BALTIMORE COLLABORATIVE RESEARCH:

The Historical Origins of Discriminatory Bank Lending in Baltimore

By Lawrence T. Brown, PhD, MPA

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FOREWARD

KIM DOBSON SYDNOR, PHD

Dean, School of Community Health & Policy

Morgan State University

Words lack sufficiency for what is being shared through the scholarship of Dr. Lawrence Brown. Rarely do archival documents and almost 100-year-old maps hold such significance and enlightenment for current times. Here, they do.

Dr. Brown lays out very clearly the deliberative way in which those with power laid a foundation for inequities in home ownership—upon which so many other aspects of our lives and opportunities are built.

We generally applaud public-private sector partnerships. This report lays bare the other side of what these partnerships can do. As the documentation unfolds, there is a subtle yet clear path to determining who and what are desirable and who and what are not.

It should be shocking. For many, it is not. It should be motivational, driving all of us to evaluate and better understand the policies and practices, spoken and unspoken, seen and unseen, that influence our communities today.

While this is the work of a scholar, it is not a work only for scholars. This is a must-read and must-know narrative that should, in all places and spaces, be shared and discussed. Our collective action is better informed by getting familiar with Dr. Brown's work.

ABOUT THE AUTHOR

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Lawrence T. Brown is a writer, speaker, scholar, and game designer. Widely known for his work as the author of *The Black Butterfly: The Harmful Politics of Race and Space in America*, he currently serves as a research scientist in the Center for Urban Health Equity at Morgan State University and created the Black Butterfly Dream Lab.

Although this research is highlighted by the Baltimore Collaborative (Bmore Collab), the evidence featured here is part of Dr. Brown's upcoming project entitled *Redlining USA: The Rise of the New Deal Mapping State* with Johns Hopkins University Press. Contact the researcher at lawrence.brown@morgan.edu.

Bmore Collab is a consortium of scholars, entrepreneurs, and community leaders who are working to build an innovation economy that leaves no one behind. Utilizing community-based partnerships to build a knowledge commons of discovery and innovation, work products are collectively owned and shared.

This research paper is the first installment of three reports examining how historical barriers and ongoing lending practices impact entrepreneurial ecosystems and economic outcomes in Black Butterfly communities. The analysis should be used as a tool to design remedies that grow Baltimore's economy.

EXECUTIVE SUMMARY

The lasting impact of racially discriminatory lending practices in the City of Baltimore can be traced to federal policies initiated in the 1930s. This research reveals primary source evidence for how government redlining maps were shared with – and provided instructions for – the banking industry. Almost a century later, those protocols continue to influence which residents and businesses get access to capital.

Agencies such as the Federal Home Loan Bank Board (FHLBB) and the Federal Housing Administration (FHA) institutionalized redlining by developing Residential Security Maps and Block Data Maps that explicitly used race as a determinant of creditworthiness. Predominantly Black neighborhoods were labeled as high-risk ("hazardous"), severely restricting access to mortgages for residents in those areas.

Key research findings include:

- **The FHLBB and FHA announced and advanced discriminatory strategies in federal journal publications, which reinforced one another.** While the FHLBB trained banks to use the security maps, the FHA developed and promoted Block Data Maps that informed mortgage lenders of racial demographics at a granular level. The FHA's underwriting guidelines further codified racial exclusion, authorizing the denial of bank loans due to "inharmonious racial groups."

- **Local government agencies helped operationalize segregationist ideas.** Baltimore agencies collaborated with federal institutions by approving siting and construction for racially segregated housing developments, which further entrenched those methodologies into community planning.

- **Educational and training resources made discriminatory mapping methodologies more pervasive.** Former FHA officials like Homer Hoyt and Arthur Weimer propagated discriminatory mapping methodologies through academic publications and real estate training curricula, embedding their influence in private-sector lending practices nationwide.

- **FHLBB maps and their racialized logic were still being promoted to private entities nearly 40 years after their public introduction in August 1936.** Despite regulatory and legislative interventions, residents and businesses in economically disadvantaged communities, including Black Butterfly communities in Baltimore, are still impacted by redlining today.

- **Uneven access to capital does not only impact entrepreneurship, job creation, and home ownership, but it also has an impact on innovation, tax revenue, and civic engagement in neighborhoods that are under-resourced by design.** The next report in this series will show that in the most recent decade of available data, from 2013 to 2023, Baltimore's Black Butterfly neighborhoods received a fraction of the small business loans that the city's White L neighborhoods received, reflecting historical patterns of discrimination and disinvestment.

Researchers, entrepreneurs, and advocates in the Bmore Collab are working with policymakers to address discriminatory methodologies that continue to impact small business lending. This report is part of a call to action to dismantle deeply rooted inequality. That process requires an honest reckoning with the historical architecture of racialized lending and a commitment to equitable policy reform. Learn more about the Bmore Collab here.

INTRODUCTION

Much of the City of Baltimore's racialized difference in access to bank loans has roots in the 1930s when the Federal Home Loan Bank Board (FHLBB) and the Federal Housing Administration (FHA) created and spread their respective versions of redlining maps to private industry. Both agencies created maps that graded geographic areas based largely on the racial composition of their residents.

