</td>
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<td>S&amp;L</td>
<td>Savings and Loan</td>
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<td>TRA</td>
<td>Tax Reform Act</td>
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### Abbreviations

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<tr>
<td>Fannie Mae</td>
<td>Federal National Mortgage Association</td>
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<td>Fed</td>
<td>Board of Governors of the Federal Reserve System</td>
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Chapter 1: Introduction

During the 20th century, American cities underwent dramatic changes: segregation, urban renewal, white flight, highway projects, suburbanization, and urban disinvestment. Washington, DC experienced many of these harmful processes and by the early 1970s many of its neighborhoods were severely disinvested. Today, however, DC is gentrifying at a stunning pace. Though the city was over 70 percent black in the 1970 Census (US Census Bureau 2002), today it is only about 50 percent African American, with approximately 237,000 fewer African Americans living in the District (US Census Bureau 2002, 2011). DC’s white population is exploding as neighborhood after neighborhood gentrifies (Morello and Keating 2011). Capitol Hill has become a very upscale neighborhood, and U Street and Adams-Morgan are now the party districts for DC’s white professional class. Even Anacostia, long-time destination for blacks uprooted by urban renewal, is beginning to experience gentrification (Wax 2011; Williams 2001). “Redlining,” racialized mortgage disinvestment, is one of the critical historical forces creating the conditions that allow gentrification and its study therefore has merit (Powell 2002; Smith 1979).

Racialized lending patterns have recently come to the public’s attention; the subprime lending debacle, resulting in historic numbers of foreclosures and devastating the world financial system, exposed the racialization of the financial industry to contemporary audiences (ElBoghdady and Trejos 2007; Immergluck 2009; This American Life 2008). In contrast to the optimism of pre-crisis research asserting that lending institutions were making owning a home affordable and that discriminatory real
estate practices were in the past (Brown and Chung 2008), the subprime crisis revealed that lower income Americans in general, and African Americans in particular, were heavily targeted by the subprime lending institutions (Wyly et al. 2009), with many African Americans receiving subprime loans when they would have qualified for prime loans (Savage 2010). This resulted in stripped equity and dramatically higher fees (USHUD 2000). On September 7, 2011, The New York Times editorialized in favor of federal investigation of these abuses, lamenting how "...large numbers of minority borrowers who were eligible for affordable, traditional loans were routinely steered toward ruinously priced subprime loans that they would never be able to repay." These loans were immediately repackaged and sold on as mortgage-backed securities (Immergluck 2009). After the crash in 2008, minority neighborhoods were disproportionately wiped out (The New York Times 2011), causing the wealth gap between blacks and whites to skyrocket to 20 to 1 (Kochhar, Fry, and Taylor 2011).

Subprime mortgages were particularly devastating to Prince George's County, destination for much of the suburbanizing black population of Washington, DC (Kellogg 2011). However, a historical view reveals that a racialized lending market is nothing new. Banks and other lending institutions, influenced by the Chicago School’s organicist model of urban “growth” and “decay,” systematically redlined inner city, minority neighborhoods across the US. Research on redlining, however, needs to take into account the insights provided by critical social theory; rather than interpreting processes of urban change as inevitable ecological processes (Hoyt 1939), critical social theory has shown that persons, community groups, corporations, and governments exert agency and cause
certain processes to occur in urban and rural settings (Shlay 1999). To wit, during the 
1970s, 1980s, and early 1990s, community groups, advocacy organizations, and city 
governments fought back against redlining in the inner city. Armed with social legislation 
passed from 1968 to 1977, these groups were able to win significant reinvestment 
concessions from banks and thrifts (Squires 1992).

Using oral histories and archival data, this thesis reports how community groups, 
advocacy organizations, and politicians campaigned against redlining in Washington, DC 
and how financial institutions resisted and/or cooperated with such efforts in the 1970s, 
1980s, and 1990s. First, I assemble the available evidence for redlining, including 
quantitative and qualitative data. I then show how over a 25-year period the anti-redlining 
movement in DC operated at the local scale and how it helped to effect structural change 
at the national level. Furthermore, I contextualize the anti-redlining movement within a 
broader community development effort pursued by the DC Government. Inner city 
neighborhoods in DC were undergoing gentrification during the 1970s; as an example of 
an anti-redlining effort, I report how the Adams-Morgan Organization acted to return 
mortgage investment to their neighborhood to help residents resist gentrification-induced 
displacement. This thesis outlines a process for forcing financial institutions to reinvest 
and highlights the importance of research in that process.
Chapter 2: Background and Literature Review

Redlining

From 1915 through 1930, hundreds of thousands of African Americans left the South and came to Northern cities in the Great Migration. Given the loss of laborers to the military in World War I and the concomitant increase in demand for materiel from factories, manufacturers contracted with railroads to bring large numbers of blacks north to work in urban factories. Northern labor unions, however, frequently refused membership to blacks and factory owners would sometimes use them as scabs. This, as well as competition over housing, led to tension between working class whites and blacks, the race riots of 1917-1920, and the rise of the northern Ku Klux Klan (Jones-Correa 2000-2001). Furthermore, lending institutions, realtors, neighborhood associations, and municipalities discriminated against blacks, limiting their access to housing. These groups utilized an ecological model of urban development created by the Chicago School (Hoyt 1939) and viewed the presence of blacks, poor whites, Jews, Arabs, Armenians, and other immigrants as signs of neighborhood “blight” and “decay.” This model used such biological terms to describe processes of investment, expansion, and disinvestment. Real estate actors used a variety of measures to determine where disadvantaged groups could and could not live, including segregation ordinances, racial covenants, and discriminatory realty practices (Jones-Correa 2000-2001).

While the US Supreme Court declared segregation ordinances unconstitutional in 1917, the constitutionality of segregationist covenants was upheld twice by the high court. Throughout the 1920s, 1930s, and 1940s segregationists relied on covenants to
prevent blacks from moving beyond their crowded neighborhoods (Jones-Correa 2000-2001), though demographic pressure sometimes resulted in the circumvention of these covenants (Cherkasky 1996/1997). Even after covenants were declared unconstitutional by the high court in 1948, discrimination by realtors and real estate boards continued to restrict the movement of African Americans, particularly given that realtors' ethics standards prohibited selling properties in white neighborhoods to non-white buyers with the justification that such sales would undermine property values (Jones-Correa 2000-2001). The fact that the "intrusion" of African Americans was taken to be the death knell of a neighborhood created a self-fulfilling prophecy of neighborhood disinvestment and depopulation, caused in part by banks and thrifts redlining neighborhoods. Such institutions, heavily influenced by the aforementioned ecological model of urban change, were disinclined to invest in minority-dominated inner city neighborhoods. In the 1930s the US Government created the Home Owners’ Loan Corporation (HOLC), a subsidiary of the Federal Home Loan Bank Board (FHLBB), to refinance the delinquent home loans of financially troubled home-owners. HOLC was staffed with established members of the real estate profession. When such realtors and loan officers were given the opportunity to create Federal policy they formalized the ecological model in the form of HOLC's security maps. HOLC exhaustively mapped neighborhoods throughout the cities of the US, ranking neighborhoods with security grades from “A” to “D” based on neighborhood age, racial composition, growth rates, and the presence of immigrants and lower class whites. The presence of any African Americans guaranteed a neighborhood a “D” rating;
this represents the Federal institutionalization of racialist redlining policies (Hillier 2003a; Jackson 1985).

Jackson (1980, 1985) established this narrative— that HOLC, through its housing security maps, was a racializing agent, causing segregation and redlining throughout American cities. This theory has been called into question, however, given that access to HOLC's maps was highly restricted, that HOLC made many loans in red colored category "D" areas, and that HOLC was frequently a small player in a city's loan market (Crossney and Bartlet 2005; Hillier 2003a, 2003c, 2005). The significance of HOLC's maps are more that they are reflective of the general racism of the financial industry of the time given that the agency was created and staffed by industry professionals; private lending and insurance institutions made similar maps also based on ecological theory (Hillier 2002). Furthermore, HOLC created the maps at the behest of the FHLBB to further that institution’s goals regarding the greater mortgage industry and savings and loan associations, rather than to assist the mission of HOLC itself (Hillier 2005a). The actual loans made by HOLC did not discriminate, with a very substantial proportion going to category D areas (Hillier 2002). The main discrimination shown by HOLC was in the resale of properties acquired by foreclosure. On occasion HOLC refused to sell homes to blacks if the neighborhood was predominantly white, in line with existing real estate ethical standards, as questionable as they may have been (Hillier 2003c). The main impact of HOLC is from the real estate journal published by its parent organization, the FHLBB. This journal heavily promoted the consideration of the neighborhood and the use of residential security maps and security ratings in making lending decisions (Hillier
In contrast to HOLC, the Federal Housing Administration (FHA) had real and serious impacts on minority communities through its racialist underwriting manual that required insured subdivisions to comply with FHA standards. These standards included provisions specifying that houses be set back from the curbs, that neighborhoods be single use, and that subdivisions include covenants excluding minorities, especially African Americans (Gotham 2000).

Quantitative studies on redlining pre-1975 are rare and have suffered from a lack of data, with the notable exception of Hillier (2003b and 2005). Apart from HOLC maps and lending information, data are almost non-existent. The FHA did not keep any information on the distribution of mortgage insurance below the county level (Jackson 1980, 1985). Thus quantitative studies have focused almost exclusively on redlining post-1975. Given that good quality data are only available after 1989 and even then only for certain municipalities, making quantitative claims about historical redlining is difficult.

Redlining was first documented in the literature by Jane Jacobs who termed it "credit blacklisting" (1961, 11). Activists in Chicago's Austin neighborhood created the term “redlining” after the color of the lines drawn around "high risk" areas on risk maps made by lending institutions (Pogge 1992, 134). Redlining, in concert with highway programs and FHA subsidies for suburbs (Jackson 1985), condemned much of the inner city to a future of disinvestment (Gotham 2000), though this interpretation has not been without its critics (Beauregard 2001). After the nationwide race riots of the late 1960s, trends towards disinvestment in the inner city were greatly exacerbated in the 1970s by the US Department of Housing and Urban Development’s (HUD) "triage" approach to
urban neighborhoods in which the poorest neighborhoods were abandoned by city and Federal agencies in order to disperse the resident population in preparation for urban renewal programs. In this program the "life cycle" model of urban neighborhoods, a variant of the ecological model promoted by the Chicago School, prophesized decline and disinvestment in African American-dominated neighborhoods. After being abandoned by Federal and city agencies, these neighborhoods did indeed suffer from disinvestment, but only as a result of abandonment and redlining (Metzger 2000).

In response to housing discrimination and civil rights activism, the federal government passed the Fair Housing Act in 1968 (USHUD 2011) that forbade process-based redlining (Hillier 2003b). However, under pressure from community groups, in 1975 Congress passed the Home Mortgage Disclosure Act (HMDA), legislation requiring lending institutions to report basic information on loans made, including geographic location of the home receiving a mortgage (FFIEC 2011b). Furthermore, Congress outlawed outcome-based redlining (Hillier 2003b) with the Community Reinvestment Act (CRA) of 1977 (FFIEC 2011a).

Armed with the Fair Housing Act and HMDA, in the 1970s community groups and academics set about documenting redlining through quantitative studies. However, the study of redlining has suffered from a lack of data. While HMDA required lending institutions to disclose the number of loans made by location, these data were not terribly useful (Dingemans 1979) given that they never provided the number of applications made, only the number of applications accepted. As Kantor and Nystuen (1982) pointed out, without much more detailed information from financial institutions making
conclusive claims about redlining would be difficult. Nonetheless, community groups and academics based a great number of studies on these data (Perle, Lynch and Horner 1994). These studies were critically reviewed by Benston (1981) who pointed out their many flaws, including the lack of data on demand for mortgages. While such critiques can be interpreted as the financial industry closing ranks against social activists, there can be no doubt that the data from the 1975 HDMA were very limited. Nonetheless, authors such as Squires and Velez (1987) continue to demonstrate redlining by compensating for income, condition of housing, and other neighborhood characteristics.

The story of the financial industry willfully impoverishing African American communities through redlining is grossly oversimplified. Rather, amidst the process of neighborhood devaluation brought about by white flight, subsidized suburbanization (Benston 1981), and redlining (Jackson 1985), property value decline was occurring regardless of the action any individual lender took. This was a collective action problem in which the aforementioned organicist model promulgated by the Chicago School (Hoyt 1939) had taken on a life of its own. As Jane Jacobs wrote, "Credit-backlisting maps, like slum-clearance maps, are accurate prophecies because they are self-fulfilling prophecies" (1961, 301). With declining property values, borrowers had incentives to default if the values of their properties dipped too far. Furthermore, lenders had to either charge higher effective rates to remain profitable or cease making loans to that area (Masulis 1982).

However, data on HOLC loans from the 1930s demonstrate that, all else being equal, poor areas need not necessarily be higher risk than well-to-do suburbs. HOLC used letter grades for neighborhoods, with entirely white, rapidly expanding areas given grades
of "A" and older neighborhoods populated by African Americans given grades of "D" for "Hazardous." HOLC data demonstrate that areas given grade "D" security ratings, while accounting for a higher number of defaults, actually had lower default rates than wealthier areas (Hillier 2003c). Additionally, Squires and O’Connor (1993) showed that there was no relationship between lender profitability and redlining. This demonstrates that the idea that older, heavily minority neighborhoods inevitably decline is spurious. Rather, it supports the idea that neighborhood decline is a socially constructed process, one in which action by a wide variety of actors (Kantor and Nystuen 1982) realize racialist ideas of ecological urban processes.

In response to the Savings and Loan Crisis, in 1989 Congress amended HMDA with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) to require that additional data be disclosed, including the number and locations of applications made as well as the race, sex, and income level of applicants. These new data were also limited because lending institutions considered many other borrower characteristics when making lending decisions, such as credit score. In the immediate aftermath of these reforms, however, Boston conducted an in-depth survey of its lending decisions, compiling vastly more data than required by the revised HDMA. Armed with these data, Tootell (1996) found little evidence for redlining, but did find that lenders were discriminating on the basis of race after accounting for all the other various variables, albeit not by a very large degree. Perle, Lynch, and Horner (1994) found no evidence for redlining in Detroit, and Schill and Wachter (1993) found no evidence for redlining in Boston and Philadelphia. However, Schill and Wachter used proxies for
neighborhood risk; after removing such variables their results show continued redlining. Furthermore, Ross and Tootell (2004) demonstrated that by requiring mortgage insurance in the form of Private Mortgage Insurance (PMI), FHA, or Veterans Administration insurance, the industry effectively increased mortgage rates for predominantly black borrowers to cover the risk of properties declining in value. Wyly (2002), Reibel (2000), Harrison, Glover, and Shaw-Jackson (2003), and Silverman (2005) found continued evidence for redlining in cities across the US.

Reibel (2000), Holloway (1998), and Holloway and Wyly (2001) found that lending can be dependent on the interaction between race and location, with lenders more likely to grant loans to African Americans in minority neighborhoods and less likely to grant them loans in white suburbs, though Friedman and Squires (2005) found that CRA helped minorities access such traditionally inaccessible areas. Abroad, Aalbers (2005a; 2005b; 2007) documented redlining and policy effects in the Netherlands, and Harris (2003) has researched the history of redlining in Canada.

By the late 1990s the industry had felt the effects of Federal legislation for decades, with the CRA in effect since 1977 and the Fair Housing Act in effect since 1968. Furthermore, the subprime mortgage market had opened up dramatically, with the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) of 1980, the Alternative Mortgage Transaction Parity Act (AMTPA) of 1982, and the Tax Reform Act (TRA) of 1986 laying the legal foundation for the dramatic expansion of the subprime sector (Chomsisengphet and Pennington-Cross 2006). In the 1990s and 2000s, redlining was eclipsed as a problem by subprime lending (Immergluck 2009; Squires 2008/9).
Indeed, Hernandez (2009) demonstrated how areas in Sacramento that were redlined during the 1930s-1980s were the same areas to experience the most exploitation during the subprime crisis as the financial industry changed from patterns of capital denial to patterns of capital extraction. Furthermore, such exploitative activity is linked to the disappearance of race from disclosure data (Wyly and Holloway 2002; Wyly et al. 2007). However, Casey, Glasberg, and Beeman (2011) found that African-Americans were more likely to take out loans from regulated lenders in cities with a history of community reinvestment organizing.

**Reinvestment and Community Development**

While the aforementioned literature has focused primarily on establishing or debunking the existence of redlining, or investigating its historical roots, there is a small body of literature examining how communities, groups, and municipalities fought real or perceived redlining and what success they had (Campen 1998; Dreier 1991 and 2003; Goering 1979; Fishbein 1992; Immergluck 2004; Naparstek and Dooley 1997; Schwartz 1998a, 1998b; Shlay 1999; Squires 1992, 1994, 2003; Squires and Chadwick 2009; Squires and O’Connor 2001). These groups practiced “regulation from below,” as they were able to use provisions of the CRA to prevent bank mergers and acquisitions from occurring by issuing legal challenges. These banks, in order to achieve business goals, would negotiate agreements to issue more loans to disadvantaged areas.
However, the reinvestment movement needs to be contextualized within the broader community development movement. Biddle and Biddle (1965, 78) defined community development as a process:

… a social process by which human beings can become more competent to live with and gain some control over local aspects of a frustrating and changing world. It is a group method for expediting personality growth which can occur when geographic neighborhoods work together to serve their growing concept of the good of all.

In this definition process is “a progression of events that is planned by the participants to serve goals they progressively choose …” By these definitions community development is participant planned, place oriented, and results in empowerment and increased ability to deal with the world. Popenoe (1967, 261) uses the definition proposed by Biddle and Biddle, as well as that of Irwin T. Sanders:

… change from a condition where one or two people or a small elite within or without the local community make a decision for the rest of the people to a condition where people themselves make these decisions about matters of common concern; from a state of minimum to one of maximum cooperation; from a condition where few participate to one where many participate; from a condition where all resources and specialists come from outside to one where local people make the most use of their own resources and so forth.

Thus in the ‘60s community development was seen, conceptually, as a process that induced empowerment and democratization. However, Ferguson and Dickens (1999, 5) more recently defined it as, “asset building that improves the quality of life among residents of low- to moderate-income communities, where communities are defined as neighborhoods or multi-neighborhood areas.” Under this definition, assets take the form of physical capital, intellectual and human capital, social capital, financial capital, and
political capital. Unlike the definitions popular in the ‘60s, the assets-based definition takes physical and economic development into account; this is probably because of the history of community development as outlined below.

The community development movement emerged out of a reaction to the urban renewal policies that characterized Federal and local urban policy throughout much of the 1950s and 1960s. Urban renewal had been discredited due to the terrible displacement involved and the fact that only a small proportion of the razed housing units were replaced. The program acted instead to free up valuable inner city land and was hence termed the “negro removal” program by its critics (Wilhelm and Powell 1964). To quote Biddle and Biddle (1965, ix):

Without adequate provision for community development, the construction of public facilities often fails to contribute to democratic social growth. Unless such provision is made, this failure will be repeated in urban renewal and rehabilitation, in area redevelopment, in highway construction, in subsidization of industry for needful regions, and in similar programs.

Renewal had always been a top-down process in which local communities were denied agency. While landowners at least received compensation from the imminent domain proceedings, tenants and business owners bore the brunt of the costs. Tenants were forcibly evicted; the power was cut, utilities turned off, windows broken, and eventually sheriffs’ deputies deployed to forcibly evict residents. Business owners paid a hidden subsidy to the renewal process in that they were only compensated for furnishings, not for the overall cost of their businesses (Jacobs 1961).

Community development envisioned a different future, one in which communities themselves took control of their destinies. However, the form that community
development has taken is radically different from that envisioned at the beginning of the movement. Community development, conceived more narrowly as the US community development movement, was launched by Senator Robert Kennedy, Elsie Richardson, and Ron Shiffman with the formation of the Bedford-Stuyvesant Restoration Corporation, the first Community Development Corporation (CDC) in the US (Bedford-Stuyvesant Restoration Corporation 2012; Chapple 2010). After making three speeches in January of 1966 in which he proposed job creation as his main priority, rather than education and job training, Kennedy toured the Bedford-Stuyvesant neighborhood of Brooklyn, NY at the invitation of the Central Brooklyn Coordinating Council (CBCC), a community group, and the Pratt Institute. At the end of the tour local activists confronted Kennedy. Mrs. Elsie Richardson, who was then chair of the Urban Planning Committee of the CBCC, replied to Kennedy’s call for a study of the area by saying, “No, no. No more surveys. We’ve been surveyed to death” (Johnson 2004, 116). Kennedy was not terribly pleased by this response, but took decisive action in response to the activists’ challenge.

During the 1960s and 1970s, the inner city was becoming increasingly disinvested because of white flight and subsidized suburbanization. When combined with deindustrialization that disproportionately affected inner city African-Americans, this meant that there was a large, predominantly minority population living in disinvested inner spaces where the built environment was badly deteriorating (Jackson 1985; Squires 1992; Squires 1994). CDCs, in corporate form, were to bring the best qualities of the private sector to bear on urban problems. The organizations were intended to use large
amounts of Federal funds to reconstruct deteriorating inner city areas. Robert Kennedy’s rationale for this was that the root of the social problems and poverty in the ghetto was unemployment. Kennedy (1967, 9):

More than segregation in housing and schools, more than differences in attitudes or life-styles, it is unemployment which marks the Negro (sic) of the urban ghetto off and apart from the rest of us—from Negroes who have jobs (including Negro leaders) almost as much as whites. Unemployment is having nothing to do—which means having nothing to do with the rest of us …

To solve this problem, Kennedy proposed to bring a large-scale reconstruction program to the inner city to rebuild housing stock, parks, and public facilities. Kennedy meant for CDCs to manage the projects and train the workers. Local residents were to be prioritized in hiring and ownership opportunities including of cooperatives and affordable housing. Using CDCs as vehicles for Federal reconstruction monies allowed the problems of unemployment and deteriorating buildings to be solved at the same time (Chapple 2010).

Over the first five years of the program, the federal government disbursed $90 million for 23 CDCs, with the Bedford-Stuyvesant Restoration Corporation received $5 million. After this initial push, however, the policy and its funding was abandoned. In 1968 the Kerner Commission formed in response to the race riots sweeping the country. The Commission pointed to urban growth patterns as responsible for the problems of the inner city, with new suburban employment opportunities spatially separated from the urban, African-American unemployed. These findings, along with the work of economist John Kain, caused federal policy to move away from community economic development as envisioned by Kennedy and toward resolving this spatial mismatch between new suburban jobs and the unemployed urban African Americans. Such policies included
Section 8 housing vouchers, attracting jobs to inner city areas, and improving transportation from the inner city to suburbia (Chapple 2010).

By the 1970s, CDCs found themselves without funding for large jobs programs. CDCs adapted by transitioning almost entirely into the provision of low and moderate income housing in cities using federal monies, including Title VII of the 1974 Community Services Act, and grants from private foundations (Stoecker 1997). Rather than jobs, they would provide housing, a particular need in light of the displacement caused by urban renewal. The work of CDCs became more and more narrowly focused on such housing provision; this decade put the development into community development. This focus on housing and physical development in general has meant that community development has become synonymous with physical development as carried out by CDCs. The fact that CDCs’ activities have been focused rather narrowly has confused definitions about community development in general. Ferguson and Dickens (1999, 6) note:

\[\text{...in our experience, when people say or write community development, they are usually equating it with CDCs or at least using CDCs as the prototype. Often only the housing and commercial development of what CDCs do are included. The rest is called organizing, advocacy, community building, and services, independent of whether social, intellectual, physical, financial, or political asset building is an intended outcome.}\]

CDCs did diversify beyond housing and economic development as the 1980s progressed and poverty worsened. Drug/crime prevention, job training, community policing, and health care increasingly became part of CDC portfolios (Clavel, Pitt, and Yin 1997).
Using a broad, asset-based definition of community development, community organizing is often directed at the goal of community development even if it is discussed as a separate activity. Community organizing develops social capital and political capital, allowing community groups to pursue structural change. This grassroots, confrontational method contrasts with the collaborative style of CDCs that engage with foundations, governments, and financial institutions to execute construction projects (Stoecker 1997). Gale Cincotta’s community action groups are a primary example of successful community organizing; these groups, with many veterans of the civil rights movement, used a variety of tactics to force banks and thrifts to stop redlining. While CDCs were the organizations that actually conducted development within impoverished areas, community organizations were the groups that acted to change structures in order to help their neighborhoods (Bradford and Cincotta 1992; Immergluck 2004).

The goal of CDCs and community action groups was the same: serving the economic needs of the residents of disadvantaged communities. However, community development groups were often too occupied with the actual provision of housing and services to be able to effectively act in advocacy campaigns. Furthermore, because of entanglements with federal grants and private foundations, they did not necessarily have the freedom to be politically independent (Bradford and Cincotta 1992). Community action groups, on the other hand, had the freedom and the organizational capacity to launch aggressive campaigns to force banks and thrifts to stop redlining and reinvest on favorable terms (Capraro 2004). However, this is not to say that the CDCs were unimportant to the reinvestment movement. On the contrary, CDCs operationalized the
reinvestment commitments of banks by creating loan demand including low-income housing projects and the like (Bradford and Cincotta 1992).