Even worse, both federal agencies partnered with banking, real estate, appraisal, and building industries to share their mapping blueprints. Consequently, private companies created their own maps that mirrored federal maps. As a result, neighborhoods where Black people lived were denied critical access to bank capital for both home loans and small businesses.

Decades after redlining was introduced in the City of Baltimore, some neighborhoods are still grappling with its far-reaching impact. It is still easier for residents with modest incomes to get approved for home loans in Whiter and wealthier neighborhoods in neighboring counties than it is for similarly situated applicants to get loans in Baltimore's Black and Brown communities.[1]

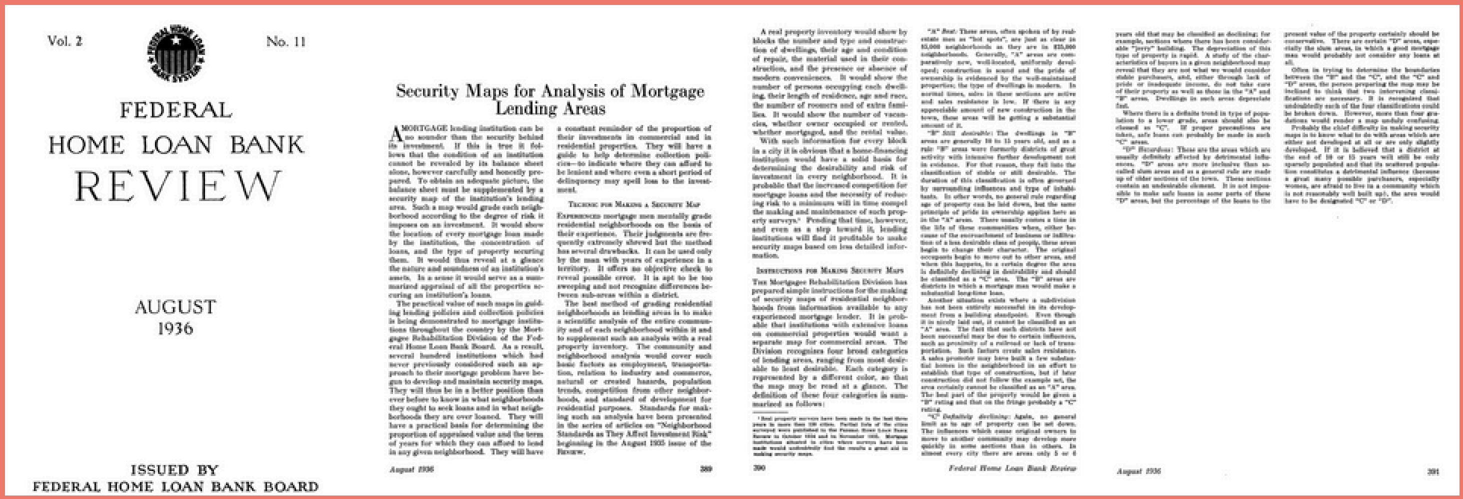
Homeownership has a direct impact on wealth and economic resilience.[2] Notably, the equity derived from home ownership can be a critical source of seed funding or collateral for small businesses that have been denied loans from traditional banking institutions.[3]

Consequently, policies that were designed to facilitate racial segregation have become part of the DNA of how some lending institutions operate. Developing corrective measures requires examining their origins and corrosive impact. This paper explores the historical origins of discriminatory bank lending in Baltimore and highlights the areas in which it was — and still is — most prevalent.

THE FEDERAL HOME LOAN BANK BOARD

In the August 1936 edition of the *Federal Home Loan Bank Review*, the FHLBB lauded the work of its Mortgagee Rehabilitation Division for teaching banking institutions how to use security maps, which “would grade each neighborhood according to the degree of risk it imposes on an investment.” As the FHLBB remarked in the second paragraph on page 389:

> As a result, several hundred institutions which had never previously considered such an approach to their mortgage problems have begun to develop and maintain security maps. They will thus be in a better position than ever before to know in what neighborhoods they ought to seek loans and in what neighborhoods they are over loaned.[4]



Vol. 2 No. 11

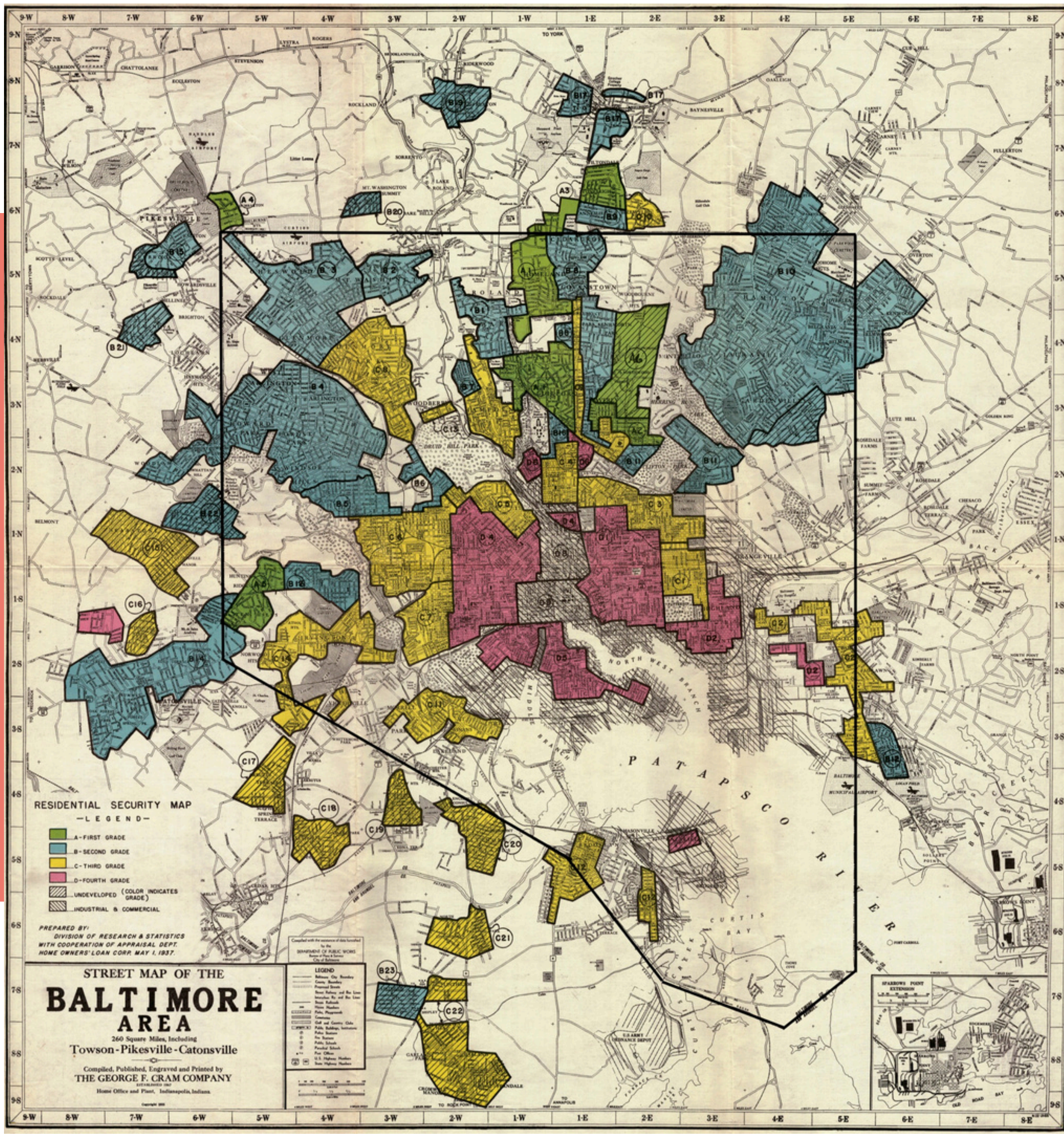
FEDERAL HOME LOAN BANK REVIEW

AUGUST 1936

ISSUED BY FEDERAL HOME LOAN BANK BOARD

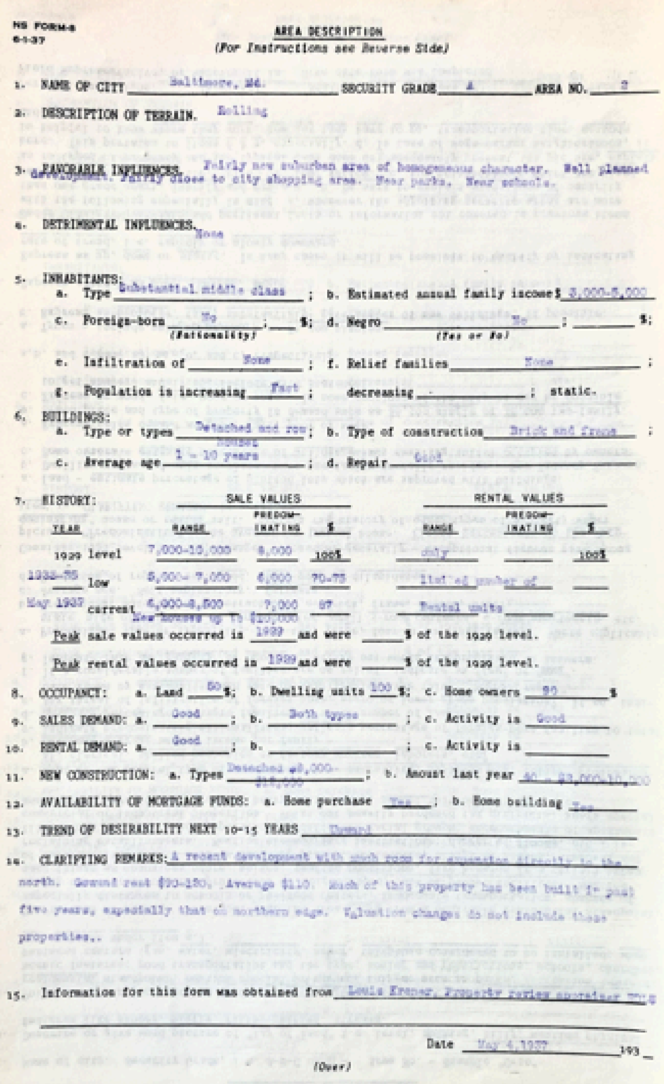
Security Maps for Analysis of Mortgage Lending Areas

Here, the FHLBB clearly admits that it taught hundreds of banking institutions how to use their security maps. These maps ranked neighborhoods using four different colors: green (Best), blue (Still desirable), yellow (Definitely declining), and red (Hazardous). Security maps are more commonly referred to today as "redlining maps."