In the 1960s and 1970s, faced by disinvested inner city, predominantly black neighborhoods, civil rights organizations and community groups, armed with federal legislation and data provided by federal mandates, began to fight back against mortgage disinvestment (Immergluck 2004). The first reinvestment movement occurred prior to the passage of CRA and, indeed, prior to the creation of the term "redlining." In Chicago's Back of the Yards neighborhood, existing "unslumming" efforts (Jacobs 1961, 298) had been stymied by "credit blacklisting," as Jane Jacobs referred to redlining before the term even existed. The residents of the neighborhood, though they wanted to stay in their community, could not get loans to improve their dwellings. In response, they organized the Back of the Yards Council, a community organization, and held a meeting with representatives of financial institutions where they made it clear that district residents would take their deposits out of the various represented financial institutions if loans were not made available to the neighborhood. In response, some of the institutions present pledged to make loans and indeed did make loans, resulting in significant improvement to the neighborhood. Furthermore, and perhaps more importantly, the banks realized that Back of the Yards was not just a "slum" but rather a location for sound investment (Jacobs 1961).

Chicago was not the only community to experience early grass-roots reinvestment work. In Pittsburgh in 1957 the Allegheny Council to Improve Our Neighborhoods-Housing (ACTION-Housing) was founded, a local reinvestment initiative that approach
banks to finance moderate income housing, and in 1968 ACTION-Housing and North Side residents created Neighborhood Housing Services (NHS) (Metzger 1992). In Chicago in 1969 Gale Cincotta led the Organization for a Better Austin to combine with other groups to form the West Side Coalition to fight redlining (Pogge 1992). In 1971 the Center for Community Change (CCC) issued a report citing redlining as a decisive factor in housing abandonment in New York City (Christiano 1995 in Immergluck 2004). And as early as 1964, California passed disclosure legislation for savings and loans in response to urban disinvestment (Immergluck 2004).

The first major piece of federal legislation to address issues of disinvestment was the Fair Housing Act of 1968 that forbade discrimination in home lending. However, the enforcement mechanisms were extremely weak, with HUD only able to attempt conciliation and referring cases to DOJ (Immergluck 2004). Given this lack of enforcement, on the mid-1970s, anti-redlining groups, including Gale Cincotta’s National People’s Action (NPA), worked with Senator Proxmire of Wisconsin and his staffers Ken McLean and Robert Kuttner to pass HMDA in 1975. HMDA required banks and thrifts to release information on the geographic locations of their loans. Following further pressure from community groups as well as work by Washington-based advocacy group, Proxmire then passed the Community Reinvestment Act (CRA) of 1977. CRA was designed not just to stop redlining, but also to force financial institutions to look after the credit needs of their communities (Dennis 1978; Immergluck 2004; Squires 1992). The specific definition of redlining chosen by Proxmire was a major issue; CRA was designed not just to stop redlining, but also to force reinvestment (Dennis 1978; Immergluck 2004).
Definitions are particularly important in the study of redlining and reinvestment. Marcuse (1979) outlines six different definitions of redlining:

1. Absolute refusal – redlining is when lenders absolutely refuse to issue loans in a given neighborhood, or only grant loans on less favorable terms
2. Undue weight – redlining is when lenders give undue weight to location in the lending process
3. Relative blindfold – redlining is giving weight to location in approval phase, after the use of conventional appraisal
4. Absolute blindfold – redlining is giving any weight to location anytime in the lending process
5. Social need – redlining is failing to grant needed mortgages in a given neighborhood, regardless of conventional appraisal standards

As can be seen from these definitions, CRA as written hews very much to the idea of social needs.

However, federal financial regulators under the Reagan administration failed to enforce reinvestment legislation, taking a process-based approach to regulation rather than a results-based approach. In fact, the Federal Reserve Board did not deny a merger until 1989 (Immergluck 2004). CRA contained provisions allowing third parties to challenge bank branchings, mergers, and acquisitions based on the reinvestment record of the bank in question. Using HMDA data, throughout the late 1980s and 1990s community action groups were able to stop banks from branching etc. by filing CRA
challenges. Community action groups employed research, protests, direct action, and lobbying to bring lenders to the negotiating table. They then negotiated reinvestment commitments on the part of the banks (Immergluck 2004; Bradford and Cincotta 1992; Squires 1992). 1986-1994 represented a golden age of reinvestment, with an average of 29 CRA agreements per year. Key to much of this activity were the reforms of FIRREA as well as enhanced regulation from the federal government. In 1988, Bill Dedmann of the Atlanta Journal/Constitution published a story entitled “The Color of Money” exposing massive redlining in Atlanta (Dedman 1988). The story led to increased congressional oversight from Senator Proxmire, with the Board of Governors of the Federal Reserve (the Fed) actually denying its first merger request because of CRA issues in 1989, shocking the industry (Fishbein 1992; Immergluck 2004). Additionally, the large amount of merger activity occurring due to deregulation allowed community groups ample opportunity to negotiate reinvestment agreements (Schwartz 1998b). Successful CRA challenges and this more aggressive regulatory posture caused many larger banks to make unilateral reinvestment commitments to avoid scrutiny. Reinvestment agreements lessened in numbers by the late 1990s as merger activity decreased and the reinvestment movement had to defend its successes in the face of a hostile Congress (Immergluck 2004).

The process of reinvestment as it typically unfolded was highly complex and involved diverse actors, direct conflict and protest, negotiation, monitoring, and the enlistment of allies in local and federal government, the media, and academia. The main actors involved in these conflicts were community groups, banks, and thrifts (savings and
loans). Community groups, such as neighborhood associations, affordable housing groups, unions, and community development corporations, would not typically attempt to take on banks on their own. Rather, they would band together to create much larger alliances that would then make the main effort. Opposing these groups were banks and thrifts. The banks in certain places, such as Boston, acted collectively to combat the community groups. In Boston the Massachusetts Bankers Association (MBA), a trade group comprising almost all the state's commercial and savings banks, organized the industry's response to the reinvestment movement (Campen 1992). However, hindering the banks' response was the fact that banks and thrifts were accustomed to competing fiercely with one another, making collective action more challenging. Though in Boston the banks eventually decided to act collectively, they had to overcome "rivalries between big and small banks, between Boston-based banks and banks based elsewhere in the states, and between commercial and savings banks" (Campen 1992, 46). Diversity within the financial community also complicated the picture; the Boston Bank of Commerce played a significant role in the reinvestment process, for instance, because it was Boston's only black-owned and managed bank.

During the course of a given reinvestment struggle community groups would bring in various other actors to serve as allies on their behalf. For the community groups, non-profits were a clear ally in the struggle, such as branches of the US Public Interest Research Group (PIRG) (Lippman 1975a), the Association of Community Organizations for Reform Now (ACORN) (Schmidt 1991), and the like. In all of the cases covered in Squires (1992), local government in the form of the city government was allied with the
community groups in attempting to stop redlining and achieve reinvestment. For city
governments, declining tax revenues due to falling populations and declining property
values meant that mitigating the effects of disinvestment was an exercise in bureaucratic
and political survival. Mayors and city council members would intervene, sometimes
participating directly in negotiations. The Detroit reinvestment debate, for instance, was
begun by Mayor Coleman Young, the city's first African American mayor, who angrily
criticized the city’s banks on April 3, 1987, saying "our own banks have been notorious
for their refusal to invest in the city ... these banks got fat and rich off the City of Detroit"
(Everett 1992). In Boston, city councilors Bruce Bolling and David Scondras led an effort
to link city bank deposits with reinvestment performance; this program was to deposit
city monies only in banks that showed a commitment to servicing local credit needs.
Mayor Flynn ultimately appropriated this initiative by unilaterally creating such a linked
deposit program by executive order (Campen 1992).

Allies within federal and state government intervened, either directly in the form of
the approval of CRA challenges, or indirectly in the form of leaks of information. In
Detroit, for instance, the commercial bank Comerica, targeted for CRA efforts by
community groups, attempted to buy a Texas bank; this acquisition was challenged under
federal and state CRA statutes by two Detroit lawyers, James Edwards and Patrick
Murray, representing the Detroit Committee for Responsible Banking. During the process
of the state CRA challenge state officials inappropriately mailed Comerica's poor federal
CRA rating along with a great deal of other information to Edwards and Murray. This
CRA rating was meant to have remained confidential; the leak was supposedly accidental
(Everett 1992). However, it is entirely possible that a sympathetic government employee included the information on purpose (Everett 1992).

The primary means of beginning a struggle against a bank that was perceived to be redlining a neighborhood was to produce or acquire a study claiming that redlining was occurring. This study could then be cited as proof that the bank was intentionally disinvesting in an area. In Boston this took the form of a leaked draft study that had been performed by the Federal Reserve Bank of Boston (Campen 1992). Given the high prestige of the Fed, the leaking of the study dramatically bolstered the case of the community groups. Eight months after this draft was leaked the Fed went on to release a revised study that very forcefully concluded that "what is indisputable is that the ratio of mortgage loans to housing varies by race and this pattern cannot be fully explained by economic and other non-racial factors" (Bradbury, Case, and Dunham 1989, 4). Furthermore, this study invoked the CRA, stating "even if the disparities in mortgage activity were not the fault of lenders, banks and thrifts would be expected to help correct the situation" (Bradbury, Case, and Dunham 1989, 4).

Community groups and banks both deployed academic studies to validate their arguments. In Boston, beyond the federal study an academic study was also used to bolster the case of the community groups; in December 1989, during the height of negotiations, the Boston Redevelopment Authority released Charles Finn's study (1989) showing that banks made 2.9 as many home loans per 1000 privately owned housing units in minority neighborhoods as in white neighborhoods of equivalent income levels. Charles Finn was a prominent University of Minnesota economist who worked on
redlining studies for Atlanta, Detroit, and other cities. In Pittsburgh and Detroit the community groups had no federal study to rely upon, but instead used only academic work or their own research; in Pittsburgh the Manchester Citizens Corporation analyzed HDMA data itself (Metzger 1992) and in Detroit the Free Press reporter David Everett collaborated with University of Minnesota economist Charles Finn and Calvin Bradford of the Hubert Humphrey Institute to produce an anti-redlining study (Everett, Gallagher, and Blossom 1988). Financial institutions did, however, attempt to undermine these studies by hiring academics to do critical work in order to undermine the credibility of the published study. In Detroit, Comerica hired David Goldberg, a sociology professor at the University of Michigan, to discredit the aforementioned Detroit Free Press study. The Free Press study showed that Comerica was under-serving the credit needs of minority neighborhoods when compared with equivalent white neighborhoods. Though Goldberg's critical studies (1998a and 1998b in Everett 1992) harshly criticized the methodology and motivations for the Free Press study, this critique was ultimately meaningless because the head of the state bank regulatory body had been effectively convinced by the evidence he had seen (Everett 1992).

The nature of these published studies demonstrates how research is social practice (Harvey 1973). The results of studies conducted reflected two factors: the a priori political beliefs and assumptions of the researchers and the funding source of the study. Studies commissioned by community groups or the media show that redlining was indeed occurring (Campen 1992; Everett 1992; Keating, Brazen, and Fitterman 1992; Metzger 1992). Studies published by banks and lending institutions showed the opposite
(Goldberg 1998a and 1998b in Everett 1992). Studies were used as weapons to be deployed against the opposite side in a conflict, rather than some supposedly neutral way of generating objective knowledge. However, papers that criticize such anti-redlining research similarly fail to account for their own limitations. For instance, measuring the effects of self-discrimination, in which African Americans themselves may assume that there is no way for them to receive a loan and therefore not even apply, is very difficult if not impossible. Furthermore, some of these papers continue to rely on assumptions of declining property values, a self-perpetuating prophecy of ecological extraction (Masulis 1982).

In addition to academic studies, community groups deployed a variety of other tools and weapons in their struggles against redlining, including direct action. In Chicago activists practiced direct action protest as early as the 1970s; activists would enter bank branches en masse during busy hours, opening or closing accounts for one dollar. Similarly, activists would also drop handfuls of pennies in the lobbies of banks during busy hours, disrupting business. Depositors were petitioned to close their accounts unless institutions met with community groups and agreed to reinvestment demands (Pogge 1992). Beyond this there were traditional protests, picket lines, boycotts, and the like. In Boston in 1989, for example, the Community Investment Coalition, the state-wide reinvestment coalition, organized picketing and sit-ins at a Bank of Boston branch in Roxbury to protest redlining and other discrimination; these protests resulted in six arrests (Campen 1992).
The media were also instrumental in building momentum for a reinvestment struggle. In Detroit, for instance, the *Free Press* published the aforementioned series of stories showing that certain financial institutions were not adequately servicing local credit needs. These stories helped build public support for the movement and ultimately resulted in regulatory action that forced reinvestment (Everett 1992). In Boston, unrelenting media coverage by the *Globe* and the *Herald*, including publishing the main reinvestment proposal from community groups on the front page of the *Globe*, ensured that redlining and reinvestment remained prominent as local issues throughout the reinvestment struggle; without this publicity much less would have been achieved. Furthermore, the *Globe*'s publication of the leaked Fed study made redlining an important public story in the first place (Campen 1992). Community groups in Pittsburgh benefited from a study done by the Atlanta *Journal Constitution*; this Pulitzer Prize-winning analysis of thrift lending in the country’s largest metropolitan areas showed that Pittsburgh savings and loans had the second worst disparity in loan rejections between blacks and whites in the country (Metzger 1992).

The ultimate tool in getting financial institutions to the negotiating table was the use of the CRA challenge. Under the terms of CRA, the public could file legal challenges to bank mergers, acquisitions, and branching on the grounds that the banks were not adequately serving the credit needs of the local community. The use of lawyers and legal challenges put the teeth in these protest tactics, as the actual business operations of the banks were then affected. Of note is the fact that federal regulators were not adequately enforcing the provisions of the CRA; it took bottom-up challenges to ensure the
enforcement of this legislation (Shlay 1999). In Boston, as part of a reinvestment campaign, the Massachusetts Affordable Housing Alliance issued a CRA challenge to South Street Bank's application to open a branch in Tokyo; also in Boston the Community Investment Coalition challenged a BayBank Harvard Trust's application to open a branch in the Allston/Brighton neighborhood (Campen 1992).

After a combination of academic study deployment, protests, media attention, local, state, and/or federal government posturing or intervention, plus a CRA challenge, community groups would ultimately negotiate directly with banks and thrifts to achieve reinvestment settlements and commitments. Community groups were then able to use a settlement with one bank as a precedent and template for settlements with other banks in the community. In Pittsburgh, for instance, the Pittsburgh Community Redevelopment Group used a settlement with Union National Bank to legitimate negotiations with other banks. In this way community credit needs were addressed through the formation of review and oversight committees at banks, rather than waiting for the opportunity to carry out CRA challenges and then enter hostile negotiations (Metzger 1992). Schwartz (1998a) examined lending behavior by banks that had signed such CRA agreements, finding that such institutions were more likely to respond to credit needs of minority and low-income households.

**Redlining and Capitalism**

Marxist geography interprets redlining from an entirely different perspective, one necessarily based on a critique of capitalism. As Harvey (1973) showed in his work on
ghetto formation, conventional urban economic geography posits that different economic actors make "bids" for land in urban areas. The wealthy can outbid the impoverished, of course. Crucially, the wealthy can afford to spend more on transport; this means that bidding as a function of distance (from employment) results in a steep curve for the impoverished and shallow curve for the wealthy. Thus the impoverished choose to live closer to work whereas the wealthy may live further away, resulting in a ring of poor neighborhoods surrounding a central business district with wealthy suburbs beyond. This "Pareto optimization" is reflective of a functioning market economy. Thus ghetto formation inevitably occurs when the market determines land exchange value. In illustrating this Harvey quotes Engels' description of Manchester from 1844; at that time Manchester perfectly demonstrated this pattern, with a 1.5-mile wide ring of impoverished working class districts separating well-to-do suburbs from the central city. Engels describes the upper classes riding on omnibuses to and from the central city via shop-lined thoroughfares so that they would remain unaffected by the grimy conditions of the working classes districts through which they were passing (Engels 1962 in Harvey 1973). Such a description could be written of almost every major American city today. Furthermore, as Harvey notes, when congestion costs increase the wealthy simply move back into the city, forcing out the poor; this gentrification has occurred in many American cities, including New York, Washington, DC, Portland, and San Francisco, inter alia. When discussing the problem of disinvestment when connected to ghetto formation, Harvey (1973, 140-1) concludes:

   The banks, naturally, have good rational business reasons for not financing mortgages in inner city areas ... Given the drive to maximize profits, this decision
cannot be regarded as unethical. In fact, it is a general characteristic of ghetto housing that if we accept the mores of normal, ethical, entrepreneurial behavior, there is no way in which we can blame anyone for the objective social conditions which all are willing to characterize as appalling and wasteful of potential housing resources ... Consequently, it seems impossible to find a policy within the existing economic and institutional framework which is capable of rectifying these conditions.

As landlords respond to declining markets with under-maintenance, rents fall, as do sale prices. Financial institutions therefore cease supplying mortgage money to such areas and instead seek higher returns in suburbia, with their role taken over by smaller financial actors (Smith 1979).

The fundamental issue presented by Harvey is theory as social practice. It is possible to approach redlining and the real estate market from either a liberal perspective or a socialist perspective. While liberals might examine racism as market inefficiency, or the implementation of social programs within a market based society as a solution for poverty, socialists seek to attack the fundamental problems of market capitalism by demonstrating that redlining and ghetto formation in general are due to inherent problems with market capitalism itself.

Indeed, proposed solutions to ghetto formation have almost always been "liberal in that they recognize inequity but seek to cure that inequity within an existing set of social mechanisms" (Harvey 1973, 136). Most of the literature review in this paper is situated within such a liberal framework. Liberal notions of social justice imply that the spatial pattern of investment should fulfill the population's needs (Harvey 1973). The cited research uncovers redlining and attacks it as unjust and inefficient, resulting in a lack of
needed credit, but the research does not advocate revolutions in property ownership or production.

Harvey would characterize this research as "status quo research" or "counter-revolutionary research" (1973, 150) in that the articles prescribe solutions that only perpetuate the status quo or prevent a proper understanding of reality. The Marxist critique is that it is the nature of private property and the market as price-fixing mechanism that inherently creates these spatial patterns of disinvestment. Squires (1992) recognizes this Marxist critique (Harvey 1973, 150) by pointing out that from this perspective the commodification of housing is indeed the underlying cause of the inadequacy of credit. Squires (1992) argues that this is due to the fact that loan-to-income ratio and property value in inner city areas are unacceptable to creditors, regardless of the race or class of the inhabitants. Thus rational business calculations, free from racial prejudice, will still result in inadequate credit; social control of housing is the logical solution. However, Squires backs away from this conclusion given the political situation in the United States that does not tolerate suggestions of socialization of any industry. More often than not, as Harvey (1973, 144) notes, "we discuss everything except the basic characteristics of a capitalist market economy."

How, then, to characterize the nature of the struggle against redlining and the extensive community reinvestment movement? Ultimately, this was a liberal, non-revolutionary social movement concerned with liberal notions of social justice, seeking to achieve equity, efficiency, and a certain amount of redistribution to fulfill societal needs. Gale Cincotta, in her description of the anti-redlining movement, depicts it as a reaction
to the entitlement-based War on Poverty programs. The reinvestment movement was explicitly about empowering the community within capitalism rather than about helping individuals get their due under the Great Society programs (Bradford and Cincotta 1992). This liberal position largely ignores the fact that even with perfectly functioning markets, poor black neighborhoods still do not receive enough financing and below market rate financing is often a key feature of reinvestment commitments (Squires 1992). Similarly, CDCs were created not to undermine capitalism, but rather to extend the benefits of capitalism to groups that had not benefited from it. Though they disbursed federal and private monies, they did this from within a private sector model (Chapple 2010). CDCs therefore represent community controlled and private sector modeled government intervention. CDCs are far, conceptually, from state-run socialized programs. Whilst scholars have critiqued CDCs and community development in general as not radical enough (Purcell 2011; Stoecker 1997), the project was never intended to be radical in the first place. Robert Kennedy’s vision was of bringing the private sector’s forms and abilities to bear on social problems, not on undermining capitalism, especially given that the Ford Foundation was the major private partner in setting up the Bedford Stuyvesant Restoration Corporation (Johnson 2004).

And how to explain the governmental cooperation with the reinvestment movement, against the wishes of capitalists? As demonstrated in Squires (1992), local and federal governments allied against banks and thrifts to achieve reinvestment and better social conditions. At first glance this phenomenon seems to undermine the traditional Marxist theory that the state is a tool of capitalism. While reinvestment occurs
within the overall rubric of capitalism, it was certainly not in the best wishes of the banks; reinvestment loans were often made at subsidized rates. Furthermore, funds directed to reinvestment were unavailable for spatial distribution to other places of superior investment opportunity. However, the redlining movement did not seek to fundamentally change the nature of the market economy, but has rather involved increased access to capital and a certain degree of redistribution. This struggle, and government action, should be interpreted within Harvey's analysis (1973, 274): "... the public sector acts as a countervailing force to potentially destructive market exchange, while supporting the structural conditions necessary for the survival of capitalist forms."

Governments acted to ensure the survival of capitalism, often against the wishes of capitalists themselves.

In the 1980s, however, urban theory shifted away from conventional Marxian analysis to employ critical social theory, including ideas of structure and agency existing together (Gottdiener and Feagin 1988). Shlay (1999) in particular analyzed the reinvestment movement from such a perspective, examining to what degree local groups were able to exert agency by forcing lenders to increase investment in the inner city. This represents a significant departure from traditional Marxism in that this type of analysis includes a balance between agency and structure, “bringing people back in” to research (Gottdiener and Feagin 1988, 179), as opposed to a more traditional Marxian analysis that emphasizes the role of structure above all (Harvey 1973). Such a position is particularly useful for analyzing the reinvestment movement given that community groups were able to positively affect their economic positions through organization and
campaigning. While Shlay (1999) concluded that the increase in lending to the inner city was due to synergy between local efforts and national efforts, her analysis did not take into account the increase in the subprime market during that time period, a development that undercut many of the gains won in the community reinvestment movement (Immergluck and Wiles 1999).

**Gentrification**

While community development focuses on developing the assets of an extant, typically low to moderate-income community, gentrification involves the displacement of an existing community by today’s “gentry” – the urban middle class. Concomitant to such displacement, gentrification results in the renovation or redevelopment of the built environment in an area. The primary difference between the two is that community development involves the development of people and place, but gentrification only develops a place. The Georgetown neighborhood of Washington was one of the capital’s first neighborhoods to gentrify (Stephen 2006); today it is one of the wealthiest and least-diverse neighborhoods in the city. However, in that process the black residents were displaced and excluded, via alley dwelling clearances, racial covenants, and market-based mechanisms. A community development process, if implemented instead, would have focused on preserving low and moderate-income housing to prevent displacement, improving the social and political capital of the residents, and community economic development to expand economic opportunity for local residents left behind by deindustrialization.
Given that in the 1970s gentrification was a major issue in Washington’s inner city neighborhoods, I herein provide a definition thereof and also develop certain theoretical concepts necessary for understanding why developers sought to gentrify certain areas. Zukin (1987, 129) defines gentrification as “the conversion of socially marginal and working-class areas of the central city to middle-class residential use.” However, of import to this research is the concept within gentrification research of the rent gap. Smith (1979, 545) defines the rent gap as “the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use.” Ground rent is a financial claim by landowners from those that produce on their land; in the case of a farm, it would represent a certain amount of the harvest taken by the landlord from the tenant farmer. Capitalized ground rent is the actual amount collected by the landlord under current use; for landlords within the city, capitalized ground rent is the rent received from the current tenants. Owner-occupiers capitalize their ground rent when they sell their property. However, in the case of depreciated neighborhoods, it could be possible to return the land to its “highest and best use” via rehabilitation, redevelopment, etc. Under such a process the landowner could capitalize a potential ground rent; the difference between the original capitalized ground rent and the potential ground rent is the rent gap (Smith 1979). Landlords and developers can exploit this rent gap, but in so doing they displace the current tenants who may be unable or unwilling to pay the increased rents. Displacement, whether caused by gentrification or urban renewal, has negative social consequences (Gillette 1995; Zukin 1987).
The problem posed by gentrification hammers home the importance of community development. In response to community pressure a bank might announce a reinvestment plan and begin to make many more home loans in a disinvested neighborhood. On paper, then, the bank is no longer guilty of redlining. However, if the neighborhood is beginning to feel pressure from gentrification, such increased lending, while improving the built environment, might contribute to dramatic turnover by enabling the middle class to move back into an area. As I will show in the subchapter on Adams-Morgan, community development organizations and legislation are the missing piece that allows increased flows of capital to go to those residents are in need of affordable credit, not new residents who are living in the city to avoid a commute from a suburb they could easily afford.