After taking credit for spreading redlining maps to the banking industry, the FHLBB journal proceeded to provide "simple instructions for the making of security maps of residential neighborhoods from information available to any experienced mortgage lender" (page 390). In effect, the FHLBB's journal article and Residential Security Maps provided direction and authority for private mortgage lenders to discriminate based on race.

Race was central to the FHLBB maps. The primacy of race can be found on the Area Description forms that FHLBB agents used to grade neighborhoods. The racial composition of a neighborhood was factored into the grades and colors assigned to their security maps.[5] As seen on two of Baltimore's Area Description forms below, blank lines were placed on the forms for federal agents to fill in the percentage of foreigners (line 5c) and Negroes (line 5d) in an area. The form also linked Negroes with the "infiltration" of an area (line 5e) as a prelude to receiving a "D" grade.[6]



NS FORM-8
6-1-37

AREA DESCRIPTION
(For Instructions see Reverse Side)

1. NAME OF CITY Baltimore, Md. SECURITY GRADE A AREA NO. 2
2. DESCRIPTION OF TERRAIN. Rolling
3. FAVORABLE INFLUENCES. Fairly new suburban area of homogeneous character. Well planned development. Fairly close to city shopping area. Near parks. Near schools.
4. DETRIMENTAL INFLUENCES. None
5. INHABITANTS:
a. Type Substantial middle class ; b. Estimated annual family income $ 3,000-5,000
c. Foreign-born No (Nationality) ; __ %; d. Negro No (Yes or No) ; __ %;
e. Infiltration of None ; f. Relief families None ;
g. Population is increasing Fast ; decreasing __ ; static.
6. BUILDINGS:
a. Type or types Detached and row houses ; b. Type of construction Brick and frame ;
c. Average age 1 - 10 years ; d. Repair Good

7. HISTORY:

YEAR	SALE VALUES RANGE	PREDOMINATING	%	RENTAL VALUES RANGE	PREDOMINATING	%
1929 level	7,000-10,000	8,000	100%	only		100%
1932-33 low	5,000-7,000	6,000	70-75	limited number of		
May 1937 current	6,000-8,500 New houses up to $20,000	7,000	87	Rental units		

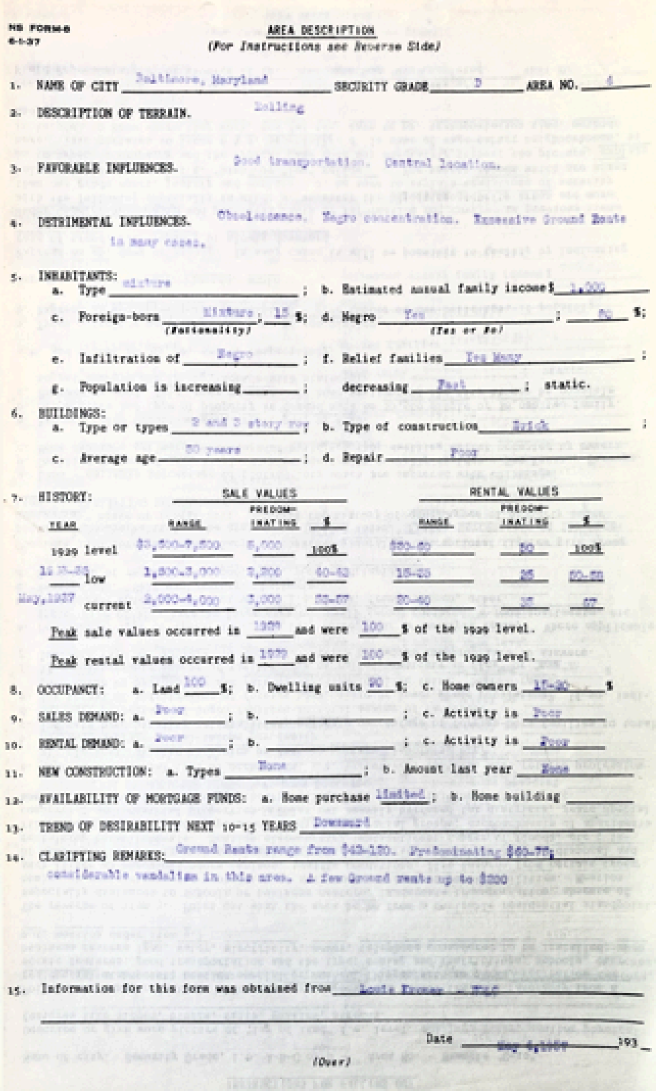
Peak sale values occurred in 1929 and were __ % of the 1929 level.
Peak rental values occurred in 1929 and were __ % of the 1929 level.

8. OCCUPANCY: a. Land 50 %; b. Dwelling units 100 %; c. Home owners 95 %
9. SALES DEMAND: a. Good ; b. Both types ; c. Activity is Good
10. RENTAL DEMAND: a. Good ; b. __ ; c. Activity is __
11. NEW CONSTRUCTION: a. Types Detached $8,000-$14,000 ; b. Amount last year 40 - $8,000-10,000
12. AVAILABILITY OF MORTGAGE FUNDS: a. Home purchase Yes ; b. Home building Yes
13. TREND OF DESIRABILITY NEXT 10-15 YEARS Upward
14. CLARIFYING REMARKS: A recent development with much room for expansion directly to the north. Ground rent $90-150. Average $110. Much of this property has been built in past five years, especially that on northern edge. Valuation changes do not include these properties.
15. Information for this form was obtained from Louis Kremer, Property review appraiser

Date May 4, 1937 193_

(Over)

Baltimore A2



NS FORM-8
6-1-37

AREA DESCRIPTION
(For Instructions see Reverse Side)

1. NAME OF CITY Baltimore, Maryland SECURITY GRADE D AREA NO. 4
2. DESCRIPTION OF TERRAIN. Rolling
3. FAVORABLE INFLUENCES. Good transportation. Central location.
4. DETRIMENTAL INFLUENCES. Obsolescence. Negro concentration. Excessive Ground Rents in many cases.
5. INHABITANTS:
a. Type mixture ; b. Estimated annual family income $ 1,000
c. Foreign-born Mixture (Nationality) ; 15 %; d. Negro Yes (Yes or No) ; 60 %;
e. Infiltration of Negro ; f. Relief families Too Many ;
g. Population is increasing __ ; decreasing Fast ; static.
6. BUILDINGS:
a. Type or types 2 and 3 story row ; b. Type of construction Brick ;
c. Average age 50 years ; d. Repair Poor

7. HISTORY:

YEAR	SALE VALUES RANGE	PREDOMINATING	%	RENTAL VALUES RANGE	PREDOMINATING	%
1929 level	$3,500-7,500	5,000	100%	$30-60	50	100%
1933-35 low	1,800-3,000	2,200	40-42	15-25	25	50-50
May, 1937 current	2,000-4,000	3,000	52-57	20-40	35	67

Peak sale values occurred in 1929 and were 100 % of the 1929 level.
Peak rental values occurred in 1929 and were 100 % of the 1929 level.

8. OCCUPANCY: a. Land 100 %; b. Dwelling units 90 %; c. Home owners 15-20 %
9. SALES DEMAND: a. Poor ; b. __ ; c. Activity is Poor
10. RENTAL DEMAND: a. Poor ; b. __ ; c. Activity is Poor
11. NEW CONSTRUCTION: a. Types None ; b. Amount last year None
12. AVAILABILITY OF MORTGAGE FUNDS: a. Home purchase Limited ; b. Home building __
13. TREND OF DESIRABILITY NEXT 10-15 YEARS Downward
14. CLARIFYING REMARKS: Ground Rents range from $42-120. Predominating $60-75; considerable vandalism in this area. A few Ground rents up to $200
15. Information for this form was obtained from Louis Kremer - PRAS

Date May 4, 1937 193_

(Over)