Gaps

There is almost no literature on the reinvestment movement in Washington, DC, other than brief descriptions of discrete events such as DC PIRG’s failed 1975 effort against American Security (Dennis 1978), the federal government’s case against Chevy Chase Savings Bank (Immergluck 2004; Squires and O’Connor 2001), and Relman’s (2003) accounts of 1990s DC area anti-redlining and anti-discrimination litigation. There is certainly no mention of the contribution of the DC reinvestment movement to the passage of HMDA and CRA. Furthermore, the reinvestment literature focuses almost entirely on community groups and CRA challenges, largely neglecting the role of interstate banking laws in reinvestment. Though the literature does contain discussions of the problems of race the reinvestment movement (Glabere 1992) it does not mention the
problems of class within the African-American community. Additionally, while the redlining literature is full of quantitative analyses of home lending data and the reinvestment literature documents struggles to stop reinvestment, very little has been written on the lived experiences of those in redlined struggling to get loans. This research is intended to fill these gaps.
Chapter 3: Methods and Data

Research Questions

Beyond assembling and critically appraising the available historical evidence for redlining in DC, this thesis answers the following questions:

- How did Washingtonians and their allies act over time to contest real and/or perceived redlining, and how did the financial industry resist and/or cooperate with these efforts?
- What policy changes did the anti-redlining movement help to effect at the local and federal scales?
- How did the anti-redlining movement fit within the larger community development efforts pursued by the DC Government?
- How did the Adams-Morgan Organization combine anti-redlining and anti-gentrification efforts to fight displacement in the 1970s?

Given that I am studying events that occurred in the past, I necessarily used historical methods including archival sources and oral histories to answer my research questions (George and Stratford 2010; Harris 1978; Roche 2010).

Archival Research

Archival work is vital to studying events that occurred in the past for several reasons: it is not possible to acquire new data, such as overhead imagery or survey data, for past time periods; geospatial data may not be available; the individuals involved may
be deceased or otherwise not available for interview; and ethnographic observation is not possible for past time periods. Thus, archival records may be the only data available for certain subjects. However, for this research I benefited from the fact that my subject matter was of great public importance and there was extensive coverage from local newspapers. Fortunately, during the 1970s, 1980s, and 1990s there were four newspapers covering redlining: *The Washington Star, The Washington Post, The Washington Times,* and the *Washington Afro-American.* Articles from these newspapers form the core dataset that I analyzed in this thesis.

I retrieved data from the archives of area newspapers and other documents in the vertical files of the Washingtoniana section of the Martin Luther King, Jr. branch of the DC Public Library. The vertical files are loose collections of documents, arranged by topic and date. If there are limited data on a given topic, all the data are included in a single folder. If the data are extensive, the data will typically be sorted by date. For this research topic, most of the archival data were newspaper articles, though there were exceptions to this, such as empirical studies documenting redlining. As I found data in the vertical files I photocopied them on available machines in the Washingtoniana section. In addition to the vertical files, the Washingtoniana collection contains a microfilm archive of *The Washington Star*; though there is no topic index for the portion of the *Star* published in the 1970s, I retrieved articles by examining specific dates during which significant articles had been published in the *Post*.

To supplement the many newspaper articles available in the Washingtoniana collection, I used the online *Washington Post* archive available electronically via the
Ohio University library system. I used specific search terms, such as "redlining," "Proxmire," "CRA," "mortgages," etc. to search for articles pertinent to this research. I then printed articles as appropriate and included them in my physical collection of data. Because *The Washington Post* published through the entire time period of the study and its archives are available online via the Ohio University library system, I used it more than any of the other archival sources in my analysis. Though the vertical files provided the initial core dataset, the articles I retrieved online comprised the bulk of my data.

During my archival research I retrieved a total of 200 newspaper articles. Though there are some articles cited from other time periods, the cited articles are almost all from ca. 1970 to 1995. These newspaper articles cover local reinvestment movements, such as that undertaken by the Adams-Morgan Organization, the passage of CRA by Senator William Proxmire of Wisconsin, protests of lending institutions, the anti-redlining studies, commitments by banks to reinvest, public debates on whether the banks are doing enough, and the like. These articles form the data foundation of this thesis. To aid in analysis, I wrote an 11,000-word annotated bibliography of these articles; each entry contained a citation of the article along with a code and brief summary. For coding, see the analysis section below.

I also traveled to National Archives II in College Park, Maryland, to search for the Home Owners Loan Corporation (HOLC) risk maps for Washington. National Archives II contains HOLC maps and analyses in both the government documents section and the cartography section. While the work of HOLC did not pertain directly to the topic of the reinvestment movement in Washington, I still wanted to ascertain if HOLC had
performed any analysis of the city, as private lending institutions and the FHA may have performed similar analyses later and would likely have lent according to this ecological model (Hoyt 1939). National Archives II did not possess a HOLC file specifically on Washington and only had one map of the District. While this map, originally a Sanborn Insurance map, used the same color-coding as other HOLC risk maps, the coloring did not correspond with what was known about the District at that time. For instance, Chevy Chase was colored red on the map, and red is normally reserved for heavily African American neighborhoods. The map is included as Figure 1 below:
Figure 1. Map of District of Columbia. Source: National Archives II.
The Kiplinger Library of The Historical Society of Washington, DC is another important repository of historical data. Unfortunately, the library was closed from summer 2011 through mid-winter 2012 and I was unable to examine its collections.

During my archival research I retrieved several significant empirical studies that had major policy impacts when they were originally conducted. I first found the 1975 study by DC PIRG that used quantitative methods and lending data to demonstrate that DC savings and loan associations lent to predominantly black neighborhoods at miniscule rates compared to white suburbs and predominantly white neighborhoods within DC. This study was completed by student researchers under the supervision of James Vitarello, one of the oral history respondents. This study analyzed the total loan portfolios of the savings and loan associations within DC; these were federally chartered S&Ls. This study used lending data that the Government of the District of Columbia required the savings and loans to release. The main shortcoming of this study was that it could not account for different levels of demand or variations in quality of applicant.

I also retrieved a 1976 report by the DC Government on redlining and policies to combat redlining (Government of the District of Columbia 1976). This study was also carried out under the supervision of Vitarello, as he was Executive Director of the Commission of Residential Mortgage Investment, a DC Government commission, at this point. This study used a more sophisticated methodology than the DC PIRG study, including computer analysis. Again, the main shortcoming of this study was that it could not account for different levels of demand or variations in quality of applicant. Banks
were not required to release further information until mandated to do so by FIRREA in 1989, the reform legislation that followed the Savings and Loan Scandal.

I found the 1991 study by ACORN that used quantitative methods to demonstrate that redlining was still occurring, as was purely race-based discrimination in mortgage lending. This study took advantage of new data available after the passage of FIRREA. This study was superior to the 1970s studies in that it compared lending to areas that had equivalent incomes but different racial compositions. However, this study was still not able to take into account different credit scores, or examine how self-discrimination might lower applicants from certain areas. As Vitarello pointed out in his oral history, blacks often had very high back end ratios and did not have the amount of family wealth that whites did, so that equivalent income areas might still have vastly different amounts of actual wealth available; this might translate into significantly different credit scores and abilities to repay loans.

Finally, I found a study published by The Washington Post (Brenner and Spayd 1993) that reaches many of the same conclusions as the aforementioned ACORN study. The study showed that race was the decisive factor in where banks and thrifts made home loans; residents of black neighborhoods still turned to private mortgage companies though they charged higher fees and interest rates. Furthermore, white areas had three times as many branches per resident as did black neighborhoods and old-line banks and thrifts did less business than newly arrived institutions. Lending discrimination was pronounced in the District, where mortgage bankers were still thriving in black neighborhoods and did twice the business done by banks and thrifts.
Oral Histories

In addition to the archival work, I conducted oral histories with individuals involved in the 1975 DC PIRG study, private advocacy, and DC government during the 1970s and 1980s. As George and Stratford (2010, 140) state, "oral history can be a powerful source of situated learning and ... can facilitate enhanced understandings of space, place, region, landscape, and environment – the five central filaments of human geography." Oral histories provide data on past events and places as mediated through respondents' words and memories. I conducted oral histories to characterize the context in which these studies were conducted and to excavate the relationships between the researchers, their organizations, and the residents of the disinvested communities. Furthermore, these oral histories captured contextual, qualitative detail unavailable in the quantitative, policy-oriented studies that the organizations produced.

While conducting oral histories I paid particular attention to process and ethics. I conducted preliminary meetings or phone conversations to establish rapport, gather background information, and explore sensitive issues before the formal recording of the oral history (George and Stratford 2010). Though oral histories do not require IRB approval, I still obtained informed verbal consent from respondents prior to recording interviews. Anonymity will be neither practical nor appropriate given that I recorded oral histories from prominent, named public figures that were instrumental in the community reinvestment effort; their names and positions are part of what make their data credible and useful to this research. Ethics dictate, however, that I protect the original recordings
and transcripts if they include information that could place the respondents at risk in any way (Dowling 2010), though this is not the case. However, prior to donating these oral histories to any archive I will obtain consent from the respondents. In accordance with George and Stratford (2010), I strove to produce oral histories that are of high sound quality with a minimum of background noise and researcher comments. To accomplish this I used a digital voice recorder that generally produced very high quality recordings.

I selected individuals for oral histories based on the following criteria:

1. The respondent have detailed firsthand experience related to my thesis, such as conducting research on redlining in DC, organizing against redlining banks, conducting private advocacy to force lending in redlined areas, or writing government policy on community development;

2. The respondent be willing to speak with me.

   From a feminist perspective, this research is open to criticism in that the respondents (and the researcher) are all male. Women certainly did participate in the anti-redlining movement. However, none of the women that I attempted to contact responded to my communications. Furthermore, I could not find street addresses or offices for these women, so in-person cold calls were not possible.
The oral histories were to provide diverse perspectives on the issue and additional data not available from the archival sources. Given that the foundation of this thesis is archival data, I established in my proposal that I would conduct no more than five oral histories. This limit prevented the collection and transcription of oral history data from overwhelming the overall research effort.

Once the oral histories were recorded, I transferred them to my Apple MacBook Air laptop computer via USB cable. I then transcribed them using iTunes and Apple's TextEdit software. While transcribing, I used certain discretion when deciding what exact words to leave in and out, always with an emphasis on communicating the meaning that the respondent intended. This was due to ethical considerations regarding diction and dialect; it may be better to portray respondents in a more positive manner by not imprinting all aspects of accent and dialect onto a transcript (Nelson 2003), but instead seek to transcribe their meaning in a way that is not necessarily verbatim transcription.

After completing the transcriptions, written in the format of Memoranda for the Record, I emailed or hand delivered to each respondent a copy of his transcript.

In addition, in the following section I use thick description to place the reader in the setting of the oral history in order to improve rigor (Mansvelt and Berg 2010). I include details such as a description of the respondent's dress, accent, race, etc., and a description of the physical location of the interview. I also include a description of the interview process itself so that the reader can better understand the process by which I came to record the oral histories.
Beyond this thick description, I also include information on the personal backgrounds of the respondent. Unlike other oral history-based research in which the respondents' livelihood, nationality, etc. make them suitable to be respondents, in this thesis respondents were chosen on the basis of whether or not they played a role in the reinvestment movement in Washington, DC (George and Stratford 2010). The credibility of the data contained within the oral histories depends upon the respondents' backgrounds and work performed during the time period of note. I employ direct quotes from the respondents in this section to put their backgrounds in their own voices.

I recorded oral histories from the following individuals: James Vitarello, Esq., former redlining researcher at the DC Public Interest Research Group (PIRG) and currently a civil servant; Frank Smith, former community organizer and DC politician and currently a museum director; Robert Stumberg, former student director of DC PIRG, currently a law professor at Georgetown University; and Gerard Dunphy, president of a local real estate company. My method of selecting respondents involved both archival research and snowballing, as the following respondent descriptions show.

I contacted James Vitarello first. Vitarello was the most obvious choice as a respondent because he was the Executive Director of both DC PIRG and CRMI; in these roles his research showed that the savings and loan associations were redlining Washington, DC east of Rock Creek Park. I found his name in the copies of the DC PIRG and DC CRMI reports that I retrieved from the Washingtoniana collection at the Martin Luther King Jr. Library in Chinatown. On December 23, 2011 I traveled to his house and conducted an oral history (Vitarello 2011).
Vitarello grew up in an Italian American neighborhood in Mt. Vernon, NY, did his undergraduate at the University of Toledo and then law school at the George Washington University in Washington, DC. After this he worked as a legal intern at HUD, where he saw President Nixon withhold housing counseling money from HUD programs in order to ensure that they failed, that the low-income homeowners lost their houses due to lack of knowledge. Following this, Vitarello studied in Sweden at the University of Stockholm Law School, focusing on the Swedish ombudsman. Following this he returned to DC and was hired to be the first Consumer Protection Director for Washington, DC. Vitarello was frustrated by his management at the Department of Economic Development that according to his oral history had inappropriate relationships with the very retailers that he was supposed to investigate. After Vitarello left this position he was hired by the DC Public Interest Research Group (PIRG), part of Ralph Nader's PIRG network. As is discussed in the Results and Discussion section of this thesis, he was hired by this group for his anti-redlining program. After his work at DC PIRG he was then hired by the Government of the District of Columbia to be the Executive Director of the Commission on Residential Mortgage Investment (CRMI). His responsibility at both organizations was to investigate redlining in DC and he published reports at both of them (DC PIRG 1975; Government of the District of Columbia 1976). This work in particular was the focus of his oral history.

Following this work Vitarello worked at the US Office of the Comptroller of the Currency (OCC) where he traveled around the US to promote lending that would comply with CRA. Vitarello's later employment and experience is also relevant given that he did
lending policy consulting for the Reagan Administration and then was hired by the
Government Accountability Office (GAO) in the same field.

I next recorded an oral history from Gerard Dunphy, owner of Dunphy Properties, a
real estate company located at Canal House, 1 E Street SE, Capitol Hill. I contacted
Dunphy at the suggestion of Vitarello. Throughout the 1970s Dunphy engaged in
extensive private advocacy efforts and provided invaluable assistance to Vitarello’s DC
PIRG researchers. Dunphy is Anglo-Irish, as he was born in England to Irish parents but
spent a significant amount of time in Ireland growing up. What follows is a quote from
the oral history in which he describes his childhood and education. Dunphy finished
school in London at Wimbeldon College, another Jesuit secondary school. After this he
served for two years in the British Army, as there was still conscription in the United
Kingdom, and then went to Oxford University where he received a degree in philosophy.
After working in writing and construction he came to the United States in the early '60s,
where he immediately began working in building maintenance and rehabilitation. During
the oral history he shared an anecdote about how unfamiliar he was with racial
discrimination:

I never knew about discrimination or any of these things until I came to
Washington. ... a man was showing me the basement of a big apartment building
on Wisconsin Avenue. And I was already hired by the man; ... I had some type of
job inspecting all these big nine-storey buildings, apartment buildings. And I went
down to the basement ... and I saw two bathrooms and one said "colored" and one
said "white." So I said, "well you've got two sets of plumbing here in this place
here." I said, I remember telling the superintendent, "that's rather wasteful." I said,
"you've got - why do you need two bathrooms?" I said, "it costs more money,
doesn't it, to have two bathrooms when one would do just as well for the
workmen." Because that's what it is, working men's bathroom. Right?
This racial discrimination clearly had a great impact on Dunphy; throughout the interview he expressed strong support for Democratic politicians, such as the Kennedy brothers, and contempt for Republicans and their less than ideal policies towards African Americans.

I conducted a preliminary meeting with Dunphy on January 18, 2012 at his Canal House office. Dunphy, his son Brendan, and I discussed his work in the 1970s and we arranged for me to return the following afternoon to conduct the oral history. The afternoon of the next day, 19 January 2011, after no one answered the phone when I called, I again showed up at Dunphy's offices and knocked on the door. After Dunphy answered the door, I then recorded an oral history with him at his office. In the meantime Dunphy had located his correspondence records from that time period and leafed through them as we talked.

In addition to the oral history, Dunphy allowed me to take his pertinent correspondence from the 1970s back to Ohio University to catalogue and photocopy. This collection includes 63 letters written by Dunphy, 44 letters written to Dunphy, 32 letters written between others, and 100 other documents including newspaper articles, lending analysis, records of the Capitol Hill Restoration Society, and records of legal action taken against banks and savings and loan associations. I photocopied and catalogued this collection in its entirety at Ohio University and returned the originals to Dunphy via FedEx.
I next recorded an oral history from Frank Smith. Smith is currently the Director of
the African American Civil War Museum and has a Ph.D. in city planning. However,
Smith's work in the 1970s is most pertinent to this thesis; during the '70s he was head of
the Adams-Morgan Organization and in that position led a successful reinvestment
movement. Following this, Smith served on DC City Council for 16 years. I selected
Smith as a respondent because of his experience in leading a community reinvestment
movement and also because of his service as a DC Council Member. I found his name in
a *Washington Post* article detailing his work as head of the Adams-Morgan Organization
(Lyons 1976).

Smith began his career in the civil rights movement in the American South. He is
originally from rural Georgia and received his undergraduate degree in political science
from Morehouse College in Atlanta, GA. Smith was enrolled there at the same time that
Martin Luther King, Jr. was working there. Dr. King taught a seminar at Morehouse, and
Smith met him during civil rights demonstrations in Atlanta. Smith:

I had spent three years in Atlanta organizing in the Atlanta civil rights movement,
and we organized people to register to vote, I actually worked on two political
campaigns, one for a state legislator and one for Mayor of Atlanta, a guy who ran.
Well the state legislator did win, the [mayoral candidate] didn't win. And then I
went to Mississippi and as I said I helped to organize the Mississippi Freedom
Democratic Party ...

Smith then came to Washington as part of his civil rights work in Mississippi:

In the course of my civil rights work in Mississippi, I came to Washington, DC to
represent the Mississippi Freedom Democratic Party. My job was to travel from
state to state, convincing state delegations to support the challenge that the
Mississippi Freedom Democratic Party would bring at the Democratic
Convention in 1964 in Atlantic City, New Jersey. So I came to Washington and
here I met people at the Institute for Policy Studies ... and this institute was to
work on peace and human rights... the human rights part of it was the civil rights movement. And they asked me to come there and do some work, research and some writing and some policy work in that area, and that's what I came for.

Smith moved to Adams-Morgan at the advice of his new colleagues at the Institute for Policy Studies. Smith was a renter, and after working to help organize tenants' associations, he became even more involved in the community by working in the Adams-Morgan Organization.

I first emailed the African American Civil War Museum on 12 December 2011, requesting an appointment to speak with Smith regarding his work with the Adams-Morgan Organization. I did not receive a response, so I went directly to the museum and, after waiting approximately one hour, spoke directly with Smith. This preliminary meeting lasted approximately 30 minutes and Smith spoke about his efforts to force Perpetual to reinvest in Adams-Morgan. At that meeting he agreed to record an oral history upon my return to Washington in January.

Though I had not heard back from Smith, on January 18, 2012 I returned to the African American Civil Museum. At that time we agreed on a January 20, 2012 morning appointment to record the oral history. On that date I recorded the oral history from Smith in a back room at the African American Civil Museum, located just off U Street in Northwest Washington.

My final interview was with Professor Robert Stumberg, Esq., of Georgetown University Law School. Stumberg was the student director of DC PIRG in the 1970s and as such hired Vitarello to be the Executive Director of DC PIRG in order to lead the anti-redlining research project. Vitarello suggested that I contact Stumberg given his work
with DC PIRG. I emailed Stumberg and followed this communication up with a long phone call, which served as a preliminary meeting.

After graduation from law school, Stumberg took a position at Georgetown Law doing legal policy research for the DC Government. In this position Stumberg directly wrote policy for the District of Columbia; his office helped craft legislation that was subsequently passed by the DC City Council. In Stumberg's words:

I got a fellowship here at Georgetown to work as part of a legal backup center for the DC Council. So a lot of the issues we started on with DC PIRG I was able to keep working on and it was as a lawyer for the DC Council, but working for Georgetown University, serving the DC Council, we worked on Marion Barry's speculation tax and David Clark's legislation on tenant right to purchase, and then eventually the bigger package which we pretty much drafted and then the legislation was managed by John Ray and John Wilson through their committees on the council. So I kept working on those sorts of urban development issues.

While he did not directly research redlining, he has an intimate familiarity with the community development work done by the City Council, an understanding of the real estate dynamics in DC in the 1970s and 1980s, as well as personal experience regarding redlining.

Stumberg grew up just west of St. Louis in St. Charles, Missouri. He received his undergraduate education at Macalester College in St. Paul, Minnesota, and then attended law school at Georgetown. Stumberg has remained at Georgetown Law for the vast majority of his career pursuing similar public policy work. I recorded an oral history from Stumberg during the afternoon of 20 January 2012 in his office at the Georgetown University Law Center, located on New Jersey Avenue NW in downtown Washington, just west of Union Station.
After transcription, the 298 minutes of oral histories came to 44,652 words, or approximately 149 pages. Oral histories helped answer the research questions, adding qualitative detail to an otherwise quantitative dataset. These data were vital to the analysis for several reasons. Firstly, these oral histories contain data that simply do not exist elsewhere. Secondly, these oral histories offer perspectives from professionals in their field, men that did anti-redlining research, public policy, community organizing, and real estate as their business during the relevant time period. Their thoughts on the subject matter are therefore extremely important to take into account. Thirdly, these data paint a picture of Washington during this time period, providing place-specific context that may be difficult to gain from secondary sources. I used the oral history data to complement the archival data and also to drive certain theoretical interpretations.

**Timeline and Analysis**

I traveled to DC in August and December of 2011 to conduct archival research at the Martin Luther King, Jr. Library as well as at the Kiplinger Library of the DC Historical Society. During the August 2011 research I discovered the DC PIRG redlining study; this motivated me to choose the anti-redlining movement as a thesis topic. During December 2011 I recorded an oral history with Vitarello; I also returned in mid-January 2012 and recorded the other three oral histories. I transcribed the oral histories in January and February 2012; during this time I also catalogued Dunphy's correspondence as discussed below. Following this I began writing, though I also took time to photocopy Dunphy's correspondence and complete archival research via Ohio University's electronic
access to The Washington Post. In March 2012 I spent several days in DC, completing my fieldwork by examining the data available in the Washington Star archives at the Martin Luther King, Jr. Library.

The concepts brought forth in the literature review forms the basis for my analysis. Furthermore, the examples of reinvestment movements set forth in Squires (1992) give a basis for comparison. However, I use theory from the literature to drive a deeper analysis of the reinvestment movement in Washington, with a focus on specific ways in which the efforts of researchers, community groups, and policy makers interacted to effect structural change.

My analysis was an iterative, inductive process that occurred throughout the data collection, processing, and analysis phases of the research. As I collected certain data the theoretical implications became evident; for instance, as Vitarello recounted working on HMDA and CRA with Senator Proxmire's staff, issues of scale and venue shopping emerged; this in turn informed the literature review and resultant theoretical interpretations. In support of this inductive analysis, as I collected and processed the data I wrote 18 analytical memoranda to ensure that ideas, theories, and analyses were recorded (Emerson, Fretz, and Shaw 1995). I then used these memoranda as a foundation upon which to base the Results and Discussion section of this thesis.

In order to complete my analysis, I coded the oral histories and the archival data. Rather than use open coding, I relied on my literature review and the aforementioned iterative, inductive analysis to generate researcher driven, analytic codes (Cope 2010). These codes, in alphabetical order, are as follows: bank accommodation; bank resistance;
community development; community movement; counseling services; exploitation; gentrification; jumping scale; media involvement; political involvement; private advocacy; and researcher involvement.

To determine the historical evidence for redlining, I examined the methodology of the available quantitative studies to determine how effectively they may or may not demonstrate the existence of redlining (Brenner and Spayd 1993; DC PIRG 1975; Government of the District of Columbia 1976). Additionally, I used data from the oral histories and from archival sources to complement these empirical studies in the determination of the historical evidence for redlining.

To answer my two research questions, on the subject of resistance to redlining and conflict over reinvestment, I assembled the coded, summarized archival data and oral histories to form a description and analysis of the various efforts made by community groups, researchers, and politicians, and responses by lending institutions. I then used this to write a narrative of how the reinvestment movement progressed in the District. Furthermore, I used this analysis to construct a model of how community action led to structural change in Washington and nationwide.
Chapter 4: Results and Discussion

Context

During the 1970s, DC was at the center of a national debate surrounding redlining. Multiple studies showed that thrifts were redlining black neighborhoods in DC. Residents of predominantly black neighborhoods were able to procure financing for home loans; however, this financing was typically from mortgage banks and was much more expensive than loans issued by thrifts. This was typical of American cities that were undergoing systematic devaluation and disinvestment. By 1970 Washington, DC had undergone some of the most extensive white flight in the US, with many middle class whites moving to newly created suburbs in Virginia and Maryland. Between 1950 and 1970 the city lost over 300,000 white residents and gained over 250,000 black residents, with total population decreasing from \(\sim 802,000\) to \(\sim 756,000\) residents. During the same period the suburbs gained \(\sim 1.4\) million residents (Gillette 1995). By the early 1970s Washington was over 70 percent black (US Census Bureau 2002), surrounded by predominantly white suburbs. DC was treated as little more than a home for monuments and office space, with legions of white workers daily commuting in on highways and mass transit from their suburban homes. Large highway projects were built throughout the 1960s and 1970s, necessitating the condemnation of wide swathes of urban housing. The federal government linked mass transit funding to highway funding over the loud protests of black groups (Gillette 1995).

Throughout the post-war period Washington was assaulted by a series of urban renewal schemes that displaced thousands of black residents. The most damaging of these
was the 1958 razing of 99 percent of the housing in Southwest without adequate consideration for the relocation of the residents. In an incredibly arrogant example of modernism and racism, the entire area was demolished and its residents removed in order to prepare the area for inhabitation by the more affluent. This obviously caused massive social upheaval. Gillette (1995) links the 1968 race riots that followed the assassination of Martin Luther King, Jr. to the forced displacement of these urban dwellers.

Furthermore, DC suffered from non-democratic rule up until the 1970s; federal commissioners ruled the city, making decisions in favor of suburbanizing whites rather than on behalf of the remaining blacks. In so doing they relocated a large proportion of the city's population to Anacostia, cut off from the city by a river, cut off from the river by a highway, and condemned to live in poor quality housing projects (Williams 2001).

By the time Frank Smith arrived there, housing was quite inexpensive due to the depopulation the city had experienced. Smith describes Adams-Morgan upon his arrival:

… the housing was cheap. Housing was cheap so it was easy to do. Cheap, meaning inexpensive, wasn't cheap, was inexpensive. And at the time, because Washington, DC actually was, even before the riots of 1968, people were moving out of here. Cities, in general, were being depopulated (Smith 2012).

During the 1970s the housing market began to rebound to a certain degree, particularly in the neighborhoods close to downtown. Gentrification became a major issue in these inner neighborhoods, as landlords evicted longtime renters to sell the buildings to speculators who would rehabilitate the buildings to be sold at much higher values (Stumberg 2012).

In the words of Stumberg:
… the broader context was gentrification and the center of the battle was what we used to call the "fertile crescent," the neighborhoods right around downtown. And that was the Fertile Crescent in the late '70s and early '80s because proximity to downtown made those properties convenient and therefore commercially marketable (Stumberg 2012).

It was within this context of disinvestment and the beginning stages of gentrification that the DC reinvestment movement began. However, residents of DC did not passively submit to disinvestment; they organized and fought redlining through pressure tactics, politics, and negotiations. This thesis examines the available evidence for redlining and, after Shlay (1999), analyzes how community groups and the DC Government exerted agency through reinvestment efforts. Furthermore, I show how community groups, DC politicians, and lending institutions struggled and cooperated throughout the redlining effort and how both sides deployed social science to attempt to dominate the redlining/reinvestment discourse at varying scales.

Evidence of Redlining

Before examining resistance to redlining, herein I establish that redlining was, in fact, occurring in the District of Columbia. The quantitative evidence rests on the two main studies done on redlining in DC in the ‘70s: the 1975 DC PIRG study and the 1976 CRMI study. The DC PIRG study was done manually and relied on a comparison of the volume of mortgages from savings and loans going to the suburbs, to DC west of Rock Creek Park, and to DC east of Rock Creek Park. While this study could not gauge demand for mortgages given that such data were not collected until after the passage of FIRREA in 1989 (Associated Press 1989), the results of the study showed such a massive
imbalance in loan volumes that redlining is the only possible conclusion for the lending pattern. Furthermore, the study establishes that residents of the redlined neighborhoods were in fact getting financing, but they had to go to more expensive mortgage banks rather than to savings and loans. This meant that residents of minority neighborhoods had to pay more for financing than residents of white neighborhoods given the higher cost of financing from mortgage bankers. The CRMI study brought more sophisticated methodology to bear, with the incorporation of early computer technology. This study showed that the redlining was even worse than the DC PIRG report had found.

Though a social scientist could criticize such studies over methodology, qualitative methods confirm that redlining was occurring. Firstly, there are redlining anecdotes gathered from oral history respondents. Frank Smith discusses a white woman’s experience in Adams-Morgan in the 1970s:

And this was true not just with African Americans now. This was also true with white people, too. There was a young woman I know very well who lived on Kalorama Road who had a property. She actually owned the property - had no mortgage on it at all. She was trying to borrow money against this property because she wanted to do something else with the money. And it didn't have a mortgage on it. But they wouldn't lend her any money. It wasn't just African Americans, it was done by - redlining is a process by which they throw a line around a community. It doesn't matter who lives there, they weren't going to make any loans there, because they say it's a high-risk neighborhood (Smith 2012).

This is classic redlining; financial institutions denying loans to all residents of minority dominated inner city neighborhoods regardless of the race of the individual borrowers. This certainly happened extensively to Dunphy, whose private advocacy was motivated in part by the difficulty in obtaining financing for his business operations. When asked about how he knew that the banks were redlining, Dunphy became momentarily upset:
Lloyd - So, it seems that you knew in the early '70s, that all these banks, all these S&Ls, were redlining your area, your neighborhood.

Dunphy - Well what do you mean I knew? I means that's my business, James, I'm sorry.

Lloyd - Well of course that's what I mean.

Dunphy - I'm not, I'm not going to be, I'm sorry, I don't want to be, to get irritable, like I was raising hell with Brendan (his son) here a short time ago, I'm got to calm down. That was my business. I'm here running a real estate office, it's not an academic study. It's my business, it's how I make my living. And we had customers come in, and they need a loan. And you send them up somewhere and they don't even get it, they're just turned down. Or I would go and try to get a loan on some property in order for me to buy it. So that's how I got to know it. It's not just, it's just I'm sorry for putting it that way, being be blunt about it. It's my business, and that's how I got to know about it (Dunphy 2012).

He recounts being redlined by financial institutions in DC:

... because none of these banks right up here, Third and Pennsylvania Avenue, there's four of them still right there, they've changed names, but all four of them wouldn't give you a loan right in their own neighborhood. On the next block over. I say "what's the matter with you? The house is on the next block over from you. Why can't you make a loan on it?"

"Oh no no" Then they come up with all these damn crazy things, like, "the zoning's this, you haven't checked the foundations."

"We'll have that done." Then you say, "okay, we'll have the foundations checked. Is that what you're worried about? Let's do that then."

Then they just all get red in the face and started trying to change the subject, saying "Oh man, you're a Kennedy liberal, you better" and so on "we can't deal with that." Just like the Republicans today, like some of the people today who are, if you ask me, are still racist (Dunphy 2012).

Though the banks were in very close physical proximity to the properties in question, they preferred to lend to white, suburban neighborhoods. Dunphy, it should be noted, is white, and this is therefore another example of a white person being denied a loan
because of the racial composition of his neighborhood. Even more extraordinary, however, is Stumberg’s account of being redlined:

I was working at Georgetown as a staff attorney. I didn't make a lot but I had a stable job. I worked at a well-known employer so there was no reason not to make a loan to me. I looked really hard for a house relatively close in so that I didn't have to commute … I ended up in Brookland. That's where I could afford a house and keep my housing, my mortgage payments in the range of 25% of my income. It happened to be a black neighborhood - that's why I could afford it. I couldn't afford to live in the inner city white neighborhoods. I had a realtor, a real estate agent whose name was Paulette Blair and she was great (Stumberg 2012) …

Within a couple of weeks Stumberg and his realtor found a house he liked where the family was willing to sell, and from there the challenge was financing:

So she said, "All right, this should be easy from here on in, you guys are a great credit risk." So she applied to Perpetual for a loan. And it was denied! The loan application. And it was denied for reasons of "failure to meet code on electrical wiring." And she was kind of puzzled by that. And she investigated it specifically and brought in an electrician and he said, "the house is up to code, it's in good shape," so she continued to push the loan application through the bank. And right at that moment she said, "you're being redlined, which is ironic. You're a white guy and you're being redlined. Why? Because you're trying to buy a house in this black neighborhood" (Stumberg 2012).

Of course, the loan officer did not presume that Stumberg and his realtor had the wherewithal to bypass the traditional loan application process:

And as luck would have it, [my realtor] was not just a real estate agent; she was one of these people who was doing her own personal advocacy in the community, and she had been invited to be on a TV show to talk about redlining. So it was a panel of folks, you know, she was the real estate type person, and there was a bank president person, there was community activist person. And the President of Perpetual was on her panel. And so he was on there saying, "we're the first bank to really try to break through and overcome this history of redlining, we're the leader." And she said, "well, you're the guy to tell the story. Tell me whether you think this is redlining." So she told him on the air the story of my loan application. Got a client, Brookland, black neighborhood, white client, good income, house is in great shape, bank turns down the loan and gives us this bogus excuse. And he
said, "that's obviously redlining." She said, "it's your bank." Cut to commercial (laughs). So during the commercial he said, "we'll fix it." (laughter) And a day later I had my loan (laughs) (Stumberg 2012).

Again, a middle class white buyer is refused a loan for a house in a black neighborhood; this is classic redlining. Two aspects of this account are of note: firstly, the financial institution denied the loan by citing a non-existent flaw in the structure, just as is the case with Dunphy’s account. The banks were probably aware that if they cited the racial composition of the neighborhood they would be in violation of federal legislation laws and regulations. Instead they invented flaws with the structure as excuses for not making the loans.

Secondly, this loan was ultimately made because the tide was turning with the banks; Perpetual had decided to reinvest in DC neighborhoods, but the culture and process of lending had not changed at the level of the customer. The S&L president’s pressure on, or direct orders to, the loan officer clearly resulted in the execution of the loan.

The cited quantitative studies are convincing, but of course they can be criticized based on their methodologies. The anecdotal, qualitative evidence is extraordinary, but again it is difficult to prove systematic discrimination based on a few select instances.

Further evidence came from the banks themselves:

Vitarello - … so the banks did admit they were wrong, got the Executive Vice President of American Security, which was then the second biggest bank in DC, to publicly stand with me and said that the banks had not fully met their responsibility to the community and they're sorry, that's how he put it, and that things were going to change. And he actually got the bankers association in DC and the thrift association in DC, savings and loans, all to go along with it, which
was quite remarkable because remember they were in total denial when I did my report.

Lloyd - So essentially they all admitted they were redlining.

Vitarello - They did. As an association, yes. Now there were still some individual lenders who still were in denial, of course.

In 1976, after bank performance had improved significantly, Bradford F. Cole, the Vice President of Washington Federal Savings and Loan, said, “We had to be jolted a little bit” (Krause 1976). Clearly, the banks were very aware of their own behavior, even if they were a bit reluctant to speak of it. A The Washington Post story from the ‘80s even includes an oblique reference to how banks admitted that they had redlined in the past (Pyatt 1985a).

Given the quantitative studies, the qualitative evidence, and the outright admissions by bankers, it is clear that financial institutions, with a few exceptions, including Independence, Industrial, and to a certain degree Perpetual, redlined the black neighborhoods in Washington.

**Researchers and Public Advocacy: Reinvestment in the 1970s**

While private citizens and community groups were certainly well aware of redlining and were agitating to stop the practice, as the preceding discussion shows, in the mid-1970s it was the researchers that really took the fight to the lending institutions and forced structural change. From Stumberg:

There were people like Jim [Vitarello] who were out there taking the lead on redlining and so the object of advocacy, both direct and through public policy, was on the banks, to shake them up and make them start giving loans to people
based on an actual risk assessment as opposed to vague, racially tainted ideas of what risk might look like. They simply were rejecting people without looking at the numbers (Stumberg 2012).

Stumberg’s role in this movement was that he, as student director of DC PIRG while at Georgetown Law, had actually hired Vitarello based on his anti-redlining program. Stumberg explains why he and the rest of DC PIRG hired Vitarello:

Well Jim [Vitarello] had a very clear vision of what he wanted to do. He was older than we were but he was still a young guy, he was what, maybe pushing 30 at that point. He had a couple graduate degrees, he’d studied and worked in Sweden, he was very impressive to us, and, in fact, impressive generally. So he came in and sort of blew away the competition with his vision of how he saw the problems and what he was going to do about it. He came in and sold a strategy, not just himself (Stumberg 2012).

While other candidates for the position were basic consumer advocates, in line with Ralph Nader’s work, and some were concerned with property tax, Vitarello was entirely focused on redlining.

And we liked Jim just because the redlining issue seemed much more structural. It went to the heart of the way the local economy worked and it was a way for us as students, predominantly white students at white universities, to connect with the city and work on something that was a direct threat to the ability of moderate income black people to stay in the city that they helped build and make work (Stumberg 2012).

Vitarello knew that redlining was being perpetrated in Washington based on his relationships with local community groups, such as Sister Kate McDonald with Housing Counseling Services along with other housing groups.

Based on my connections with local groups that I had developed when I was the Consumer Protection Director I just went around and started asking them what sort of issues we should be looking at. To my surprise, the redlining issue came up … there was a group called the Metropolitan Washington Planning and Housing
Association that, believe it or not, was started by Eleanor Roosevelt back in the ‘30s … In fact eventually I even joined the board because a good friend of mine was the executive director. I’d become good friends with him because I went to see him and we talked about what he was doing and was there anything we could do at PIRG to help facilitate what he was doing particularly in terms of student research which is what PIRG’s all about. And that's when he also talked about redlining and he said he needed help trying to prove that there was redlining (Vitarello 2011).

As an aside, the Metropolitan Washington Planning and Housing Association (MWPHA) would play a vital role in the anti-redlining movement from this point on.

DC PIRG employed student researchers to compare the records from the Lusk Directory with the lending records from the savings and loans themselves, records that the DC government was compelling them to release. Vitarello contacted his friend Gerard Dunphy, who as a private anti-redlining advocate was an enthusiastic ally.

Dunphy, a real estate professional on Capitol Hill, engaged in extensive advocacy to try and get banks and thrifts to cease redlining. Dunphy encountered redlining as a real estate professional; he needed to take out loans to conduct rehabilitations of properties and purchasers needed mortgages (Dunphy 1967a; 1967b; 1971). When banks and thrifts were not willing to lend to areas of Washington where he worked, his bottom line was affected directly. Dunphy was very aware of federal housing legislation and regulations and pursued complaints accordingly. For instance, on December 7, 1973 The FHLBB modified its regulations, Title 12, Chapter C, Subchapter B, Part 53, to include language making discrimination in lending illegal. It specifically forbade discrimination based on the age, income level, or racial composition of a neighborhood. The fact that Dunphy had this in his correspondence records from the 1970s shows that he was quite aware of the fact that redlining was illegal.
According to his correspondence records, Dunphy began his anti-redlining advocacy in 1972 with letters of complaint written directly to the directors of American Federal Savings and Loan. Dunphy, in cooperation with the Capital Hill Restoration Society (Powers undated; Sinclair 1973), had analyzed the lending patterns of American Federal and were convinced that the thrift was not adequately servicing the Capitol Hill area. To that end Dunphy wrote the directors of the thrift and also to the FHLBB to complain about the lending pattern (Dunphy 1972a, 1972b, 1972d). American Federal responded by disputing his figures and stating their anti-discrimination policy in a letter (Bings 1972; Sinclair 1972; Sinclair 1973). The FHLBB took no action other than to inform Dunphy of their ongoing study in DC (Martin 1972).

Dunphy had somewhat more success with Capital City Federal Savings and Loan. Dunphy analyzed the thrift’s lending record and found a pattern of disinvestment in DC (Dunphy undated and 1972f). Dunphy therefore protested a proposed branching with the FHLBB and requested an oral argument in order to contest the branching (Capital City Federal S&L undated; Dunphy 1972c, 1972e, 1972g, and 1972h). Eventually, after protesting a second branching that year, Dunphy eventually received a written commitment from the bank to increase its lending in the District and he subsequently dropped his protest (Boyce 1972; Dunphy 1972j; Dunphy 1972k). However, the thrift made no legally binding commitment to reinvest; Dunphy was taking the S&L’s President at his word.

As the 1970s progressed Dunphy continued to push S&Ls to reinvest by protesting branching applications at the FHLBB, including those of Hamilton Federal, Columbia
Federal and others, though these efforts were not successful in getting commitments from these S&Ls to reinvest (Dunphy 1973a, 1974a, 1974b; Press 1974). Dunphy also lobbied policy makers, businessmen, and the media at various levels, including the Senate Banking Committee, the Mayor, Marion Barry who was then on council, the Washington Board of Realtors, and *The Washington Post* (Dunphy 1972i, 1972l, 1973b, 1973c, undated). Generally, his advocacy work proceeded in parallel with his assistance to DC PIRG.

Dunphy’s main success in his private work was winning a discrimination complaint against Interstate Federal S&L. Dunphy had worked extensively to stop Interstate from branching by filing complaints with the FHLBB and also going to the Federal Home Loan Bank in Atlanta to protest Interstate’s activities:

… most of the people in Atlanta back in the early ’70s, they all spoke with a nice Southern accent. They were all Southern gentlemen, you know. And Branham (Senior VP of Federal Home Loan Bank of Atlanta) was that. But he also had a conscience, unlike today … But he was the man in charge of what is called the Eastern District for the S&Ls which includes Washington. He was man that I detected him having some degree of conscience and understanding. Because down at the hearings, everybody else was trying to get me to sit down, or ignore me, or yell at me, or something. But Branham, though, who was in charge of the hearings said, "Now Dunphy you will be allowed to talk, please, if you don't mind." They didn't want to hear what I was going to say, right? They weren't interested (Dunphy 2012).

The fact that the FHLBB largely ignored his complaints showed that they had no interest in actually enforcing this pro forma regulation. The branch of Interstate received a charter despite Dunphy’s complaints of redlining (Taaffe 1975).

Whilst the FHLBB was uninterested in taking on the industry it was supposed to be regulating, it was a different matter when Dunphy took the Interstate issue to HUD. In a
dramatic ruling, Interstate agreed to a host of non-discriminatory measures including fair lending, sensitivity training, courtesy, and employment (Levy 1976; USHUD 1976). However, as subsequent correspondence with HUD indicated, Dunphy was less than pleased with Interstate’s continued failure to make rehab loans east of Rock Creek Park (Dunphy 1976). This was likely due to the fact that the Fair Housing Act only allowed HUD to mediate between a complainant and an offending party, though it could refer the matter to the DOJ; this meant that HUD essentially had no teeth (Immergluck 2004).

Dunphy’s main contribution to the anti-redlining movement came not from his impressive private advocacy work, but rather from the assistance he provided to DC PIRG.

Dunphy allowed DC PIRG’s student researchers from Georgetown Business School to work in his offices at Canal House, 1 E Street SE. The students analyzed the loans made by zip code, creating a 5 by 8 card for every single property in question. Being a realtor, Dunphy had technical expertise with real estate records:

But basically the only way to do it was to get your hands on something called the Lusk Directory ... But, the difficulty is unless you spend literally weeks in that library going over it and you knew what you were looking for, it's extremely difficult to use. I was lucky that I had a realtor friend of mine. He was a wild man named Gerry Dunphy … he not only allowed my students from Georgetown, the business school, to go through his Lusk directory, he trained them on how to find the loans he thought were single family, one to four unit homes. And the problem is that Lusk doesn't tell you that - you have to guess based on the street address, the size of the loan, or whatever. So it was a guessing game but Gerry [Dunphy] was very good at that, being a realtor, he knew how to sort of read the tea leaves and he was really good at training the 7 or 8 students who spent hours and days up at his loft in his very funky Canal House office … they pulled it all together and then we sorted it out by zip code. Back in those days there were no PCs, no spreadsheets, we had to do it all by hand. It was quite difficult; we actually created 5x8 cards for every single property. It was quite an undertaking but somehow we did it … (Vitarello 2011)
A group of religious institutions, the Greater Washington Council of Churches, the Jewish Community Council, and the Office of Social Development of the Archdiocese of Washington, actually stood with Dunphy and DC PIRG to decry redlining. At a conference on 15 September 1974, where Dunphy and DC PIRG presented their preliminary findings using the below chart, Figure 2, these institutions announced that they were going to try to use the collective deposits of the religious institutions in the DC area to try and bring pressure to bear on financial institutions in order to get them to stop redlining (Bright-Sagnier 1974; Buchanan 1974).
The final results of the 1975 DC PIRG report that demonstrated that the vast majority of the thrifts were redlining all of Washington east of Rock Creek Park, with the important exception of Perpetual, National Permanent, two white-owned thrifts, and
Independence Federal, the District’s only black-owned thrift (DC PIRG 1975).

Independence was been founded in 1968 and remained the only minority-owned thrift ten years later. The entire ethos of the institution and its founder, William Fitzgerald, was that a financial institution could succeed without resorting to discrimination. As a result of this guiding philosophy it did not participate in redlining and in fact tended to invest in otherwise neglected areas (Fitzgerald 1976; The Washington Post 1978b). Perpetual Building Association, amongst the white thrifts, took the lead in reinvesting to the inner city. Their lending saved Dunphy’s business, in fact:

But there were of course … some good people who had a conscience and understood these problems. And Thornton Owen who was the chairman of Perpetual was one of them. And there's no question that somebody like me would not be in business if it wasn't for Owen (Dunphy 2012) …

The residents of those areas redlined by the other white S&Ls were forced to obtain loans from mortgage bankers rather than savings and loans; this meant that lending was more expensive for them. Furthermore, this meant that the residents of these areas might not even have an established relationship with any bank; they lived in an entirely cash economy meaning no savings accounts, no checking accounts, no credit cards, no consumer loans, etc. This made starting a business more difficult, exposed them to predatory short-term lending, and in general made it difficult for the residents to work their way out of poverty (Vitarello 2011). The front cover of the DC PIRG study is in Figure 3 below:
Figure 3. Front cover of 1975 DC PIRG report on redlining in Washington, DC.

DC PIRG’s report was well covered in the media and was a turning point in the anti-redlining movement in Washington (Pyatt 1975a; Lippman 1975a and 1975c):
It got a lot of play; it made the front page of *The Washington Post* and of course the banks all denied it, and they went running to the city council to urge them to form a residential mortgage commission that they would sit on along with some community reps, to refute my report (Vitarello 2011).

Within a few months of the DC PIRG report’s publishing, it was refuted by a study published by *The Washington Post* (Jones 1975a). This report was based on a comparison between deposits and loans going to certain zip codes, examining four S&Ls. As is frequently the case when comparing quantitative studies, the answer to the question, “is there redlining?” depends largely on methods and how the researcher defines redlining in the first place. This study seems to have made very little impact, however, and is therefore largely immaterial to this research.

Vitarello proposed direct policy action for the City Council to take – a greenlining campaign to use a tax cut reward system to reward responsible lenders. Those financial institutions that made loans in target areas, underserved by creditors, would receive tax breaks according to the amount they lent. These loans could have been home mortgages, construction loans, rehabilitation loans, and small business loans (Jones 1975b; Vitarello 2011). Unfortunately, this plan was never adopted (Vitarello 2011). Nonetheless, the DC PIRG report made a major impact and made the thrifts very concerned.

The thrifts, of course, disagreed with the conclusions of the DC PIRG report (Ross 1975). They tried to discredit DC PIRG’s report based on the methodology employed; they brought up the limitations of the report and made the argument that they needed a more accurate report done with data from the city government and the Lusk Directory.
The city therefore created the Commission on Residential Mortgage Investment (CRMI). This commission began by making it known that it would review rejected loans and listen to community complaints regarding redlining and other lending discrimination (Krause 1975; *The Washington Post* 1975b). However, the executive director appointed to head the commission turned out to be less than satisfactory.

To make a long story short, they hired an absolute imbecile who turned out to be a crook, and went to jail for stealing money from the commission, didn't do anything at all. I literally found when I was hired by the banks and the commission to take his place that literally had nothing but empty folders. I was shocked. I couldn't find a single thing he did … he was a very sleazy guy. I remember meeting him the first time - I didn't like him from the moment I met him. On top of that he hired his mistress who was his secretary and God knows what they were doing behind closed doors in the office. So it was pretty miserable and the banks were really caught with their pants down because - Howard, Howard Lesser. Howard, you know, just embarrassed them of course (Vitarello 2011).

Ironically, when the savings and loans realized that Lesser had done nothing and in fact was guilty of misconduct, they actually had to hire Vitarello to replace him and finish the report (*The Washington Post* 1976a). This was due to the fact that Vitarello was the only individual available with sufficient expertise and credibility to head up the project. Under Vitarello’s leadership, CRMI produced a report that essentially redid the analysis that Vitarello’s student researchers had done in the loft of Dunphy’s offices (Vitarello 2011). In Vitarello’s words:

… so they were forced to hire me. I'm sure I was not their first choice. But to their credit, after we redid my study and used the Lusk Directory data tape and a city zoning use tape which we cross-tabbed together so we no longer had to guess we actually knew which of those loans were actually zoned for one to four unit buildings. And we looked at the results; the results were that we actually underestimated the amount of redlining in the city - we were too conservative. We must have omitted houses that maybe we thought were empty lots or something,
whatever - I don't know. So it turned out to be even worse than we thought (Vitarello 2011).