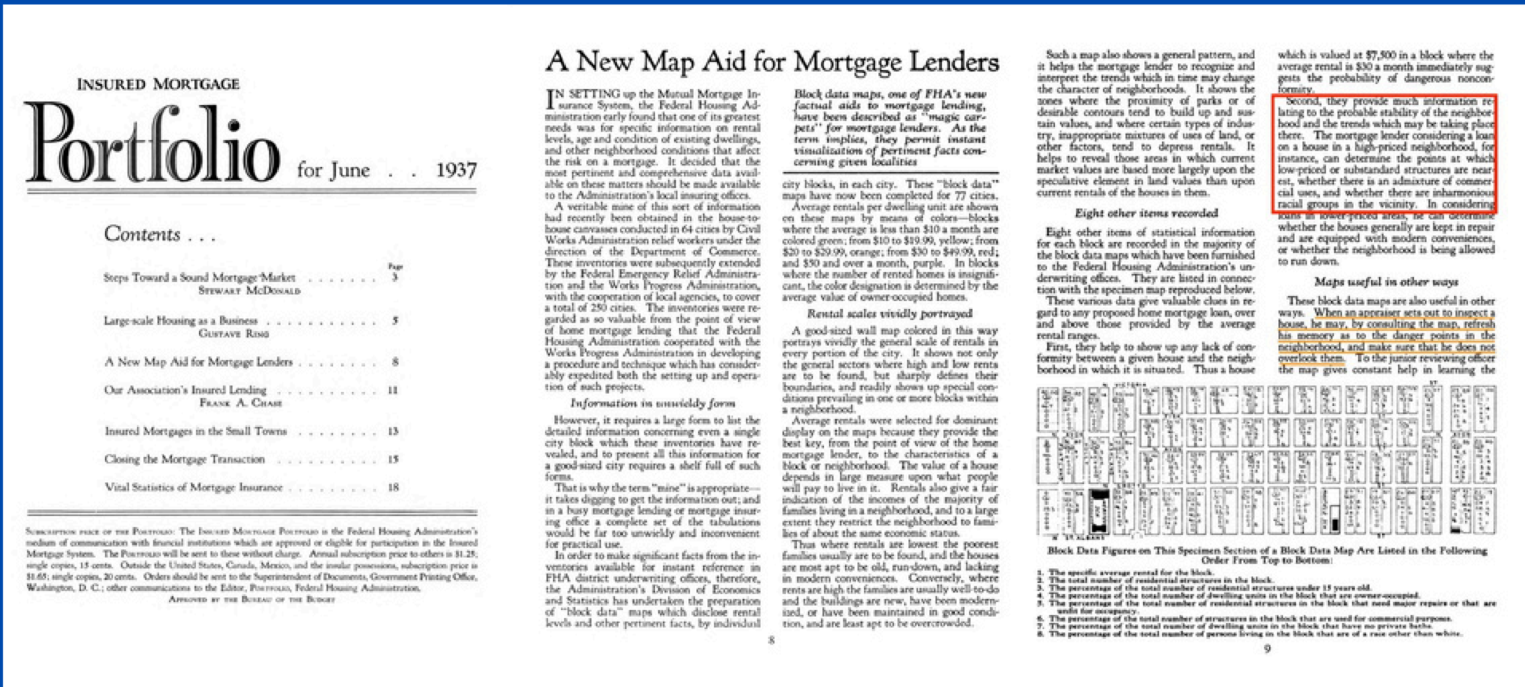
Baltimore D4

THE FEDERAL HOUSING ADMINISTRATION AND LOCAL AGENCIES IN BALTIMORE

In the June 1937 edition of the *Insured Mortgage Portfolio*, the Federal Housing Administration (FHA) announced its Block Data Maps to private mortgage lenders. By capturing the percentage of nonwhite persons living in each block, the FHA maps offered details about racial demographics at a remarkably granular level. The FHA made the purpose of their maps clear for mortgage lending institutions:

> The mortgage lender considering a loan on a house in a high-priced neighborhood, for instance, can determine the points at which low-priced or substandard structures are nearest, whether there is an admixture of commercial uses, and whether there are inharmonious racial groups in the vicinity.[7]

The FHA told private mortgage lenders how to make redlining maps with a similar purpose on their own. James Taylor, the associate director of the FHA's Division of Research and Statistics, wrote on page 22 of the article: "In cities where detailed analysis of this material has not been made or in cities where real property inventories have not been undertaken, rental maps showing high, medium, and low rental districts can be prepared by local real estate and mortgage organizations." By giving permission to realtors and bankers to create their own maps, the FHA gave sanction to private real estate brokers and mortgage lenders to engage in spatial-racial discrimination.



INSURED MORTGAGE

Portfolio for June . . 1937

Contents . . .

Subscription price of the Portfolio: The Insured Mortgage Portfolio is the Federal Housing Administration's medium of communication with financial institutions which are approved or eligible for participation in the Insured Mortgage System. The Portfolio will be sent to these without charge. Annual subscription price to others is \$1.25; single copies, 15 cents. Outside the United States, Canada, Mexico, and the insular possessions, subscription price is \$1.65; single copies, 20 cents. Orders should be sent to the Superintendent of Documents, Government Printing Office, Washington, D. C.; other communications to the Editor, Portfolio, Federal Housing Administration.

Approved by the Bureau of the Budget

A New Map Aid for Mortgage Lenders

Block data maps, one of FHA's new factual aids to mortgage lending, have been described as "magic carpets" for mortgage lenders. As the term implies, they permit instant visualization of pertinent facts concerning given localities

IN SETTING up the Mutual Mortgage Insurance System, the Federal Housing Administration early found that one of its greatest needs was for specific information on rental levels, age and condition of existing dwellings, and other neighborhood conditions that affect the risk on a mortgage. It decided that the most pertinent and comprehensive data available on these matters should be made available to the Administration's local insuring offices.

A veritable mine of this sort of information had recently been obtained in the house-to-house canvasses conducted in 64 cities by Civil Works Administration relief workers under the direction of the Department of Commerce. These inventories were subsequently extended by the Federal Emergency Relief Administration and the Works Progress Administration, with the cooperation of local agencies, to cover a total of 250 cities. The inventories were regarded as so valuable from the point of view of home mortgage lending that the Federal Housing Administration cooperated with the Works Progress Administration in developing a procedure and technique which has considerably expedited both the setting up and operation of such projects.

Information in unwieldy form

However, it requires a large form to list the detailed information concerning even a single city block which these inventories have revealed, and to present all this information for a good-sized city requires a shelf full of such forms.

That is why the term "mine" is appropriate—it takes digging to get the information out; and in a busy mortgage lending or mortgage insuring office a complete set of the tabulations would be far too unwieldy and inconvenient for practical use.

In order to make significant facts from the inventories available for instant reference in FHA district underwriting offices, therefore, the Administration's Division of Economics and Statistics has undertaken the preparation of "block data" maps which disclose rental levels and other pertinent facts, by individual city blocks, in each city. These "block data" maps have now been completed for 77 cities.

Average rentals per dwelling unit are shown on these maps by means of colors—blocks where the average is less than \$10 a month are colored green; from \$10 to \$19.99, yellow; from \$20 to \$29.99, orange; from \$30 to \$49.99, red; and \$50 and over a month, purple. In blocks where the number of rented homes is insignificant, the color designation is determined by the average value of owner-occupied homes.

Rental scales vividly portrayed

A good-sized wall map colored in this way portrays vividly the general scale of rentals in every portion of the city. It shows not only the general sectors where high and low rents are to be found, but sharply defines their boundaries, and readily shows up special conditions prevailing in one or more blocks within a neighborhood.

Average rentals were selected for dominant display on the maps because they provide the best key, from the point of view of the home mortgage lender, to the characteristics of a block or neighborhood. The value of a house depends in large measure upon what people will pay to live in it. Rentals also give a fair indication of the incomes of the majority of families living in a neighborhood, and to a large extent they restrict the neighborhood to families of about the same economic status.

Thus where rentals are lowest the poorest families usually are to be found, and the houses are most apt to be old, run-down, and lacking in modern conveniences. Conversely, where rents are high the families are usually well-to-do and the buildings are new, have been modernized, or have been maintained in good condition, and are least apt to be overcrowded.

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Such a map also shows a general pattern, and it helps the mortgage lender to recognize and interpret the trends which in time may change the character of neighborhoods. It shows the zones where the proximity of parks or of desirable contours tend to build up and sustain values, and where certain types of industry, inappropriate mixtures of uses of land, or other factors, tend to depress rentals. It helps to reveal those areas in which current market values are based more largely upon the speculative element in land values than upon current rentals of the houses in them.

Eight other items recorded

Eight other items of statistical information for each block are recorded in the majority of the block data maps which have been furnished to the Federal Housing Administration's underwriting offices. They are listed in connection with the specimen map reproduced below.

These various data give valuable clues in regard to any proposed home mortgage loan, over and above those provided by the average rental ranges.

First, they help to show up any lack of conformity between a given house and the neighborhood in which it is situated. Thus a house which is valued at \$7,500 in a block where the average rental is \$30 a month immediately suggests the probability of dangerous nonconformity.

Second, they provide much information relating to the probable stability of the neighborhood and the trends which may be taking place there. The mortgage lender considering a loan on a house in a high-priced neighborhood, for instance, can determine the points at which low-priced or substandard structures are nearest, whether there is an admixture of commercial uses, and whether there are inharmonious racial groups in the vicinity. In considering loans in lower-priced areas, he can determine whether the houses generally are kept in repair and are equipped with modern conveniences, or whether the neighborhood is being allowed to run down.

Maps useful in other ways

These block data maps are also useful in other ways. When an appraiser sets out to inspect a house, he may, by consulting the map, refresh his memory as to the danger points in the neighborhood, and make sure that he does not overlook them. To the junior reviewing officer the map gives constant help in learning the

Block Data Figures on This Specimen Section of a Block Data Map Are Listed in the Following Order From Top to Bottom:

1. The specific average rental for the block.
2. The total number of residential structures in the block.
3. The percentage of the total number of residential structures under 15 years old.
4. The percentage of the total number of dwelling units in the block that are owner-occupied.
5. The percentage of the total number of residential structures in the block that need major repairs or that are unfit for occupancy.
6. The percentage of the total number of structures in the block that are used for commercial purposes.
7. The percentage of the total number of dwelling units in the block that have no private baths.
8. The percentage of the total number of persons living in the block that are of a race other than white.

9

Beyond informing private industry about their Block Data Maps, the FHA used them in the course of their home financing operations. In the 1938 *Underwriting Manual* detailing the required components of an FHA Insuring Office (paragraph 1845), FHA Block Data Maps are listed as a component of the Real Estate Market Data File (paragraph 1859-m). The racist rationale underpinning FHA lending is spelled out in the agency's 1936 *Underwriting Manual* which states:

> Natural or artificially established barriers will prove effective in protecting a neighborhood and the locations within it from adverse influences. Usually, the protection against adverse influences afforded by those means includes the prevention of the infiltration of business and industrial uses, lower-class occupancy, and inharmonious racial groups.[8]

The FHA manual specified that its Established Rating of Locations would include several “Racial Occupancy Designations” denoting ‘W’ for White, ‘M’ for Mixed, ‘F’ for Foreign, and ‘N’ for Negro (paragraph 1850b). Of the four designations, “Negro” is the only distinct racial group named (aside from White). In essence, the FHA rated and graded places by racial and foreign demographic composition. In its home loan guaranteeing operations, the FHA used Block Data Maps and specific Racial Occupancy Designations to determine if the “inharmonious racial group”—i.e. Negroes—were in the vicinity before underwriting loans.

UNDERWRITING MANUAL

UNDERWRITING AND VALUATION PROCEDURE UNDER TITLE II OF THE NATIONAL HOUSING ACT

FEDERAL HOUSING ADMINISTRATION

With revisions to April 1, 1936

WASHINGTON, D. C.