So the second study, done at the request of the savings and loans, was even more damning that the first. It was this report that the head of the savings and loan association took to his members and announced that they were failing in their obligations, a seminal moment in the DC anti-redlining movement (Vitarello 2012a). Of course, not all the lending institutions were irresponsible in their lending:

One or two white banks turned out to be good, pretty good. And of course the black banks were fairly good, although one was so so, not great. They made loans but they made what are called "balloon loans." Balloon loans were literally due in like five to ten years, I mean these are like pre-Depression era loans, mortgages, that this bank was still making and holding in their portfolio. Not a great loan for people to have, but at least they did make loans to black folks (Vitarello 2011).

So some of the black banks’ loan products were not very consumer friendly, but at least they were funneling credit to the right communities.

As was noted in the previous section, the bank association, led by the Executive Vice President of American Security, actually admitted that they had not adequately provided credit services to their communities. So these studies were ultimately successful in that they forced the lending institutions to admit their wrongdoing and ensured that a public and political conversation ensued around the topics of redlining and reinvestment.

Of course, the CRMI report would never have been performed were it not for the DC PIRG report, as the banks only called for the creation of the commission in order to refute DC PIRG’s report. Furthermore, the banks knew that if they themselves produced a report it would not have credibility in front of a liberal city council, so a new study had
to come from an independent group. The banks cared about the opinion of the city because at that time the District still had a usury law and was able to on its own significantly affect the activities of the lending institutions; it was at a hearing on the usury ceiling that the redlining issue was brought up by Vitarello in the first place, as Vitarello had been called to testify.

The S&Ls managed to escape direct action from the City Council. Part of this is due to the desire on the part of the DC Council to direct loan business to the black lending institutions rather than force the white banks to stop redlining; Vitarello blames those attitudes for DC Council’s failure to pass his greenlining legislation. Vitarello’s Commission recommended forming a local housing loan review committee with enforcement powers and representatives from neighborhoods, banks, and S&Ls. The DC Savings and Loan League, on the other hand, recommended forming a committee with no enforcement powers, whose members would be appointed by the League with four members representing S&Ls and four members representing the public interest (Camp 1977a; Camp 1977b). Though favored by The Washington Post (1977d), this was really an attempt by the S&Ls to prevent any real action being taken to stop redlining by essentially moving the responsibility for redlining to a committee. Furthermore, this recommendation was made after the US League of Savings Associations had publicly asserted that redlining was greatly exaggerated because similar loan review committees in 14 cities were doing little work; very few cases had actually been presented to them (The Washington Post 1977b).
As had been the case in other cities, the panel only heard 14 cases in its first year and made no appreciable difference in the DC mortgage market. In some cases committee members actually called rejected borrowers to make sure they were aware of their rights. Committee members suspected that lenders may have been redlining less (Camp 1979a), but what is more likely is that at this point potential borrowers in redlined neighborhoods were still going to mortgage bankers as recommended by their real estate brokers rather than even try to go to savings and loans. Additionally, there was probably a great degree of self-discrimination. Being turned down by a loan is humiliating enough, and going through a review process is even more embarrassing. Perhaps would-be borrowers may have preferred to go to mortgage bankers and keep their business out of the public eye.

The one action the DC Council did take, however, concerned the institutions into which the District would deposit its funds. Following the granting of Home Rule, the District was able to choose whether to continue to deposit its funds in the US Treasury, or to use other, private, institutions. Beginning in 1975, there were calls for the City to use its newfound authority to make deposits in institutions that were either minority owned or focused on lending to underserved areas (Lippman 1975b). William Fitzgerald, President of Independence Federal S&L, called for the city to deposit its funds tactically in order to achieve reinvestment (Pyatt 1975b). Independence would, of course, have been one of the institutions into which the District likely would have deposited its funds, given its minority ownership and strong record of reinvestment. By 1977 the City Council was actively working to determine a policy on depositing District funds, with the institutions’ lending records a very large part of the debate (Coleman 1977). Though teachers’ pension
monies were excluded due to concerns from teachers’ groups, the Mayor, ultimately passed The Depository Act, a bill that would mandate that DC funds be deposited in local institutions, with a “set aside” rule guaranteeing that a certain amount of the deposits would go to minority-owned institutions (Morgan 1977; Shandler 1977). This legislation was supported by an editorial in *The Washington Post* (1977c) and ought to be viewed as a very positive step in the fight against redlining, similar to that reported by Campen (1992). In 1978 the District made good on its pledge to quit the Treasury and began depositing money in local institutions, including in two minority-owned institutions, United National Bank and Industrial Bank (Eisen 1978).

This feel-good story of progressive public policy combating redlining was belied, however, by the actual execution of the policy. As early as 1979 it became apparent via a DC auditor’s report that the DC Government was only depositing 5% of its deposits in minority-owned institutions, rather than the 1/3rd called for by law. Instead, the District was depositing ~40% of its monies in New York banks just to get a higher interest rate (Seaberry 1979). A 1983 audit of DC’s depository activities had the same result: social goals were largely disregarded in order to realize profits on investments (Pianin 1983). This situation continued through 1985, when the DC Controller told the DC Council that the Barry Administration had been essentially ignoring The Depository Act, reinforcing suspicions of incompetence and/or corruption (Pianin 1985).

Beyond such public policy work, in 1978 the Washington Lawyers’ Committee for Civil Rights Under Law, working on behalf of the Washington Metropolitan Planning and Housing Association, settled a redlining suit with Oriental Building Association
(OBA), Washington’s oldest thrift. Under the terms of this settlement, OBA agreed to lend 2 million dollars over four years to minority home purchasers or home-buyers in minority areas. Furthermore, the firm agreed to use a slide scale to assure that between 30 percent and half of its mortgages each year would be made in minority neighborhoods (House 1978). This suit was brought on behalf of a Ms. Edith Cooper Lawrence, a black woman whose is rejected by OBA though an acquaintance of hers was approved. The woman received $6,000 in damages plus $37,000 in attorney fees. The redlining involved was blatant; OBA told Ms. Lawrence that it was not lending during a certain three-month period when in fact it had made 72 loans, though only one of those was to an African American (Robinson 1978). It probably helped that Ms. Lawrence was an employee of the Federal Home Loan Bank Board and thus perhaps a bit more savvy than the average consumer (House 1978). This suit used the Fair Housing Act as its basis and was settled in federal court, and in fact was the first successful court action against redlining and the first suit brought against a savings and loan for Fair Housing Act violations (Robinson 1978). So while the settlement of this suit came after the passage of HMDA and CRA, they were legally immaterial to the settlement. That being said, federal judges read the newspaper; it is entirely possible that the changing societal attitudes towards redlining may have created the atmosphere necessary for the settlement.

Bradford and Cincotta (1992) emphasized the role of community organizations over governments and public advocacy groups. However, as the preceding discussion demonstrates, in DC it was public advocacy groups and the government that took the
fight to the banks. Furthermore, in Washington CDCs sat out the reinvestment struggle.

According to Vitarello

Concerning the role of CDCs in the anti-redlining movement in the 1970s in DC, to my recollection, there were only two CDCs in existence at that time and both of them east of the Anacostia River: the Anacostia Economic Development Corporation (AEDC) and Marshall Heights CDC (Vitarello 2012b).

These CDCs were entirely focused on economic development, not housing development, and did not get involved in anti-redlining work:

… neither of these CDCs were actively involved in the anti-redlining movement, although they were very supportive of what we were doing. There was a Neighborhood Housing Service (NHS) that was created in the Eckington-Bloomingdale neighborhood around that time that was informally very supportive of our study. In fact, I was a board member of the organization since its inception and provided them with ongoing reports of our progress. Although individual board members and the executive director personally provided political support for our efforts, the organization decided not to become directly involved since bankers were members of their board of directors and they did not want to jeopardize their relationships with them (Vitarello 2012b).

Just as Bradford and Cincotta (1992) state, community development organizations often did not have the political independence to engage in reinvestment struggles.

**Politics of Scale and Venue Shopping**

As written by Smith and Kurtz (2003, 199), “‘Politics of scale’ refers to the ways in which social actors draw on relationships at different geographical scales to press for advantage in a given political situation.’ Similarly, “venue shopping,” as defined by Jones and Baumgartner (1991), refers to how actors take social or legal issues to venues
where they will have the best chance of prevailing. Both concepts apply in the following discussion of how work in DC helped to change national policy.

The DC anti-redlining movement had considerable effect on the passage of HMDA and CRA. The federal government, of course, had been involved in fair housing for quite some time, with the passage of the Fair Housing Act in 1968 and the Equal Credit Opportunity Act (ECOA) in 1974. Also in 1974, the federal government began to collect information on the race and ethnicity of borrowers in 19 different Standard Metropolitan Statistical Areas; this was an effort to tackle discrimination in lending, not necessarily an attempt to address redlining per se (Washington Afro-American 1974).

The work of DC PIRG coincided both temporally and spatially with the work of Senator Proxmire of Wisconsin. Vitarello on the crafting of HMDA and CRA:

… because we were in Washington, we helped pass first the Home Mortgage Disclosure Act, which is still today a landmark database for mortgage originations around the country … on top of that, a couple of years later we helped pass the Community Reinvestment Act, which applied to all federally regulated banks, and it basically told banks they had a legal obligation to “help meet the credit needs of their entire community, including low and moderate income neighborhoods,” I mean that's literally from the law. And that's basically the essence of the law. It was a very simple, one page law. Senator Bill Proxmire pushed it through. It only passed by I think one or two votes. I testified at the time … So the federal banks then, in this town, and they were virtually all federal, and savings and loans, officially the national banks and the federal savings and loans, they were now under the obligation of this CRA which went way beyond anything the city council could do to start putting pressure on them to start making loans in these neighborhoods. So that helped, definitely helped (Vitarello 2011).

Later, Vitarello explained exactly how it happened.

Well, it really was more a coincidence than anything else. That fact that - it was a coincidence two ways. One was location. I was in Washington, DC. I wasn't in Spokane, Washington, or San Francisco, or even New York. So when my two reports made the front page of The Washington Post, that obviously got attention on Capitol Hill. People read that. So that was a big help. Also, timing. It just happens
that my first report, you know the Nader report (in reference to Ralph Nader of PIRG), came out just before there was a hearing on the Home Mortgage Disclosure Act. … I guess I knew there was going to be a hearing … but I didn't know I was going to be invited [to testify]. It turns out that because of my report I was invited by Senator Proxmire (Vitarello 2011).

Senator Proxmire had proposed HMDA in late April 1975; the DC PIRG report was published just before a hearing on the bill and was well publicized in *The Washington Post* and *The Washington Star*, both of which were presumably read by many staffers and policy makers given that they were the papers of record in Washington, DC (Lippman 1975a; Pyatt 1975a; Zigas 1975). After speaking, Vitarello was invited to participate in writing the legislation:

> As a matter of fact [Proxmire] even asked me to develop the tables that were later used in HMDA by the regulators. I remember testifying and him actually asking me, "could you help my staff put that together?" Because he wanted to put it in the law and I think it eventually did go in, I think it did go in the law. Either it went in the law or they sent something over to the Fed which is sort of the caretaker of HMDA and they then used my table to come up with the first HMDA table which is the table that the banks have to use to report their HMDA loans (Vitarello 2011).

Senator Proxmire commissioned the Library of Congress to carry out a study on redlining in Washington that proceeded in parallel with Vitarello’s DC PIRG study, with much the same conclusions and the results from the two studies were released only days apart from each other (Lippman 1975c). After the Library of Congress study showed that there was a clear pattern of redlining in DC, Senator Proxmire announced that there would be hearings on redlining in cities all over the US, hearings at which community groups from across the US were to speak (Kiernan and Anders 1975). These two studies and the associated hearings provided the momentum for the passage of HMDA, supported by favorable media coverage (Taaffe 1975; *The Washington Post* 1975a). HMDA was
opposed of course by the industry, whose representatives in their testimony mentioned the possibility of the information falling into the hands of “pressure groups,” whose actions might undermine “sound credit practices” (Lippman 1975d). This reveals how the industry knew exactly what this legislation might do, and how redlining was considered part of “sound credit practice” at the time. After the passage of HMDA community groups had a very powerful tool:

[HMDA] was important because at the beginning of 1976 I believe when the first HMDA reports came out, community groups were able to begin, for the first time, studying where mortgage loans were being made and not made by individual banks and by individual census tracts, that's the key, right. So you didn't know if it was a black borrower or a white borrower, you didn't know their incomes, but you did know that it was made to census tract XYZ, which was predominantly low to moderate income black or Latino, or for that matter even white. You obviously knew that by looking up the census tract information (Vitarello 2011).

Community groups, led by the National Training and Information Center (NTIC) of Chicago, of which Gale Cincotta was the leader, began doing HMDA studies in many cities, demonstrating the inequity of current lending patterns. While community groups now had the data, they did not have the ability to force reinvestment, as illustrated by DC PIRG’s failed effort to get American Security to reinvest in 1975/1976.

Community activists from around the country had moved from their local scales to the scale at which their efforts would have the greatest effect – that of the federal government. There, they were able to take advantage of the political atmosphere to effect structural change. This can be viewed as both an example of politics of scale, as the activists were able to constitute an alliance on a national stage to pass favorable policy, and also venue shopping, as national politicians were favorable to their message.
As more fully explained in Dennis (1978), DC PIRG challenged American Security Corporation’s restructuring using its poor lending record and history of employment discrimination (Jones 1975c; 1975d). However, the Fed entirely approved the bank’s plans, discounting the evidence provided by DC PIRG on discrimination and concluding that because mortgage lending was a minor part of the bank’s portfolio, it was under no obligation to meet local credit needs (Jones 1976). The lack of substantive federal policy on redlining prevented DC PIRG from making any progress with American Security.

The work done by NTIC and others created a great deal of support for the national anti-redlining movement, with the result that Senator Proxmire was able to push for the passage of CRA in 1977 (Rich 1977):

… as a result of all that work in a relatively short period of time, by 1977 when CRA was up for a vote and was going to be part of the Housing and Community Development Act of that year, 1977, they had come out with enough quote unquote evidence to get a slim majority, and again it was one of these like one vote things, passed by one vote I think in the Senate, where CRA became law. The banks were not wild about it (Vitarello 2011).

The banks were not wild about it at all (The Washington Post 1977b). The US League of Savings Associations asserted that redlining was greatly exaggerated because loan review committees, established in 14 cities had heard so few cases. Regardless, CRA passed, probably largely due to the fact that Democrats controlled both houses and the Presidency. However, the Republican Party of the 1970s was much more moderate that today, and this certainly helped all the legislation pass.

Gerald Ford was actually a supporter of HMDA. He was President when HMDA was passed in 1975 and he not only didn't threaten to veto it, but he actually publicly supported it which was quite amazing when you consider … most of the Senate Republicans voted against it I know for sure. Some Democrats, by the way,
Southern Democrats voted against it too. But there were in those days some moderate and liberal Republican Senators and I believe they voted for it. And having Ford support it was a big plus. I'm sure that gave them more courage to do it (Vitarello 2011).

Vitarello actually helped draft CRA in the first place with one of Senator Proxmire’s staffers:

I actually helped draft the Community Reinvestment Act with a guy named Robert Kuttner, great guy who worked for Proxmire, and it was really his brainchild to create CRA, with some help from Gale Cincotta and her people in Chicago (Vitarello 2011).

Cincotta had successfully led a reinvestment movement in Chicago during the 1970s and hence was in the forefront on national efforts to stop redlining (Zigas 1974). As covered in Dennis (1978), Cincotta had wanted a much more complex law that would have tied lending in neighborhoods to deposits in those neighborhoods. The problem with that, of course, is that often the residents of really poor neighborhoods had very small deposits, and banks would have been able to meet their CRA obligations with minimal lending. By making the law very simple but leaving in significant enforcement capability, Senator Proxmire made a much more powerful piece of legislation. Unlike HMDA, this legislation addressed business lending in addition to home lending. The fact that business lending had not been included in HMDA was a point of contention for DC businessmen who wanted business loans included in anti-redlining legislation and were willing to lobby congressmen to that end (Kadis 1975; The Washington Star 1975).

After the DC reinvestment movement succeeded in jumping scale up to the federal level to pass significant legislation, in turn, community groups in Washington were able
to use this legislation to achieve results back in the District. AMO, for instance, was able to examine lending behavior in its zip code to get ammunition for the own struggle against redlining:

So we had people who looked at the lending practices of these - because by then the federal government was requiring these banks to keep records about their loans. And these records were being kept by zip codes and by addresses. So you could look at their portfolio and see the number of loans that were being made in various sections of the city. And you could see that in zip code 9, which is Adams-Morgan, there were no loans being made (Smith 2012).

The local anti-redlining effort appeared to make significant gains, at least in the short term. A study conducted in 1976 report shows that the banks had significantly increased their investment in DC following the DC PIRG study. That being said, much of the increased lending occurred in gentrifying areas, whereas the almost entirely black areas of SE and NE were still redlined. The bankers actually admitted that they needed the push from the community groups: “We had to be jolted a little bit,” said Bradford F. Cole, VP of Washington Federal S&L (Krause 1976). With the benefit of hindsight, S&Ls seem to have realized that profitable lending was possible in certain neighborhoods wherein property values were going up quickly. They still, however, avoided the heavily disinvested areas such as Anacostia and Northeast. This is really an example of incremental change, driven as much by market forces as by public pressure. Regardless, the data showed that the S&L’s were making 25% of their mortgages inside the District, double previous volumes. Furthermore, there was a qualitative change in S&L attitudes, with advertisements taken out in Washington *Afro-American* and outreach happening in minority neighborhoods (Lyons 1976). Of course, the main benefit of the reinvestment
movement in the 1970s in DC were not the local, perhaps short term, gains in mortgage volumes, but rather the fundamental structural changes made to federal policy.

Beyond what HMDA and CRA allowed community groups to do, the federal government took significant steps to combat redlining in Washington. The Carter Administration sought to enforce CRA upon its passage, and in Washington that meant hearings on Riggs Bank (Brown 1980), one of the oldest and most prestigious banks in the US. The MWPHA and the DC Bank Campaign were trying to stop Riggs Bank from branching, using evidence of redlining as the main reason. The DC Bank Campaign, supported by City Council member Hilda Mason, had organized a boycott of Riggs. This boycott was organized to protest the redlining of Washington’s black neighborhoods and also to protest Riggs’s lending abroad which included lending to the South African apartheid regime and also to the military regime in Chile, to the tune of 38 million dollars (Dickey 1979).

These activities garnered sufficient attention that the Office of the Comptroller of the Currency decided to investigate. Vitarello had been hired by John Heimann, the Comptroller of the Currency, to be a CRA coordinator, and his office set up these hearings:

… the bank regulators under Jimmy Carter, because Carter was the President when CRA passed, began holding hearings when there were controversial applications by controversial banks like Riggs, for example. Riggs was very controversial. They were the biggest bank in DC. They were very old line, WASPy bank, had one of the worst lending records in DC. They claim of course that they really weren't there to make mortgages anyway, they were a commercial bank (Vitarello 2011).
Riggs had been in Washington so long and it was so powerful that the bank president was most displeased with the notion of having to participate in hearings on his bank’s lending record.

Very arrogant president of the bank. And I heard he had a big, big shouting match with my boss, the Comptroller of the Currency, a guy name John Heimann when he heard that John was going to hold a hearing in the Washington Hilton, which we did. We held it in one of the big, big dining rooms in the hotel and I was there, and I helped set it up. And we invited community groups to come testify for and against Riggs. Well needless to say they all came against Riggs (Vitarello 2011).

The regulators allowed Riggs to open a branch, but they did impose certain conditions (Ross 1981a; Vitarello 2011). This was quite embarrassing for Riggs, given the bank’s rich and long history. This was the first time such a thing had ever been done, and it was a sea change in banking; from now on banks would be judged based on their reinvestment record, and it could affect the bank’s actual business dealings.

I think we actually allowed them to open the branch they wanted to, but we did it with conditions and it embarrassed them. The first time it had ever been done. And it was all because of CRA. There was well over a hundred community groups there, well, community members, representing many different groups. They had placards and all that, signs, and they were demonstrating outside but they also came in! Of course they were allowed to come inside and listen to the hearing. They could testify, which they did. Many of them cited my study which was a little embarrassing because at that time I was working at the Comptroller of the Currency (laughter). "Jim Vitarello and he's standing right there!" (laughter) "did this study!" (Vitarello 2011)

This was happening while there were ongoing investigations in how the US Government had deposed President Allende in Chile. Evidently Riggs had been involved in the financial dealings with Pinochet who came to power during that time period. The Pinochet issue came up at the hearing, which certainly could not have helped Riggs
Bank’s case, though the legality bribing foreign dictators is certainly not within the scope of CRA.

According to several articles I read the United States Government paid Pinochet something like six million dollars - back in those days that was a lot of money because this was the '70s - basically to knock off Allende, and that money was deposited in Riggs Bank. And there were some very interesting articles in The Washington Post that pretty much corroborated that (Vitarello 2011) ...

The Pinochet connection and the notoriety of Riggs helped the story get media attention.

... We got a lot of play in the press because of that whole thing with Pinochet, because it came out just before that, again just a matter of timing and luck that the Riggs-Pinochet connection came out in the Post just before this hearing. Again, we didn't plan it, it just happened. You can call it, you know, the gods were with us or something like that (L and V laugh). But so that whole issue of Pinochet actually came up at the hearing (Vitarello 2011).

In his role as CRA coordinator for the Office of the Comptroller of the Currency, Vitarello trained bank examiners and trained banks on how to make CRA loans. The main challenge for him was to create the CRA programs within the banks and specific incentives for bankers to make CRA loans rather than non-CRA loans (Vitarello 2011). A more significant challenge, however, was to change the culture of the bank examiners themselves, who needless to say were conservative and reactive by nature:

Training the bank examiners was a real trip because like I said, unlike a normal bank exam where they go in and they say, "no, no, no, no, no, you can't do this, you can't do that, blah blah blah," CRA's different. So they had to go outside the bank and actually find out what are the community credit needs in, you know, Washington. And not just in general, but in different neighborhoods, particularly low to moderate-income neighborhoods, right? That was completely foreign to these guys, they had never done it before (Vitarello 2011).
This was not a community organizing culture, clearly. These were not individuals who were used to surveying their local community to determine needs, etc. In one of the first training sessions Vitarello asked the examiners if they had ever belonged to a community group other than a church or synagogue:

I think three out of a hundred people raised their hand (laughter) I wasn't including Boy Scouts. (laughter) I mean a real community org. So these were not the kind of people used to doing that. It was like pulling teeth (Vitarello 2011).

This meant that Vitarello had to lead them by the hand and develop procedures for the bank examiners so that they could determine what local credit needs were in the first place.

I had to write separate instructions for them on how they find who to talk to, what kind of questions they ask, what kind of data they try - and of course HMDA was around then, they start looking at HMDA, then eventually we actually started providing them with not only HMDA data but actual HMDA analysis that our economists would do ahead of time. Started getting that done. We even started getting some small business SBA [Small Business Administration] loan data, try to track that by census track and get them to do it (Vitarello 2011).

Today, of course, as a result of FIRREA, CRA exams for every bank are publicly available online. At that time, however, the processes and procedures had to be created from scratch.

The judicial branch of the federal government had not been sitting on its hands. In 1976 a federal court ruled that redlining was illegal under the Fair Housing Act (Krause 1976; The Washington Post 1976b); this would have significant ramifications for private and government sponsored lawsuits. The Ford Administration was not terribly forward leaning on the redlining issue, in spite of exhortations from the media (The Washington
Post 1976c). It took the election of President Carter to get the executive branch involved in a more proactive way. Almost immediately after Carter’s inauguration, HUD announced plans to conduct a study to determine how community groups could take advantage of HMDA data; this included hiring a consultant to write case studies on previous community efforts and use them to prepare guides for other communities (The Washington Post 1977a).

The Carter Administration also acted through the FHLBB to combat redlining, with Carter’s FHLBB head, Robert H. McKinney proposing regulation changes to prohibit redlining (Rowe 1977; The Washington Post 1977d). Thrifts resisted these changes, of course, pointing to inadequate public services, rather than inadequate credit, as a major cause of urban problems (Walsh 1977). The US League of Savings Associations resisted the proposed legislation, stating that the proposals could be so inflexible that lenders would be forced to make unsound loans or deny mortgage credit to worthy borrowers. The Urban League, of course, was staunchly in favor of the new rules (Associated Press 1978). In spite of criticism from the Federal Reserve (United Press International 1978), the FHLBB followed through by issuing these regulations prohibiting redlining also prohibited thrifts from using appraisers known to undervalue homes based on racial composition or change, age, or inner city location (Rowe 1978).

The Carter Administration, acting through the FHLBB, followed up this dramatic regulatory shift with a $10 billion investment fund for home loans in the inner city (McBee 1978). Media responses to this policy show how the mortgage landscape was beginning to change in the inner city. The Washington Post editorialized that such a
dramatic investment, designed to end redlining, would actually hurt the smaller S&Ls that had continued to lend in the inner city, as these smaller institutions would be outcompeted by larger institutions. The editorial staff argued that instead the FHLBB ought to support these smaller institutions that had supported the inner city for so many years (The Washington Post 1978b). That there could be the possibility of so much investment as to hurt small S&Ls shows that the problem of redlining may have been diminishing in the inner city.

This time period represents a high water mark for federal involvement in reinvestment. Following the $10 billion investment, in order to enforce CRA, the OCC, the Federal Deposit Insurance Corporation (FDIC), the FLHBB, and the Fed launched a program to consider how a given institution met local credit needs when determining whether or not to allow branching, expansions, and mergers, and whether or not to issue insurance (The Washington Post 1978c). Thrifts’ efforts in 1979 to scrap HMDA (Ross 1979), four years old at this point, were totally ineffective.

However, the data indicate that this struggle against redlining in the 1970s was not simply a feel good story about an oppressed minority rising up against injustice along with the help of some right thinking white intellectuals and politicians. There was certainly exploitation within the black community during this time. Vitarello encountered this exploitation directly while trying to use federal pressure against the white banks:

Now what I discovered during my report but I couldn't put it in my report, for reasons I'll explain, that [the white banks] were not totally at fault. A lot of the black real estate brokers had developed these incestuous and very cozy and corrupt relationships with mortgage banks. These mortgage banks were largely unregulated. They were not depository institutions. They operated pretty much out of a shoebox and they offered really lousy loans to predominantly black families
who couldn't get a loan from the downtown white bank or one of the black banks. And some of them had bad credit and what have you as well, but they were really victimized by these mortgage banks (Vitarello 2011).

These relationships were more than just close, regular business dealings. Rather, they went over the line into petty corruption.

And these black real estate brokers, whom their black clients relied on heavily, right, to find the loan, would steer them to these guys. They would never steer them to the white banks downtown. In fact, I believe they didn't even steer them to the black banks. And the reason was, the mortgage bankers gave them kickbacks. They told me that. Case of whiskey, whatever (Vitarello 2011).

After decades of being unable to find financing from the white banks, the black brokers exclusively steered their clients to the mortgage bankers who would actually give them financing, though at exploitative rates. The difficulty came during the period in which white banks began to actually offer loans again to previously redlined areas; these extant business relationships stood in the way of improved consumer credit opportunities.

And it was a pretty corrupting system, situation. I met with a group of them, along with a civil rights attorney from the Justice Department. [he] was ready to file a lawsuit against most of the white banks in DC and savings and loans based on my report. I said, before you do that, you better come talk to these guys, because I had talked to some of them one on one and it was quite shocking what I heard. Of course I couldn't put it in my report. So I said you had better come and listen to these guys (Vitarello 2011).

The civil rights attorney with Vitarello in the meeting was Warren Dennis, Esq., of the Department of Justice. After learning that he is deceased Vitarello consented to the use of his name in this thesis. Vitarello and Dennis met with the brokers in the boardroom of Industrial Bank, a black-owned bank on U Street.
About 30 black real estate brokers showed up and we went the room and they told their stories and they were all exactly the same. Of course they complained about redlining years ago in the 30s and the 40s when blacks first came here, and how their parents could never get a loan, and blah blah blah and they were right - they couldn't. But that was their excuse for saying, oh by the way we don't believe the white banks now and we're going to continue referring our clients to the black mortgage brokers. And when I pushed them in that meeting about why, why they were really doing, one by one they began to admit that they were, in fact, getting kickbacks. Of course, naturally it was all off the record so they couldn't be prosecuted and certainly this civil rights attorney couldn't use this information, it was all off the record, so nothing ever happened. So based on that, I realized how
difficult it was going to be to sort of break that bubble that had built up over the years. And I think it's the reason why redlining continued for many years afterwards despite, I think, some good efforts by the banks (Vitarello 2011).

After his work with DC PIRG Vitarello proposed a greenlining program that would have rated banks based on their record on reinvestment (Jones 1975b). While good for the consumers, this plan ran into problems and was never passed by city council.

Specifically, the plan was opposed by black bankers, including William Fitzgerald of Independence Federal:

… it was pretty clear that [William Fitzgerald] did not want to share any of these deposits with any of the white banks because of how good their lending was. Basically he wanted it all or at least half of it, and he would share it with the … black commercial bank called Industrial Bank … so he was against this greenlining program completely, and so with him against it, and of course the other black bank was against it. They wanted all the money themselves. Of course it was a lot easier for the black city council members to support a local black bank, right. And they didn't have to worry about rating anybody. And frankly it didn't matter how bad either one of those two black banks were in terms of their lending in the black community, as long as they remained black that's all the criteria there was, which of course I was opposed to. And I lost (Vitarello 2011).

These experiences seem to have particularly resonated with Vitarello because later, after working for the Comptroller of the Currency to promote CRA at banks around the US, he then took a position at the National Commission on Neighborhoods. It was while he was with that group that he visited the Executive Vice President of Pittsburgh National, a bank that is now PNC:

His name was Ned Randall and he's just a remarkable guy. I remember going to his office. He pulled out a letter, he showed me the letter that he sent out to all the licensed real estate brokers in the City of Pittsburgh. It was a very blunt letter. One page long. … He told me that this letter was meant to be an apology to the black community, specifically to the black real estate brokers for having, for Pittsburgh National having redlined Pittsburgh for decades, right? But now they were going to
change. And they were very clear about how they were going to change in the letter. And they wanted to develop a relationship with these brokers (Vitarello 2011).

As in DC, the brokers in Pittsburgh were less than totally enthusiastic about the white banks disrupting their existing business relationship.

Instead of getting a positive response from the brokers, Ned told me that they got nothing but negative calls, and I won't repeat the MF word (mother-fucker) and so on. They were literally cursing on the phone, saying "what are you doing? You can't come into our neighborhood." Our neighborhood, right? I remember Ned telling me that. He said it was outrageous - he couldn't believe how angry they were. And he realized what I had learned in DC, that these guys were all corrupt, and they were on the take, and they didn't want to break those ties with the mortgage bankers and of course Pittsburgh National was not about to send them a case of whiskey at Christmastime (Vitarello 2011).

Though Vitarello only saw direct evidence in DC, Pittsburgh, and Detroit for such corruption, other banks he spoke with clearly knew what he was asking about:

And it is a very difficult issue. It's a very, very difficult issue to deal with because... because race is always a difficult issue in this country. And here we're talking about greed and corruption of a huge magnitude and I'm sure they didn't want to ... feel the wrath of the black real estate community on them, well particularly because the white banks had created this problem in the first place. Had they not redlined those neighborhoods these problems would never have occurred. So they're certainly part of the problem, there's no doubt about it. But that still doesn't excuse the behavior of the black real estate brokers (Vitarello 2011).

Money Talks: Interstate Banking and Reinvestment, 1982-1988

After Reagan’s election, the federal government largely got out of the anti-redlining business with the head of the FHLBB announcing that the agency would focus on institutional health, rather than distribution of loans (Ross 1981b; Squires 1992). This did not mean that local reinvestment efforts stopped, though the lack of a sympathetic
presidential administration certainly did not help. Given that the city’s ability to pressure the banks via usury limits had essentially died with the Supreme Court’s Marquette Decision of 1978\(^1\), options were limited for local groups that wished to pressure lending institutions to improve their lending records (Mintz 1978). Other than a noisy protest at Interstate Federal’s 1982 shareholder meeting, there are few data to be found for advocacy work in the early 1980s (Ross 1982).

However, the writing of an interstate banking law by the DC Council offered the local reinvestment movement an opportunity to engage with politicians and banks to achieve policy objectives. This is another example of venue-shopping; as a favorable venue opened for local anti-redlining activists in the form of a city council debating an interstate banking law, they took advantage of the circumstance by agitating for local structural change, as the following discussion shows.

As the DC Council was preparing the Interstate Banking Act for passage, the Metropolitan Washington Planning and Housing Association commissioned a study from the Woodstock Institute to examine the lending records of DC financial institutions. The results of the study showed, not surprisingly, that the banks and thrifts were still actively redlining minority dominated neighborhoods in DC (Poole 1985). The banks responded to the accusations with denials, stating that whilst they had redlined minority neighborhoods in the past, they were now lending responsibly (Pyatt 1985a). Given the

\(^1\) Marquette National Bank of Minneapolis v. First of Omaha Service Corporation (439 U.S. 299 (1978)). This unanimous U.S. Supreme Court decision held that state anti-usury laws regulating interest rates could not be enforced against nationally chartered banks based in other states. The case freed nationally chartered banks to offer credit cards to anyone in the U.S. and also it allowed them to export interest rates to states with stricter regulations.
lack of trust between community groups and financial institutions, their protests fell on deaf ears.

After the last experience with redlining that the financial industry had in DC, wherein the government sponsored CRMI study confirmed the results of DC PIRG, this time the industry was not taking chances with a government conducted study. Rather, they commissioned the Urban Institute to critique Woodstock Institute’s study. This critique presents some valid points, including a comparison between lending volume and proportion of region’s single family housing. However, the media and the City Council were not persuaded by this critique, and reinvestment remained a major issue with the interstate banking legislation (Pyatt 1985b).

The DC Council and the Mayor were committed to passing some sort of interstate banking legislation, but there was disagreement amongst council members and between the Council and the Mayor on whether to only allow regional banks or national banks as well. Initially, Council approved a bill to allow local banks to merge with regional banks, but not national banks (Greene and Bredemeier 1985). Mayor Barry vetoed this legislation, as he favored allowing the local banks to merge with national banks so as to better effect reinvestment and revitalize the DC economy (Greene 1985b). More relevantly, he used his veto to put pressure on local banks to reinvest; this was successful with a reinvestment pledge from American Security Bank. Given that DC PIRG had shown American Security to be redlining in the late ‘70s, this was a major victory for the reinvestment movement (Jones 1975c; Cummins 1977). Council overrode this veto, in part due to concerns over how local institutions would cope with national banks and also
over concerns over Citicorp’s investments in apartheid-era South Africa (Greene and Evans 1985).

Citicorp, a large New York-based bank, had been bringing enormous pressure to bear on DC politicians with an extensive lobbying campaign. Citicorp put together a 100 million dollar reinvestment package, causing city officials, including the Barry administration, to view its entry into the DC market as a way to revitalize DC’s economy, including low-income areas. Some council members, though, were skeptical, as they viewed the offer essentially as a public bribe (Greene 1985a). Citicorp had realized that there was an enormous amount of money to be made in the DC market, and in all likelihood the firm’s leaders viewed reinvestment as a minor cost of doing business. In November of 1985, after the overriding of Mayor Barry’s veto, Citicorp went so far as to make a $30,000 grant to two housing non-profits to rehabilitate low-income housing for the elderly in Adams-Morgan, without any sort of public guarantee that it would actually be able to do business in the District. Between January and November 1985, Citicorp provided $247,000 to DC-based organizations, including $40,000 alone for the opening of a Chinese trade gala at the Washington Convention Center (Greene 1985c).

Throwing all of this money around had the intended effect, and in January 1986 the City Council passed legislation to allow acquisition of local banks by banks outside the region, provided they established two branches in target neighborhoods, provided up to 200 jobs based on the bank’s assets, and provided between 50 and 100 million dollars in loans and lines of credit to commercial and industrial development projects in targeted neighborhoods (Greene 1986). This represented a major victory for MWPHA and the for
DC reinvestment movement in general, as their demands were enshrined in local law. This demonstrates that by this point DC politicians were entirely on board with the reinvestment agenda, in sharp contrast to federal *laissez-faire* policies of the time.

Citicorp did not limit itself to throwing money around the public sphere. After Council Member Charlene Drew Jarvis instructed representatives of Citicorp to meet with one of her advisors (Day 1986), Woodrow Boggs Jr., Citicorp ended up paying him tens of thousands of dollars for consulting services regarding how the bank could gain entry to the DC market. Citicorp later acknowledged that these payments could have totaled up to $159,000 (Day and Greene 1987). While it was a clear conflict of interest for an advisor of Councilor Jarvis to take money from a bank that had a direct interest in legislation in front of Council, what was even more damning is that $21,000 of the money was paid to Boggs from a law firm that then billed Citicorp for the funds as legal fees. Citicorp also paid travel expenses for Jarvis and Boggs to fly to New York and gave them expensive gifts during the visit (Day 1987b). The reinvestment triumph represented by the Interstate Banking Act is rather colored by the unethical dealings of Citicorp, Boggs, and Jarvis.

And what were the results of all of these efforts? Archival data indicate that bankers’ attitudes were shifting significantly throughout the late 1980s. In 1986 the OCC organized a conference on financing of low to moderate income housing, attended by 100 bankers. The bankers that attended were convinced they could make profits while revitalizing neighborhoods. Part of their motivation to make these loans was clearly CRA
and local equivalent laws, but out and out profit was also a significant motivating factor (Mariano 1986). Stumberg explains how the banks changed their behavior:

Well my impression was that after the banks were cracked, they got it. They got it in a political sense because the city politicians were hammering on them, and then the federal agencies were coming around … So they were getting from below and they were getting it from above. But also, you know, the first banks that got into the game like Perpetual realized they could make money doing these loans - it really wasn't risky. If they did underwriting, instead of racial stereotyping, they could pick out people who were good credit risks and they could manage just fine. And they learned what their forerunners in Chicago had learned, which is that you could make a lot of money doing inner city lending. It just requires that you interview people, and find out where they work … Due diligence works in the inner city. That was their "aha" moment. And so once they proved that they could do it other banks started jumping in and doing it. So my sense is that between '75 and '85, that was the transitional period where the banks realized that not only they had to do it, and that they could do it and they'd make money doing it (Stumberg 2012).

Local DC banks were beginning to make dramatic commitments to reinvestment. Between 1985 and 1987, American Security Bank provided 100 million dollars in loans to rehabilitate 3,000 housing units. The bank’s community development lending group projected the investment of another 150 million dollars by the fall of 1988. According to Councilor Jarvis, Sovran/DC National Bank was of the same mindset as American Security (Pyatt 1987). What is extraordinary about the American Security Bank investments is not just the dollar figures, though these are impressive, but the very fact that the bank had a community development group. This represents a sea change from earlier attitudes. During his oral history Smith spoke on the significant qualitative difference in lending behavior today as opposed to the 1970s:

Some of these banks now have what they call community development staff. And the community development staff's job is to go to these non-profit groups and these tenant associations and try to work with them to make loans from their banks. And
in those days they didn't do that. In those days a banker sat in his office waiting on somebody to come see him. ... there are so many banks out here now that they compete for these loans. And everybody's competing for that 1 good loan or those 2 good loans, or 10 good loans. And so they compete for them now. But they didn't compete for them back in those days. It was totally different. Banking was a whole different operation. (laughs) They went to work at 10 o'clock, they shut down at 2, they weren't open on Saturdays ... And you've got people who work there whose job is dependent on them bringing in loans. And they get a commission from the loan. If they don't bring the loan in, they don't get the money. So they're out there, aggressively trying to [make loans] (Smith 2012).

Appraisal and Enforcement: Reinvestment from 1988 to 1995

The importance of CRA in changing lending behavior is not to be underestimated. As was established in the literature review, CRA meant that banks could be prevented from branching or merging if they had poor CRA records. Vitarello on the effects of CRA:

One nice thing about CRA is, the teeth it had was the bank regulators could prevent banks from either opening new branches, or from merging or buying another bank if their CRA record was bad, was negative. That was actually in the law. That was it. There were no other incentives; there were no penalties; that was it (Vitarello 2011).

In 1988 Crestar Financial, a bank that had entered the DC market via acquiring a local bank, agreed to talks with the Metro Area Fair Banking Coalition. Based on HMDA data, the Metro Area Fair Banking Coalition alleged that Crestar had decreased mortgage lending in certain areas and failed to make loans to minorities for co-ops and small businesses, while still making loans in white areas of NW Washington. In response, the bank asserted that it had fulfilled its 10 million dollar commitment, but couldn’t commit to 120 million dollars’ worth of reinvestment. The activist coalition was trying to hold up Crestar’s merger with Colonial American Bankshares Corp., a bank that was based in
Roanoke, VA (Walsh 1988). These talks clearly did not result in much progress, as in 1989 the Metro Area Fair Banking Coalition and the United Mine Workers (involved for other reasons) filed a CRA challenge with the Federal Reserve to prevent Crestar from merging with Colonial American (Walsh 1989). This represents the classic “regulation from below,” extensively covered in Squires (1992).

There are no data on exactly whether or not Crestar settled the CRA challenge; it certainly did manage to purchase Colonial American (Knight 1992). By 1992 it had one of the strongest records of all the banks in DC in terms of its lending to low-income areas, particularly areas east of the Anacostia River (Brenner 1992a). This may have been due to the CRA challenge or perhaps to the fact that CRA ratings became public under FIRREA in 1989. That the bank even agreed to talks with the reinvestment coalition, and that they were doing any lending at all in low-income neighborhoods, as required in its acquisition of a DC bank, is a sign of how powerful the effects of CRA and the Interstate Banking Act were, though at that time the reported data were very limited.

As discussed in the literature review, after the Savings and Loan Scandal HMDA was dramatically strengthened by FIRREA (Associated Press 1989). This expanded legislation made it much easier to track reinvestment activity and also made CRA ratings public. The fact that CRA ratings were now public gave community groups a very powerful tool to encourage bank compliance with CRA:

I do know that a lot of community groups use that, the ratings, they use the narratives in the summaries to hold banks accountable. And occasionally, some banks are that bad that they really get a bad rating. Not that many, unfortunately, but some do. And if there are active community groups out there or a newspaper that's interested in it, they can embarrass that bank. And likewise, banks that get really good ratings, that's there too, right, outstanding, right, and so they can use
that like in their ads. And I've seen banks do that. They advertise and they say "we got an outstanding CRA rating." That's a positive inducement. And by the way, a lot of the big banks, particularly, have always striven really hard to get an outstanding rating … (Vitarello 2011)

The fact that making CRA ratings public would help reinvestment groups was well understood at the time, and commentators suspected that banks would be much more sensitive to local credit needs in light of these ratings being made public (Harney 1991). After the passage of FIRREA activists eagerly awaited the release of the data to use them in local reinvestment struggles (Silver 1990). The DC chapter of ACORN had been negotiating with Trustbank Savings, a Tyson’s Corner S&L with branches in DC, to increase its lending in underserved DC neighborhoods. Chris Leonard, the head organizer for ACORN, attributed Trustbank’s willingness to talk directly to the threat of a CRA challenge. Albert Hopkins, executive director of the Anacostia Economic Development Corporation, was also highly positive about the effects of CRA, given that in his opinion no bank would want to have a poor CRA score (Sands 1990c). Furthermore, in 1991 bankers met with representatives of the Metropolitan Washington Planning and Housing Association to address credit needs in part because CRA scores were being made public (Sands 1991b).

Several years after the passage of DC’s Interstate Banking Law, the main question at the local level became not what policies might get banks to reinvest, as many of the banks had already made reinvestment commitments. The challenge rather was to assess the degree to which the banks were fulfilling their reinvestment commitments. Public policies at both the local and federal levels were instrumental in assessing the degree to
which banks were fulfilling their reinvestment commitments. Beyond the aforementioned FIRREA disclosure requirements, the DC Government became directly involved in assessing the degree to which the Interstate Banking Act was having the desired effect.

To that end, the District hired Edward D. Irons to be the District Banking Supervisor, a new position designed to regulate financial institutions at the local level (Day 1987a; Brenner 1989a). After the passage of interstate banking legislation by the DC Council, six regional banks had purchased local banks and were thereby required to abide by certain reinvestment and job creation requirements. While Irons acknowledged that the banks had substantially complied with the requirements of the law, the DC Government wanted to make a detailed study of the extent to which the banks were reinvesting. To a certain degree, the changing debate shows how extensive reinvestment gains had been; the reinvestment requirements put in place in 1985 were considered quite stringent for the time, but by 1989 did not seem so rigorous (Brenner 1989a).

Irons and community groups thought that the Interstate Banking Act had had little effect on the ability of minorities to get loans in DC. The banks in question had supplied information showing that they had all met or exceeded their reinvestment requirements, in one case by a factor of eight. However, the information provided by the banks was vague; given that there were no records of gender, race, or income of borrowers, it was difficult to determine if funds were going to target communities. Also, there were low levels of lending activity in Wards 4, 5, 6, 7 and 8 (Brenner 1989b).

A standoff resulted between the banks and the DC Council, with the new banks insisting that they were in compliance with the statutory reinvestment requirements in
spite of the study to the contrary from the DC Banking Superintendent. However, as a
*Washington Post* columnist pointed out, an unqualified loan applicant whose loan is
denied is not necessarily a victim of discrimination, and an increase in loan volume to a
target neighborhood does not prove that the lending is accomplishing the goals of policy
makers and activists (Pyatt 1989a). Jarvis publicly criticized Superintendent Irons for not
making sure that the banks reinvested, in spite of the fact that his office was almost
powerless. Jarvis had made redlining and reinvestment her main issue, and it is therefore
understandable that she would be unhappy to find that banks may not have been
fulfilling their requirements (Pyatt 1989b).

From a community development perspective many of the loans may have been
made to absentee landlords living in Maryland or Virginia (Brenner 1989b). This shows
that while ending redlining was important, focusing reinvestment on community
development is just as important. The banks’ actions allowed these neighborhoods to get
needed investment. However, the larger question was who benefits from such investment
– the local community, or outside business interests.

Irons completed and released the study in 1990; the results were that the banks
appeared to still be redlining based on an analysis of single-family mortgages by ward
(Brenner 1990a). According to the study the banks were making $6000/acre of loans in
black wards, but $60,000/acre of loans in white wards. The banks disagreed strongly with
the study’s results (Brenner 1990b). The media immediately took sides against the banks,
calling for them to document their lending practices (Pyatt 1990b). The DC Reinvestment
alliance, a coalition of various groups, was also convinced that the banks were not
making good on their commitments. From a June 1990 *Washington Times* article: “‘The report confirmed what we've seen all along - the banks aren't meeting their commitments on mortgage lending, and they're not making any rehabilitation loans anywhere,’ said Leroy Hubbard, president of the Metropolitan Washington Planning and Housing Alliance and a member of the D.C. Reinvestment Alliance.” The DC Reinvestment Alliance had a six-point plan, including using CRA/HMDA records to protest bank lending records, meeting with the OCC, and possibly even recommending to consumers that they close their accounts (Sands 1990a).

The banks refuted Irons’s study as their reinvestment activity was not limited to single family loans; the banks were also extending business loans, commercial real estate loans, and loans to multi-family units. American Security, for instance, exceeded its pledge by 100 million dollars (Brenner 1990c). The problem with Irons’s report is that he only had HMDA data available, whereas CRA can be complied with using many different loan products provided they are supplied to the correct communities. This controversy reveals two main themes; first, the difficulty of tracking reinvestment activity and proving redlining in the later ‘80s and early ‘90s; and second, the fact that the debate over redlining had changed from just trying to get the banks to lend to debating the degree to which banks were reinvesting.

Regardless of the fact that the bankers pointed out that single family mortgage data did not demonstrate the degree to which they were fulfilling their community reinvestment commitments, the controversy continued throughout 1990, with non-profits continuing to allege redlining and the media helping their cause through supporting
analysis (Sands 1990b; The Washington Times 1990). This activity may have been what attracted ACORN’s attention, as the group published a quantitative study in 1991 alleging continued redlining by DC’s bankers. ACORN’s analysis showed that blacks were rejected at higher rates than whites even in equivalent income areas (ACORN 1991; Schmidt 1991). Of course, the available data from HMDA/FIRREA did not show credit scores, and given the intersectionality of race and poverty in the US, it is not surprising that residents of equivalent income areas might have different credit scores given the lack of inherited wealth and advantages in the black community. Regardless of the results of the study, it acted to continue the pressure on the financial industry.

Many of the banks in DC were indeed improving their lending behavior during this time period, probably in response to FIRREA and the aforementioned pressure from the DC Government and community organizations. In 1990 Central Fidelity announced plans to make a 100 million dollar investment in community development and education in a program that was obviously based on American Security Bank’s program from 1986. Central Fidelity’s plan, crafted with community input, provided scholarship money and tutoring for minority students as well as commercial and low-income residential development (Pyatt 1990a). The same year Sovran announced a low-income mortgage program under which Sovran would relax credit requirements for buyers and finance up to 95% of a home’s purchase price. This program was to be executed in coordination with down payment subsidies from the District, resulting in situations in which buyers might only need to come to closing with $500. The program required buyers to take part in housing counseling (Gilliard 1991; Mariano 1990). The reinvestment leader in the 1980s,
American Security, continued to reinvest in the community in spite of the hard financial times (Pyatt 1987; Sands 1991a).

In 1993, during the next round of major controversy over banks’ reinvestment patterns, this qualitative difference in behavior became apparent. In a June 1993 article questioning the ability of the District to enforce its reinvestment pledges, Deepak Bhergava was quoted in the article, stating that the banks were engaged in markets that they had previously neglected (Powers 1993a). The debate had clearly transitioned from whether or not the banks were lending to one concerning the degree to which the banks were lending in these areas. The changing nature of the redlining debate is illustrated by the case of NationsBank and First Union; the two Charlotte, NC based banks were entering the District in 1993, and they came in with significantly different styles regarding reinvestment. NationsBank promised to lend 600 million dollars to low and moderate-income borrowers over 10 years and open branches in minority neighborhoods. First Union had initially promised 100 million dollars and then later doubled that amount to 200 million dollars, along with opening two branches in minority neighborhoods, as it began to run into trouble with the DC Government. The main problem was the First Union had argued that provisions of the DC Interstate Banking Act did not apply to it because of the special circumstances surrounding its purchase of First American; specifically, it had in hand a legal justification for not going through the approval process required under law. Style and approach clearly made a big difference to community activists in the District, even though the banks’ records elsewhere belied their appearances in DC. Allan Fishbein of the Center for Community Change stated that
NationsBank seemed to take reinvestment seriously, whereas for First Union CRA was a matter of compliance (Powers 1993b). Clearly the reinvestment movement had made major strides since the ‘70s; both banks were promising large loan volumes to needy areas, but the DC Government had such power that they were able to extract even larger concessions.

In the fall of 1992 the DC Reinvestment Alliance and Nationsbank Corp. scheduled a loan day in Northeast Washington. This event was for DC residents, new businesses, and non-profits, and bank representatives were on hand to try to issue car/school loans, credit cards, home mortgages, commercial real estate loans, and small-business loans (The Washington Post 1992). The fact that such an event would be held shows the extent to which banks were changing their behavior.

Indeed, in 1994 the DC Office of Banking and Financial Institutions issued a report that was generally positive about the performance of the large regional banks that had entered DC since the passage of the Interstate Banking Act. The report showed that banks by and large were complying with reinvestment requirements. However, Councilor Jarvis criticized the report, stating that women and minorities still had trouble getting loans. Blacks still faced a significantly higher rejection rate than whites in the District, and whites still faced difficulty in getting loans for homes in minority neighborhoods (Singletary 1994a).

The results of this study may have been tied somewhat to the gentrification that DC was experiencing; as neighborhoods within the District turned over, banks may have become more enthusiastic about lending to those areas. However, they may have been
making loans to predominantly white borrowers, thus allowing them to fulfill their reinvestment pledges while not actually helping minorities as much as they might have.

Regardless, the report shows that banks had by and large complied with the requirements of the Interstate Banking Act; their behavior represented a sea change from that of the 1970s.

However, the previous year *The Washington Post* had published a critical study of lending in DC. This study showed that race was the decisive factor in where banks and thrifts made home loans; residents of black neighborhoods still turned to private mortgage companies, but they charged higher fees and interest rates (subprime market); white areas had three times as many branches per resident as did black neighborhoods; old line banks and thrifts did less business than newly arrived institutions; lending discrimination was pronounced in the District; and almost all executives of banks and thrifts lived in NW Washington or the suburbs. Furthermore, mortgage bankers were still thriving in black neighborhoods and did twice the business that banks and thrifts did (Brenner and Spayd 1993). This study echoes the findings of DC PIRG (1975); black brokers and mortgage bankers still had very close relationships and black brokers still sent their clients to mortgage bankers. In spite of the many gains made in the reinvestment movement, home financing was clearly still quite racialized in the District.

For this research, the significance of this study is not what it showed, but rather what it accomplished - focusing national attention on the redlining issue in Washington.
Federal Impact on DC in the Early ‘90s

Under Reagan, the executive branch largely sat on the sidelines of the reinvestment struggle (Squires 1992). This began to change under George H. W. Bush; in 1991 Fannie Mae developed a computerized mapping program, sought out by lenders in order to make CRA loans (Lehman 1991). Later in that year the Federal Reserve conducted a study that found that blacks were approved much less often than whites for mortgages (Knight 1991). More importantly, in 1992 the DOJ filed suit against Decatur Federal Savings and Loan Association of Atlanta, accusing the thrift of redlining and discrimination. The institution had rejected blacks twice as often as whites with comparable incomes, had placed 42 of its 43 branches in white neighborhoods, and had made 95% of its loans in white neighborhoods. In the settlement, the first of its kind, the thrift agreed to sensitivity training, outreach to minority communities, cash payments to those whose loans were improperly denied, and establishing a branch in a minority neighborhood (Brenner 1992b).

The DOJ settlement with Decatur Federal served as an important precedent. In 1994, with the Clinton Administration in office for over a year, the executive branch began to take on redlining in a very aggressive fashion. In March of 1994, 10 agencies, led by Housing Secretary Henry Cisneros and Attorney General Janet Reno, announced a coordinated strategy to combat lending discrimination (Gugliotta 1994). This new coordination and increased attention to the issue were felt in DC when the DOJ settled a discrimination lawsuit with Chevy Chase Bank.
Using the Fair Housing Act and ECOA, the DOJ forced the Chevy Chase Federal Savings Bank to open offices in black neighborhoods of DC and Prince George’s County and to invest 11 million dollars in these neighborhoods. Furthermore, the bank committed to 140 million dollars in home loans in majority black areas over the next five years. In the news coverage of the settlement, DOJ representatives stated that Chevy Chase did not discriminate directly against minorities, but rather redlined by only branching in white neighborhoods. This represents a radical change in interpretation of the law because the bank’s branches were in white neighborhoods, which they were presumably serving adequately under CRA. There was even a “smoking gun” of redlining: former Chevy Chase employees had alleged that loan officers were ordered not to lend south of Calvert Street NW or east of Connecticut Avenue, with exceptions only for Capitol Hill and Dupont Circle (Singletary 1994b). The bank’s lending record was atrocious; it provided 97% of its loans between 1976 and 1992 in white neighborhoods (The New York Times 1994).

The interactions between the local scale and the federal scale are quite evident in this case; in news coverage the DOJ specifically cited the aforementioned 1993 Washington Post study showing the continued racialization of the home mortgage market in DC (Singletary 1994b). This shows how The Washington Post was indeed read by policy makers and that work done at one scale, the local city paper, was picked up by a higher scale of politics that then translated the allegations of redlining into policy actions.

The settlement, supported by The Washington Post (1994), may have served pour encourager les autres, as other banks in the region had even worse lending records or
almost no branches in minority neighborhoods (Pyatt 1994). After the settlement, bankers were concerned over exactly how fair lending will be defined going forward. DOJ representative were quoted to the effect that the Clinton Administration was going to take fair lending extremely seriously and would stretch interpretation of lending discrimination as far as possible in that effort (Singletary 1994c).

**Gentrification and Community Development**

It is impossible to analyze political and economic actions taken in the '70s and '80s in DC without knowing the overall context. As was discussed in the background section of this thesis, neighborhoods in DC near downtown were gentrifying in the '70s and '80s. The struggle to end redlining was a struggle not just to revitalize inner city neighborhoods, but also a struggle to make financing available for specific people to enable a certain outcome in terms of who got to live in the city. In the words of Stumberg:

> So redlining was ... a battle in the war. The war was all about who gets to live in the city. Who gets to live in, who gets to stay in neighborhoods as they change, and what should the city look like (Stumberg 2012).

Those involved in public policy in the 1970s were very much aware of how gentrification and redlining interacted. Vitarello, when he proposed a greenlining campaign against redlining thrifts in the DC area, was very much aware of how mortgage investment was part of the broader community development issue. In his greenlining proposal he cautioned that there was a danger that the S&Ls would put money back into the District, but that the money would go to fund speculators, condominiums, and
development in NW Washington, rather than to more appropriate ends. In a 1975 interview, Vitarello detailed how there existed a deliberate cycle of redlining and speculation in which realtors would drive out homeowners, lower property values, and prepare areas for gentrification (Jones 1975b).

Returning financing to areas was therefore only one part of a broader struggle for community development. Gentrification, if allowed to proceed without any sort of controls, can completely change the character of a community and results in the whole scale displacement of its population (Zukin 1987). This means that without good public policy in place, gentrification results in large-scale social upheaval, with the residents of a neighborhood displaced to poorer neighborhoods and resulting social problems in those neighborhoods inevitable with such upheaval.

In their oral histories, Smith and Stumberg both made it clear that for the DC Government, ending redlining was just one part of a much larger community development project. Furthermore, as the 1970s turned into the 1980s, the DC Government clearly started to exercise a large role in the real estate market with its Housing Finance Agency, apartment building tenant right of refusal, equity subsidies, and the like. A follow-up interview with Vitarello indicates that black politicians in the district were suspicious of the white banks and therefore happy to use government directly to help low and moderate income DC residents move from tenancy to home-ownership. Smith's oral history confirms this, as he states that they always thought that as some point the banks were not going to lend to a large group of people that needed loans.
They therefore used District funds, including Community Development Block Grants, to make these loans themselves. This, in fact, even included retail lending.

In response to the threat of gentrification, the DC City Council responded with this suite of legislation designed to stabilize populations, encourage homeownership amongst the current population, and prevent the worst abuses common in gentrification. The anti-speculation tax was an important step in the anti-gentrification push (Stumberg 2012):

...there were proactive things going on in terms of the gentrification. One of them was a piece of legislation that Marion Barry introduced - I was part of a team that helped draft it. And that was an anti-speculation tax. It was designed to aim at the realtors, the slumlords and realtors, people who were getting their hands on a property and basically flipping them. They were using their access to the market to essentially try to make profit off the demand for row houses. But they were also trying to game the system in such a way that they were speeding up gentrification. They were kind of making it happen - they were certainly contributing to it (Stumberg 2012).

Even more importantly, the city acted to create the "right of first refusal." This legislation, first for single family homes and then later for apartment buildings, meant that if landlords were tempted to sell out to speculators or developers, they had to first offer the housing units to the current residents. If the residents were able to get financing, then they could buy their housing (Stumberg 2012). This stabilized neighborhoods, gave residents incentives to maintain and improve their homes, and allowed them to profit from rising home prices.

... thousands of people were able to buy their entire buildings and participate in the inclusionary process of keeping people in neighborhoods, or, at the very least, enabling tenants to participate in the speculation (Stumberg 2012).
However, low-income tenants clearly do not typically have down payment money readily available; if they did, they would likely already be homeowners. To remedy this, the city created policy structures to subsidize down payments:

... we were then providing the legal services and the financial packaging necessary to enable tenants to either purchase their properties or do something with it. That required heavy cooperation by the city government, usually, to make it work. So the city reciprocated and DC council was active at all stages of this with financing programs, including one called "HPAP," (Home Purchase Assistance Program) ... it was an equity subsidy. So for moderate and low-income families wanting to exercise their right to purchase, they could call on the city for assistance with down payments (Stumberg 2012).

Beyond this, the DC Council created a housing finance agency modeled on the Massachusetts Housing Finance Agency. This model employed "rent skewing," wherein there was public subsidy but also a rent structure was set up within buildings such that market rate tenants were subsidizing the rents of lower income tenants.

... they were doing below market financing, but they were also setting up a rent structure within their buildings to mix incomes. And so not only were they integrating their buildings economically ... they were redirecting the cash flow within the building so the upper income tenants were paying market rates which they were using to subsidize some of the lower income tenants. So it was a very mixed revenue stream of built in subsidies for how they managed the property plus government financing programs primarily dependent on revenue bonds for below market, wholesale financing of the building's mortgage, or usually the mortgage as a whole (Stumberg 2012).

This Housing Finance Agency was part of an effort to maintain low-income housing, housing that would be unattractive investments for the private sector. At this time the city was trying to maintain a certain amount of low-income housing for persons that would otherwise fall through the cracks in the private financing world. This included the handicapped, veterans, and families with dependent children. The city even gained
permission to use some of its Community Development Block Grant funds to put in a housing production trust fund (Smith 2012).

Furthermore, to ensure that loans would be made to inner city residents regardless of actions taken by the savings and loans and the commercial banks, the city became involved in retail lending:

... Enough of trying to make these other people lend money; we could do it ourselves. And set our own criteria for qualifications ... in addition to having a Housing Finance Agency that did indirect financing where they made loans to community groups that were actually doing the units, they actually made single-family loans themselves. They opened a window, called a walk-up window (Smith 2012).

The Housing Finance Agency then leveraged itself to maximize its ability to make inner city loans, using its existing loan portfolio as collateral for further financing:

... the Housing Finance Agency could float bonds. They couldn't get 100% of the value of that portfolio, but they might be able get 40% of the value of that portfolio, which is a good deal of money. Then you lend that out (Smith 2012).

These efforts to maximize lending by the city was motivated by the fact that that politicians in the city were very suspect of the banks given their long history of redlining:

... we always knew that at some point the banks probably weren't going to lend money to an awful lot of people that we wanted to lend money to. And so we created our own mechanism, back when times were good and we had some money (Smith 2012).

This echoes the theme that Stumberg brought up at the very beginning of his oral history, that the anti-redlining campaign was part of a larger struggle over who gets to live in the city. Doing retail lending itself was a way for the city to directly influence who was able to live in the city. If the private lenders chose to lend only to upper income
borrowers, whites, and suburbanites, the city could still enable lower and middle-income
borrowers to remain in the city, remain in their neighborhoods.

Decades of redlining had therefore resulted not only in disinvested inner city
neighborhoods, but also in a very strong government response intended to be
complementary and supplementary to the private sector (Smith 2012).

As part of achieving its goals of community development, the city also worked to
rid its tax rolls of many housing units that it had acquired through various means. In
disinvested areas of cities, such houses are extremely common, and cities often acquire
them via in rem foreclosure; the homeowners have abandoned them and are therefore
failing to make the necessary property tax payments. While demolishing such houses is
pursued by cities as a last resort, a preferred option is to actually get new owners into
these houses. Smith sought to accomplish this via a homestead bill:

I introduced a bill to create the Homestead Housing Preservation Act ... by the
time I got on city council the city owned maybe 2500 houses that it had either
acquired through eminent domain when it was buying up large tracts of land
trying to self stimulate economic development, or it had foreclosed on these for
various reasons, or they had been abandoned by these banks ... back to this idea of
trying to stimulate some kind of development - if you could get those back in
service, in some cases you could get some movement out in these communities.
And you could also create another class of people who owned property. So we, I
started then, I created this Homestead Housing Preservation Act, where the city
actually had a lottery where we would sell properties to a buyer for 250 dollars a
person (Smith 2012).

However, selling an abandoned house to a low-income buyer for a pittance is merely
burdening that buyer with a massive liability given all the work that needs to be done to
bring such a house up to code, particularly if the house had been vacant for a
considerable period of time. The city therefore set up financing programs to help the buyers with rehabilitation:

And then the city put up the first $10,000 as a sleepy second mortgage. It was called a sleepy second mortgage because you didn't have to pay any money on it for 10 years. And that was the money that you needed to help you get this property up to housing code. So in other words, if you needed 35,000, you only need to borrow 25 because the city put the first 10 in there, and you didn't even have to pay the city's 10 back for 10 years (Smith 2012).

Thus the anti-redlining work was part of a larger package of housing policy by which tenants were able to purchase their housing units, landlord abuses were mitigated, and housing was directly subsidized by government agencies. These policies include anti-redlining legislation and advocacy work, tenant purchase programs, rent control, eviction control, housing financing programs, retail equity subsidies, and the housing financing agency that issued bonds and finance housing developments (Stumberg 2012).

These policies made a big difference in the crescent of gentrifying neighborhoods near downtown. Stumberg estimated that the number of tenants that had participated in purchase scenarios was over 20,000 by the date of the interview. Some of these tenants have now become wealthy by virtue of the changes to the property market that have occurred around them from when they purchased their homes to the present day. Indeed, in these neighborhoods close to downtown the change in housing value is astonishing.

So we were able to get a number of people, hundreds of people, into what is now millions of dollars’ worth of property. Many millions of dollars’ worth of properties. Because some of these properties, by themselves, are worth a million dollars now (Smith 2012).
Smith credits all of this community development work, and the anti-redlining work in particular, with both the revitalization of Adams-Morgan and also with the preservation of a certain amount of affordable housing in the community. Though the area today has been gentrified to a great extent, when AMO started working in the neighborhood the whole community was being disinvested. The greatest fear of the organization was therefore that the whole area would be boarded up and abandoned, as has happened in some of the most heavily disinvested neighborhoods in the country. The residents that remained, however, had grown attached to the neighborhood and did not want to leave. The neighborhood, however, was able to turn around and revitalize while preserving a certain amount of affordable housing:

But over the years, with the help of the work we did with the S&Ls, we were able to create one of the largest co-op movements in the city, in that neighborhood. So I would say that the middle class and low-income African American and Hispanic community that's left over there now, primarily, and white community too, low-income white community, is a result of the anti-redlining campaign, the co-op movement that was financed by the anti-redlining campaign, and some of the subsidized housing, the Jubilee Housing and other groups like that. There are two or three public housing units over there. So if it weren't for that, Adams-Morgan would really be completely gentrified. Because when the prices started to move, they moved so fast that people weren't willing to buy up there anymore (Smith 2012).

**Housing Counseling**

One of the issues brought up by the majority of the oral history respondents is the importance of housing counseling to creating homeowners.

[Housing Counseling Services] was a big deal, because many of these people couldn't - well, they'd never owned before. First time owners, and they had never owned before, had no history in the family of having owned, but they were working people, they had good habits, they wanted to progress, the wanted their kids to do well, and, you know, with a little bit of help (Smith 2012).
For instance, when the DC government created the Homestead Housing Program, they required participants to undergo this counseling in order to qualify. Smith describes the housing counseling required of all participants in the Homestead Housing Program:

Housing counseling, for example, was required of all candidates for the Homestead Housing Program. This program included budgeting, reducing credit card debt, and in some cases taking a second job in order to improve their credit. The program was not meant to make homeowners of the deliberately unemployed. As Smith put it, “Because we made no bones about it; I wasn't trying to make homeowners out of people that didn't have a job. If you didn't want to work you didn't want to be a homeowner” (Smith 2012).

Housing counseling was such an important part of housing policy that Vitarello actually left HUD in the early 1970s because of how President Nixon had treated the housing counseling portion of the federal housing programs:

… the counseling program was one of those programs that he decimated, exactly. There was a home ownership program for low-income homeowners. Virtually all of them were first time homebuyers, but on top of that they were poor as well. They were given 1% government guaranteed loans, Section 235 they were called, homes. There was also a counseling provision that went with it, and along with counseling, money in that same section 235. But Nixon froze that money and didn't allow it to be spent and eventually Congress just cut it completely, and as a result of that these first time homebuyers were given no counseling except for some enlightened cities like DC and San Francisco for sure, and I think Chicago (Vitarello 2011).

Housing counseling was so effective that when it was provided, the default rate on loans fell to almost nothing.

And in virtually all those cases, I learned later, and in DC firsthand, that the counseling really worked. Particularly it was comprehensive counseling that reached people early on before they even walked into the home, sort of pre-purchase counseling and they gave them on-going counseling while they were in their homes, so that was extremely important as well (Vitarello 2011).
Vitarello recounts his experience with another housing counseling activist:

... I ran into a nun at the time, Sister Kate McDonald, that started one of the first non-profit housing counseling agencies in the United States, in fact still in DC today, called Housing Counseling Services ... At that time, when she started it, her counseling was part of the Catholic Archdiocese of Washington and a great priest named Monsignor Geno Baroni who later became Carter's Assistant Secretary for Neighborhood Development, but Geno started an Urban Development Corporation, I think it was called, supported by the Archdiocese. And he did this all before the [1968] riots as part of this 235 program. And Sister Kate told me many years later when I joined her board that only 2 of the 120-some-odd recipients of rehabbed housing under 235 that had all been counseled, only 2 of those homeowners ever defaulted on their loans and lost their homes. All the others still were in their homes. So it showed how important counseling really was (Vitarello 2011).

Housing Counseling Services, with offices in Adams-Morgan, was the organization hired by the DC Government to conduct the counseling required by the aforementioned Homestead Housing Program, and in turn Housing Counseling Services had Vitarello help set up their program:

... I helped Housing Counseling Services develop a very comprehensive housing counseling education workshop that went on for like 12 weeks, one day a week I think it was, for the DC Homestead program (Vitarello 2011).

This was particularly important for the Homestead program because the houses involved were in such poor condition. While purchasing a new or at least occupied house is still challenging given the maintenance and the minefield that is procuring a non-abusive mortgage, moving into an abandoned house is a much more challenging process. The winners of the Homestead program’s lottery had to commit to repairing the homes they had recently won:

But they had to promise to go in there and fix it up. A lot of them were in terrible shape. They had to go in, the city would help them with financing and so on, but again, inevitably a lot of them were never homeowners before. So the city quickly
realized that unless we provide some real training for them, we can't just put 'em in a house, unless they had already been a homeowner and they were very responsible people and they knew how to find contractors and all that, which most people don't know how to do, they're going to fuck up, and guess what? The house is going to come back on the tax rolls again (Vitarello 2011).

In light of this, the DC Government hired Housing Counseling Services to provide required counseling for each family that won the lottery as a condition of their moving in. This training included modules on budgeting, finding a contractor, improving a credit by reducing back end ratio, etc.

Housing counseling is particularly important for minority communities because many members of these communities may be first generation homeowners; this means that there is a lack of passed down family knowledge concerning homeownership.

Because remember, most of these people have not only never owned a home, but there's been no one in their family who's ever owned a home, so they have no hand me downs. They don't have a parent or an uncle who can say, "oh by the way, this is the way you should be a responsible homeowner." They don't know, they have no idea." So that's important (Vitarello 2011).

The DC-based non-profit housing development group Manna has organized a homeownership club to help counsel head of household women prior to purchase so as to avoid the major pitfalls of homeownership:

They have a great counseling program … I think they call it a homeownership club, where single headed household women, mostly black women, some Latinos, um, women ... I think they're all literally single moms with kids, go through a rigorous one year sort of mentoring education program, on how to be a homeowner, before they even have a house (Vitarello 2011).

The homeownership club meetings are roundtable type affairs led by a moderator from Manna, focused on peer-to-peer exchange:
… they sit around a table and someone on Manna starts asking questions or starts saying certain things you gotta do as a homeowner. And instead of lecturing them, they stop and say, "okay, let's have a discussion about this." And then they go around and everyone around the room has to say something. And of course some people dominate more than others, but the whole idea is to get them all engaged in, like, "why is it important to have a budget," you know, when you're a homeowner. "Why is it important to set aside a reserve for a leaky roof" … Again, things they would never do as a tenant. And so as time goes on it gets more and more sophisticated, in terms of like, "how do you find a plumber," and things like that (Vitarello 2011).

Housing counseling enabled home-buyers to take advantage of lending programs; it was therefore vital in operationalizing reinvestment commitments by banks, thrifts, and the city.

**Adams-Morgan Organization, Perpetual, and Gentrification**

The Adams-Morgan Organization (AMO), a community group formed in 1972, took a stand against redlining (*The Washington Post* 1972). The neighborhood name itself is a legacy of integration; after the 1954 *Brown vs. Board of Education* decision, the all-white Adams school merged with the all-black Morgan school, creating the Adams-Morgan identity. Adams-Morgan, like many other neighborhoods in the District, had suffered from disinvestment in the post-war era. From 1950 to 1960 the average value of a single-family home had fallen from $19,196 to $16,400. The neighborhood was also experiencing population increase, leading to perceived overcrowding. These statistics, along with increased crime, all made the area attractive for urban renewal advocates. Though an urban renewal plan was written, it was ultimately defeated because of increasing opposition to urban renewal in general, due to concerns over public housing.
and displacement. The residents in the neighborhood had seen the large-scale displacement that had happened in Southwest DC during urban renewal, and did not care to repeat that area’s fate (Hoagland and Severo 1967). Due to the disinvested state of the area, by the early 1970s, Adams-Morgan had become a prime target for speculation and gentrification (Ehart 1984). Displacement is always an issue during the gentrification of a neighborhood, and dealing with the threat of displacement was part of the reason AMO was founded in the first place (The Washington Post 1972; Zukin 1987). AMO played a significant role in forming the neighborhood’s identity; in the words of Smith (2012), “… we actually helped them define the boundaries for our neighborhood.”

From the beginning AMO exerted a significant influence on local land use decisions. For example, David Clarke, a young attorney who would go on to be the chair of the DC Council, represented AMO in a successful effort to prevent British Petroleum from locating a filling station at the corner of 18th and Columbia Road (Ehart 1984). By 1973, the year after the group’s founding, it was deeply involved in fighting redlining and displacement (Valentine 1973).

Frank Smith, who had moved to Adams-Morgan after his first career in the civil rights movement, became involved in tenants’ associations in Adams-Morgan, then in AMO itself eventually becoming its chairman. Later the group was supplemented and eventually displaced by the Advisory Neighborhood Commission of its area, but this reinvestment activity occurred earlier (Ehart 1984). This community group supported the struggles of tenant groups against landlords via legal counsel and other advice.

… we had a really good, dynamic community group called the Adams-Morgan Organization, AMO … It was a representative type organization. We had every,
had about eight neighborhoods that were part of this organization. Every neighborhood had a representative and I represented one of the neighborhoods. … And so one thing led to another after a while and I became more involved (Smith 2012).

AMO became very involved with the anti-redlining fight in May of 1976 when a developer tried to evict a large number of tenants at once:

And what really triggered it was that … one developer [Centre Properties] actually purchased 26 housing units on a one block long street called Seaton Street. … he actually bought all these properties up and then sent all these tenants eviction notices at one time. So essentially, and they came to us and then we went to the press, and one thing led to another … So what we did was to say to them, "look, we're going to help you do this, we're not going to let these people put you out and we're not going to let a developer develop these properties even if we have to go to civil disobedience. We'll move out, we'll just block the bulldozers, and we'll do whatever we have to do, but we're not going to let this happen." So we started working trying to save those tenants (Smith 2012) …

Displacement resulting from gentrification was a major issue during that time – it one of the reasons that AMO was founded in the first place (The Washington Post 1972). Displacement remained an incredibly explosive issue through the late ‘70s with David Clarke of the City Council taking a stand against it. Real estate interests viewed redevelopment/rehabilitation as a way to make money and improve neighborhoods (Bowman 1977a), a view not shared by local residents. Between 1972 and 1977 pressure steadily mounted against low and moderate-income families in Adams-Morgan, as scores of older homes were bought, rehabilitated, and then resold to upper income buyers (Levey 1977).

For Centre Properties there was a distinct advantage in flipping all of the Seaton Place housing units simultaneously; they could boost the value of all housing units on the
street and realize a much greater profit. With a certain critical mass of properties, a developer could influence the market and get more investment in the neighborhood, thus improving the values of all the properties. This meant that developers preferred to develop a whole street when possible (Smith 2012).

Two lawsuits were filed on behalf of 23 of the families because they had never been given the opportunity to take advantage of their tenant right to purchase provided for under Section 301 of DC’s rent control law (Gray 1976; Ritchie 1976). The developer and the previous owners had entirely disregarded this law when making the original sale:

DC had a little known law then, that said that if a tenant was in a property and that property went up for sale, that property had to first be offered to the tenant (Right of First Refusal) … And they had not done this. Well it turned out they didn't do this because they just presumed that these people were so poor and had no resources and no friends and no connections, and they couldn't buy these properties (Smith 2012).

The City was mobilized on behalf of the tenants, conducting special inspections of the homes on Seaton Place, resulting in 573 violations against Centre Properties alone. Clarke, by this time the Council Member for Ward 1, Adams-Morgan’s ward, was behind the special inspections and was firmly in support of the tenants against the developers. The developer immediately moved to quash this opposition by buying the tenants out at $250 each, a small price to pay given that Centre had purchased the houses for $11,500 to $20,000 each, and was expecting to resell them at ~$65,000 each (Ritchie 1976).

However, just keeping Centre Properties from evicting these tenants was not enough. To win its tenant right to purchase court case, AMO had to show that the families in question were financially able to purchase their homes. Otherwise, they would
forfeit the right of first refusal and would be evicted. This meant that AMO needed to raise approximately $4,000 per family (Gray 1976). Furthermore, the tenants needed to be able to get loans. If S&Ls would not lend to them, then they could not exercise that right and the developer would have flipped the properties (Smith 2012). By February of 1977, Centre Properties had succeeded in reducing the number of remaining families to 10, likely by buying them out for around $250 each (Bowman 1977a; Raspberry 1977). In the meantime, the redevelopment of Seaton Street was occurring all around the remaining 10 families, with heavy electric cables being laid and large dumpsters collecting debris from the houses undergoing renovation.

AMO needed first mortgages for the properties so that the tenants could take title initially. Beyond the first mortgages, however, AMO also needed to find money to bring the housing units up to code:

... they were all in ratty shape. None had ever been remodeled or anything, so they needed everything: roof, electric, plumbing ... for each unit, we had to come up with a plan for what it was going cost to fix it up ... all we concentrated on was bringing it up to housing code. We weren't trying to put them into a kind of fancy condominium shape. Bringing them up to code meant you had to put in new wiring, put in new plumbing ... once we got that kind of a work program done for each individual unit, then the question was now, "can you find the money to do this?" (Smith 2012)

AMO succeeded thanks to a cooperative effort involving private groups, individuals, and government agencies. AMO used pro-bono legal assistance from the law firm of Wilmer, Cutler and Pickering to invoke Section 301 of the rent control law, tenant right to purchase, to freeze the Centre Properties transaction. In the meantime, AMO found a “friendly S&L” to provide mortgages and worked to raise enough money to provide
down payments and closing costs, a cost that amounted to $5000 for each of the 10 families. These down payments came from a combination of AMO fundraising parties, the tenants’ own savings, and grants (Bowman 1977c).

Such fundraising parties attracted whites and Latinos to traditionally black clubs, in addition to City Council members like Marion Barry, Douglas Moore, John Wilson, and Hilda Mason, in addition to Council Chairman Sterling Tucker and former Assistant Secretary of HUD H. R. Crawford (Bowman 1977b). Nine of the families ended up staying in a settlement with Centre that involved sale prices of between $13,500 and $21,000 each. The average price of $17,000 was much more than the initial average purchase price of $13,000, but much less than the ~$65,000 sale price that would have resulted from a full rehabilitation and sale to upper income buyers. Beyond the initial mortgages provided by a local S&L, the DC Government committed to making renovation loans available at 3% from the DC Department of Housing and Redevelopment (Bowman 1977c; Raspberry 1977).
In the search for financing, AMO came into contact with a local S&L that was seeking permission to establish a branch in the neighborhood:

… that's how we came into contact with this bank, Perpetual [Building Association], which was at the time seeking permission from the Federal Home Loan Bank Board to expand into Adams-Morgan, to open a branch there .... And I'm sure it's hard for the public to believe now but they were redlining Adams-Morgan, too, at the time. Because they considered Adams-Morgan a low-income community, which was going downhill, and they didn't think that the properties there would support loans (Smith 2012).
Adams-Morgan, a mixed race community, was far from the diverse but expensive neighborhood it is today. Rather, it was being disinvested on the one hand while speculators began to buy up whole blocks. But if it was a disinvested neighborhood, why did any financial institutions want to branch there at all? S&Ls depended on deposits -

They didn't think the people there would pay back the loans, so why did they want to open a branch there? Well, there was a lot of income over there, they knew they could take in a lot of money, so basically they were trying to get themselves a good teller machine, we would call it a teller machine today, they would take in money but they had no intentions of lending any money in the community (Smith 2012).

It is easy to see how this mistrust came about; after experiencing 30 years of redlining, residents of predominantly minority neighborhoods were very untrusting of banks, particularly white banks. The ironic aspect of this entire anti-redlining struggle is that Perpetual was actually the most progressive white bank in the entire DC area (CRMI 1976; DC PIRG 1975; Dunphy 2012; Vitarello 2011). Regardless of Perpetual’s exact lending history and policies, however, AMO certainly perceived the institution as redlining the neighborhood, leading the organization to oppose the branching. It is entirely possible, in fact, that Perpetual was actually redlining the neighborhood; Stumberg’s loan, for instance, was initially denied by Perpetual in what was almost certainly an act of redlining (Stumberg 2012).

When the S&L made a $1500 gift to the Alley Library, a children’s library in the area, the move was regarded with suspicion by AMO who viewed it as an attempt to buy off the community (Williams 1976). From a procedural standpoint, AMO opposed the branching by protesting it with the Federal Home Loan Bank Board. Of course, the
savings and loan in question disputed AMO’s redlining charge. Smith describes their response to charges of redlining:

They said what all banks say. "We look at all applications. We look at the property itself. We look at the individual and if that person is qualified - we make a loan to them. We don't care where they live or what they do, and if there's nobody in that neighborhood who has a loan from us, it's because nobody is qualified." And so now you take one or two of those good members and people go up in there and say, "look, man, we've been putting money in there all these years. I've got a good job, I've got a good neighborhood, good house here, why won't you lend money to me?" (Smith 2012)

How did AMO know that their neighborhood was being redlined? Beyond anecdotal evidence, they had researchers associated with their organization and they were a bit overeducated for their generation:

… we had people that were working with us who were good researchers. We were all young intellectuals. The whole community really was, not the whole community, but I would say the active community in Adams-Morgan. The active community in Adams-Morgan Organization and the Advisory Neighborhood Commission, the whole active community was sort of a, I would say we were all young - we was the hippie, yuppie, buppie, beatnik community of young people who were probably overeducated for our generation and anti-government. So we had a good healthy case of anti-government sentiment and we were all looking for creative ways to try to either make the government look bad (laughs) by demonstrating that it was ineffective, or trying to make it be more progressive by dealing with some of the issues that were real time issues in our community (Smith 2012).

Armed with the knowledge, or at least the perception, that their community was being redlined, AMO then pursued their efforts through the Federal Home Loan Bank Board, writing letters explaining their complaint. Smith traveled to the Federal Home Loan Bank in Atlanta where he testified on behalf of the organization.

And so we went to the Home Loan Bank Board and protested, asked the Home Loan Bank Board not to allow them to branch at all, but if they did, to require
them to put some community benefits into that branching application … (Smith 2012).

During his testimony Smith explained that the organization had affidavits from persons who had been long-term members of Perpetual who were creditworthy but had had loan applications denied.

Though the FHLB of Atlanta initially ruled against AMO (Lyons 1976), the group continued to protest the branching. Its efforts paid off in exemplary fashion with a settlement; the savings and loan was allowed to establish a branch, but the charter required certain concessions: hiring a bilingual staff for the branch; a community gathering place still present today for a farmers’ market and community concerts; providing home loans of up to 90% of a home’s value, rather than 70%; providing wraparound loans that covered both first mortgage and rehabilitation; and establishing a branch advisory committee composed of neighborhood residents. Of course, the final agreement was not a perfect compromise; women and Latinos protested the branching because their groups had not been consulted during the process. These issues seem to have been resolved by July of 1977, however, with the signing of a “good neighbor” agreement between Perpetual and a number of neighborhood organizations (Hamilton 1977).

Of course, the group knew that ultimately the only power they really had was a business boycott:

… at the end of the day probably the only real force we had over them was the possibility that we would get some of their members to boycott them. People start pulling their accounts out of the bank (Smith 2012).
The community group realized that they could still employ such confrontational tactics, but it proved unnecessary given their success in this instance. Of course, it probably helped that Perpetual was already committed to reinvestment and had the best reinvestment record of all the white lending institutions.

The entire motivation for this massive anti-redlining effort against Perpetual, though, was derived from the need to get financing for the Seaton Place homes. Smith explains AMO's motivation for the movement against Perpetual:

Because the main thing that we wanted was to get those houses financed on Seaton Street ... So you had to get any S&L to finance those houses, otherwise the developer could say, "well, the tenant couldn't finance it, so I'll develop it."
(Smith 2012)

The relationship with Perpetual that resulted from this anti-redlining effort paid dramatic dividends. Firstly, AMO was able to secure financing for the Seaton Place properties; Perpetual provided the 90% loans that were required for the nine families to stay in their homes (Raspberry 1977). Secondly, when the entire Seaton Place scenario was replayed with five families on 12th Street NW, a further case of gentrification within Adams-Morgan, Perpetual came to the community’s aid. As with Seaton Place, on 12th Street NW the entire street was being flipped and five families were trying to raise down payments to exercise their right to purchase. It should be noted that Robert Stumberg, one of the oral history respondents for this research, was coincidentally the legal adviser for these families. After hearing of the situation, Perpetual immediately offered 90% loans for the families (Camp 1978a), even before the black S&L, Independence, came forward (Camp 1978b).
As with Seaton Place, the families were able to secure down payments, albeit in only 45 days, and post-purchase low cost rehab loans from the City. The DC Development Corp. had offered the families deferred payment loans for down payment (Camp 1978b), though it is unclear which financing mechanism the families ultimately used. The speed with which these families were able to go from initial eviction notice to full financing was approximately two weeks (Camp 1978a and 1978b). This example demonstrates that the Seaton Place effort helped lay the groundwork for future purchase scenarios, a vital aspect of community development given the sheer amount of displacement that was occurring in DC to that point. At the time, Smith recounted a story of one family that went from Southwest to Corcoran Street NW, to Seaton Street, and then to 9th Street NW in Shaw (Camp 1978a).

Perpetual again stepped in when a neighborhood youth sports organization, the Ontario Lakers, sought funds to purchase a community center in the Adams-Morgan area. Perpetual offered the group a 75% loan for it to buy a building it had already renovated itself. The President of Perpetual, Thomas Owen, personally visited the facility during the loan consideration process (Gately 1978). And in 1979 Perpetual provided the financing to convert the Beverly Court Apartments, located in Adams-Morgan, to a cooperative. This was the first DC tenants’ association to convert an apartment building to cooperative via private lending, with the first mortgage from Perpetual and a construction loan from DC National Bank. Jeff Morris was involved as an urban loan specialist from Perpetual, which at that point was about to open its new Adams-Morgan branch. The fact that Perpetual made all these loans, employed at least one urban loan specialist, and was
working with another 20 or 30 tenants’ associations across DC to do cooperative conversions shows the depth of its commitment to inner city lending in general and commitment to lending in Adams-Morgan in particular (Camp 1979b). By the time the new Perpetual branch opened Frank Smith was very optimistic; the new branch was taking loans, had a very large number of depositors, had bilingual staff, and was forming a monitoring committee as required in the agreement between AMO and Perpetual (Levey 1979).

From a broader perspective, AMO both fought redlining and also accomplished community development work itself. This community development work was the critical aspect that prevented increased investment in the area from just fueling gentrification. By making lending to Seaton Place residents part of its condition for dropping the branching challenge against Perpetual, AMO made sure that loans to the area would go to the community members most threatened by displacement. As with community development in general, AMO’s work focused on people (loans for low and moderate-income residents to prevent displacement) and place (stopping redlining broadly).

As a postscript, Frank Smith successfully used all of his work with the Seaton Place tenants to run for City Council. Though he did not win election his first time up, 1978, in 1982 he won the seat for Ward 1 and kept it for 16 years (Stevens 1978; Valente 1982; Bruske 1982).
Chapter 5: Conclusion

Washingtonians and their allies combated real and/or perceived redlining in two general ways: they engaged in direct struggles with financial institutions, to include complaints, lawsuits, negotiations, and CRA challenges; and they engaged in broader public campaigns to change financial policy structures (HMDA, CRA, DC Interstate Banking Law, FIRREA) so that banks would be required to reinvest. These public campaigns were based on research carried out by advocacy groups and journalists and were at times taken over by policy makers at the municipal and federal levels. Individual actors in the financial industrial responded in several ways: denial and resistance, as was done by Interstate Federal S&L in the 1970s with Gerard Dunphy; cooperation and reinvestment, as practiced by Perpetual and Citigroup; and CRA-compliant redlining in which banks site branches in white neighborhoods to avoid negative CRA ratings, as was done by Chevy Chase Savings Bank.

Whilst reinvestment organizations succeeded in individual CRA challenges with specific lenders, the larger impact of the reinvestment movement in Washington was the structural change that it brought about. Specifically, the movement helped pass CRA and HMDA, legislation that was indispensable for reinvestment groups across the US over the following 20 years. Furthermore, the DC reinvestment movement succeeded in achieving structural change at the municipal level with the DC Interstate Banking Law and the subsequent municipal reinvestment efforts. Finally, the movement’s efforts succeeded in involving the federal government in their local efforts: the DOJ’s lawsuit against Chevy Chase Savings Bank. Beyond the impact of the DC reinvestment
movement, this thesis shows that anti-redlining research provided politicians, advocates, and community groups a powerful argument for reinvestment. In every round of reinvestment in Washington, research provided the impetus for action. There was a similar pattern throughout the three main cycles of anti-redlining pressure during the study period: a progressive advocacy group would draw attention to the issue by commissioning a study, further studies would be done, the reports would get media attention, policy would be made or changed at some level of government, legislation would prompt regulatory action, and then lending behavior would change. Of course, this was far from a linear process as the following figure demonstrates:

![Figure 6. Flow Chart – Non-profit advocacy leads indirectly to reinvestment](image-url)
Redlining was blatant and systematic in DC before community groups partnered with researchers and advocates to force financial institutions to reinvest. While much of the literature focuses on either proving/disproving redlining in specific places or on demonstrating how “people power” forced reinvestment, this research goes further in documenting the lived experiences of residents of redlined communities. Bob Stumberg’s story of being denied a home loan in a black neighborhood, though he was a white attorney working at Georgetown, is illustrative of how redlining disadvantaged entire communities, not just the minority residents thereof. Gerry Dunphy’s frustration at being unable to get a loan from a bank two blocks away, with nonsense excuses from the loan officer, shows how lending institutions were happy to take in deposits in the inner city, but loathe to make loans in the same neighborhood. All too often, the literature treats neighborhoods as piles of numbers; this thesis puts the people back in redlining research. Qualitative data have a valuable story to tell; even post-FIRREA data do not show when black applicants are discouraged by loan officers from applying for a loan, or when black home buyers are pointed to an exploitative mortgage banker by their predatory broker, rather than shopping around at regulated lenders. Furthermore, quantitative data certainly do not reveal the exploitation within the black community that delayed and undercut the gains made by the reinvestment movement in Washington.

Nonetheless, while banks initially resisted pressure to reinvest, work by community groups, the city, and the federal government and the obvious profitability of these loans had dramatically improved the situation by the mid-1980s. This reinvestment allowed the revitalization of inner city neighborhoods, and without such financing it is doubtful that
DC would currently be the fastest growing city in the United States. During his oral history Jim Vitarello spoke about improved bank behavior:

And some banks started their own community development corporations, their own community development divisions, and so on, reaching out to non-profit groups … And many of them were developing new housing, rehabbed housing and so on, and I think, I know for a fact, groups like Manna, for example, worked out great relationships with several banks (Vitarello 2011).

Manna is a non-profit founded in 1982 that focuses on building affordable housing and housing counseling (Manna 2012).

[Manna] had their own revolving loan fund that complemented the bank lending for rehab loans or less creditworthy buyers, whatever, but they began to work out deals and create programs and housing counseling groups began to get involved in all of it as well. And I think that as a result of that things certainly then eventually did get a lot better. It took longer than we all expected, but these walls don't break down easily both in the black community and in the white community (Vitarello 2011).

This reinvestment was successful for several reasons. Firstly, the advocates involved were able to jump scale and change venue when necessary to effect change in lending patterns. This was aided by the fact that Washington is the physical location where federal policy is made, and policy makers commonly read the local paper of record. When the DC PIRG study and the CRMI studies were published in *The Washington Post*, national policy makers undoubtedly noticed. This physical proximity and the fact that local news could gain the attention of policy makers made it possible for Vitarello to participate so easily in the process of crafting HMDA and CRA. This meant that the anti-redlining movement jumped scale up to the federal level in order to accomplish its goals. In the sociological concepts of structure and agency, these advocates jumped scale to change structure, federal housing policy being the “structure”
of structure and agency in this instance. While the literature review has demonstrated that agency alone can effect reinvestment, as in the Back of the Yards neighborhood of Chicago (Jacobs 1961), certainly CRA was necessary to create the structural conditions necessary for the next wave of reinvestment activity to occur (Squires 1992). This can be demonstrated by the fact that though Dunphy won a judgment against Interstate with HUD, the bank informed him that it would still not make loans to him. This occurred pre-CRA when private advocacy was seriously limited by inadequate federal policy.

Secondly, the Republican presidents of the 1970s were extremely moderate when compared with today’s Republican Party. President Ford signed both ECOA and HMDA into law, for instance. More importantly, however, from 1977 to 1981 the Democratic Party had control of both Congress and the Presidency. This allowed CRA to be passed, a landmark piece of legislation that laid the basis for all future reinvestment activity.

Thirdly, as Vitarello and Stumberg made clear, banks realized that there was a lot of money to be made in the inner city. This idea, that inner city neighborhoods could be sounds locations for investment, is vital to the success of community development and CRA. During his oral history Vitarello mentioned that many CRA portfolios actually had lower default rates than the equivalent non-CRA portfolios because of the increased due diligence with which the banks evaluated the borrowers. This is reminiscent of how Jacobs (1961) described how banks eventually spoke well of Chicago’s Back of the Yards neighborhood as a location for sound investment. This, of course, followed a short reinvestment movement in which the Back of the Yards Council, the local community organization, made it clear to various financial institutions that neighborhood residents
were prepared to withdraw their deposits if financing was not made available to the neighborhood.

As discussed above, the reinvestment movement in DC pursued a scale jumping and venue-shopping strategy over time based on federal policy and political climate. In the ‘70s, when progressive politicians largely controlled the federal government, or at least progressive compared with early 21st century politicians, DC’s reinvestment movement had a significant impact in changing federal policy. The movement accomplished this by working with other groups as a national movement at the federal scale to work with Senator Proxmire in passing HMDA and CRA. Similarly, inroads existed at the local level because of DC’s usury law and liberal city council. However, in the 1980s when the Reagan administration pointedly refused to enforce CRA, the DC reinvestment movement took advantage of an opportunity to accomplish work that could be done in DC – interstate banking. When merger and acquisition activity picked up in the late because of interstate banking ‘90s, groups began targeting banks for CRA challenges, using regulatory venues to effect change. Finally, when the regulatory and political climates changed at the federal scale with Presidents Bush and Clinton, and the DC’s interstate banking act had achieved what it could, reinvestment advocacy in DC resulted in intervention by the federal government. Thus reinvestment advocates in DC tried to get the most policy “bang for their buck,” putting the redlining issue forward at different scales and to different actors in order to achieve policy change and ultimately reinvestment.
And so by 1995 the banks were pushing hard to reinvest for a variety of reasons – CRA and DC’s interstate banking law, of course, but also the profitability of inner city loans (Glater 1995). However, the dynamics of gentrification cannot be neglected when examining the causes of reinvestment. As Stumberg pointed out, the property market in DC was heating up in the ’70s and ’80s. As the sub-chapter on Adams-Morgan showed, there was a dramatic rent gap (Smith 1979) in inner city Washington neighborhoods in the 1970s. Developers therefore targeted these neighborhoods for gentrification, and very credit worthy borrowers moved in to take advantage of the investment opportunity. Denying these areas credit based on ecological ideas meant that banks were losing money. Pioneers in inner city lending, such as Perpetual, stood to make significant profits by lending to areas with large rent gaps that on the upward curve of gentrification. The result of this reinvestment was that residents were able to get first mortgages, rehabilitation loans, and the like, but it was also possible for gentrifiers to come in and easily obtain credit to purchase home in the area. Thus, community reinvestment and gentrification proceeded in tandem. This is why AMO, during its fight with a developer seeking to gentrify its neighborhood, used its anti-redlining work to extract home loans from Perpetual for residents under threat of displacement. This is the benefit of community development work in the context of reinvestment; it can direct reinvestment loans to low and moderate-income residents of black neighborhoods, not just to gentrifiers.

Policy makers understood the need to mitigate displacement; this is why ending redlining was only one aspect of the broader community development strategy pursued
by the DC government during this time period. To prevent the wholesale turnover of these neighborhoods, policy makers put a large and multifaceted community development policy package in place, to include below-market-rate loan commitments, homesteading, housing counseling, municipal lending, and tenant protection laws. This package was designed to stabilize neighborhoods and allow the low- and moderate-income residents to gain ownership of their housing units, allowing them to either remain in place or at least gain equity from any sale. As the oral histories demonstrate, policy makers from the time period are proud of how their actions benefited residents of those neighborhoods and prevented whole scale gentrification.

However, even widespread tenant purchase scenarios, co-op apartments, and rent control are relatively powerless to stop the turnover of a neighborhood that occurs during gentrification, as a look around Adams-Morgan today will demonstrate. Rising property values and the associated rise in real estate taxes, the turnover of local businesses necessary for low to moderate-income life (Laundromats, cheap grocery stores etc.), and offers of eye-watering sales prices are vastly stronger forces than community development laws. However, getting residents equity stakes in their housing prior to gentrification not only improves the physical condition of a neighborhood because of the well known tendency of owner-occupiers to take better care of their housing, it also allows residents, rather than absentee landlords, to capitalize the rent gap when they sell their housing units. This can provide them with equity to purchase housing elsewhere. In some cases discussed by Smith, some homes that were given to residents under the Homestead Housing Program are now worth more than a million dollars.
Finally, this research demonstrates how class issues within the African-American level impeded reinvestment efforts at the municipal level and led to the continued racialization of home lending in the District, racialization that continue straight into the subprime era. As Vitarello’s oral history, the 1975 DC PIRG study, and the 1993 *Washington Post* study demonstrated, exploitative home finance structures were present from the ‘70s through the early ‘90s. Because black homeowners had so little access to traditional, regulated financial institutions, when federal financial policy changed to allow the exploitation that occurred in subprime, it is unsurprising that bad actors were able to take advantage of the existing racialized home lending system to exploit black homeowners. After all, while white homebuyers were apt to go their own banks/thriffs or shop around for the best loans, blacks were largely accustomed to taking the recommendation of their real estate broker (Vitarello 2011). The exploitation of black consumers that was occurring in the 1970s foreshadowed the wholesale stripping of equity that was to occur during the subprime decade (Wyly et al. 2009).

Future areas of research include empirical surveys of Adams-Morgan and other neighborhoods to assess the efficacy of the community development programs put in place during the 1970s and 1980s. This could include examining how much low- and moderate-income housing has been preserved and also how those individuals who bought their homes under community development programs may have engaged in profit taking during the boom of gentrification. Additionally, work needs to be done to compare mortgage bankers in the 1970s and the mortgage brokers of the sub-prime crisis.
In conclusion, to quote Frank Smith out of context, “As Charles Barkley would say, I may be wrong, but I doubt it” (Smith 2012).
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