FHA Form No. 2049
Revised 4—1—36

U. S. GOVERNMENT PRINTING OFFICE: 1936

RATING OF LOCATION — Part II 226–228

PROTECTION FROM ADVERSE INFLUENCES

226. This feature has a total weight of 20, making it one of the most important features in the Rating of Location. Protection from adverse influences is not concerned merely with zoning and deed restrictions. These are of great importance, but they do not represent all of the protection which is or may be afforded a location. Where little or no protection is provided against adverse influences the Valuator must not hesitate to make a reject rating of this feature.

227. Protection in the form of zoning restrictions is becoming almost universal. The best artificial means of providing protection from adverse influences is through the medium of appropriate and well drawn zoning ordinances. If the framers of the zoning ordinance have used excellent judgment in establishing areas, and if the provisions of the ordinance itself have been well worded and drawn from a thorough knowledge of conditions existing in the city and those which will most probably exist in the future, and if the zoning ordinance receives the backing of public approval, an excellent basis for protection against adverse influences exists. If the ordinance has been drawn with little or no real understanding of its purpose or a genuine desire to promote an orderly city growth, or if it lacks public approval, the chances are that it will offer little protection against adverse influences to residential properties. Even when ably executed, investigation must be made to determine whether or not infractions of the zoning law are permitted. If the law may be changed readily or if the provisions themselves are not strictly enforced, it should be given little consideration by the Valuator in determining a location's protection from adverse influences. Greater importance is attached by the Federal Housing Administration to zoning protection in and near large metropolitan centers than in places having smaller populations and less rapid rates of growth. Absence of zoning may be a proper basis for rejection in the former case, but would not cause rejection in the latter type of case.

228. Deed restrictions are apt to prove more effective than a zoning ordinance in providing protection from adverse influences. Where the same deed restrictions apply over a broad area and where these restrictions relate to types of structures, use to which improvements may be put, and racial occupancy, a favorable condition is apt to exist. Where adjacent lots or blocks possess altogether different restrictions, especially for type and use of structures and racial occupancy, the effect of such restrictions is minimized and adequate protection cannot be considered to be present. A location lying in the path of business expansion is often unprotected from the business encroachment even though deed restrictions for residential use may be present. It must be realized that deed restrictions, to be effective,

Part II 228–230 — UNDERWRITING MANUAL

must be enforced. In this respect they are like zoning ordinances. Where there is the possibility of voiding the deed restrictions through inadequate enforcement of their provisions, the restrictions themselves offer little or no protection against adverse influences. In other words the property so situated that its logical use is other than for residential purposes, even though it is restricted to such residential use, will inevitably be put to its highest and best use in the course of time.

229. The geographical position of a location may afford in certain instances reliable protection against adverse influences. If the location lies in the middle of an area well developed with a uniform type of residential properties, and if the location is away from main arteries which would logically be used for business purposes, probability of a change in type, use, or occupancy of properties at this location is remote. The Valuator should consider carefully the immunity or lack of immunity offered to the location because of its geographical position within the city. Natural or artificially established barriers will prove effective in protecting a neighborhood and the locations within it from adverse influences. Usually the protection against adverse influences afforded by these means include prevention of the infiltration of business and industrial uses, lower-class occupancy, and inharmonious racial groups. A location close to a public park or area of similar nature is usually well protected from infiltration of business and lower social occupancy coming from that direction. Hills and ravines and other peculiarities of topography many times make encroachment of inharmonious uses so difficult that protection is afforded. A college campus often protects locations in its vicinity. A high-speed traffic artery or a wide street parkway may prevent the expansion of inharmonious uses to a location on the opposite side of the street. These natural and artificial barriers are of such importance that the Valuator should make a thorough study to determine their presence and reflect such conditions in the rating of this feature. On the other hand, when a high-speed traffic artery passes directly through a desirable neighborhood area with similar development on each side of the artery, instead of offering a protection the noise and danger attendant upon its presence constitutes in itself an adverse influence. The same holds good for the presence of railroads, elevated or surface lines, and other transportation.

230. When a neighborhood with its locations has been solidly developed in accordance with accepted good housing practices such development alone usually constitutes, in the absence of extreme adverse conditions, good protection against adverse influences. But many solidly developed neighborhood areas present conditions which are far different from what is at present regarded as good housing

RATING OF LOCATION — Part II 230–233

practice. In these little protection is offered to the neighborhood since there is little doubt that new competing neighborhoods will be developed which will provide more comfortable and enjoyable surroundings. The solidly built-up neighborhood where good housing has not been provided will easily lend itself to a change in occupancy. The Valuator must realize that when making a prediction for a period of twenty years this condition shall be reflected in his rating. It is difficult to over-emphasize the importance of the presence or absence of well-executed neighborhood planning in rating locations. Narrow streets, excessive lot coverage, inadequate light and air, and poor circulation within the neighborhood area, as well as the inter-mixture of types, price levels, and a general absence of architectural attractiveness in dwellings represent adverse influences in themselves.

231. The quality of dwelling construction is of some importance, inasmuch as unsubstantial, flimsy construction is subject to rapid deterioration which hastens the lowering of class of occupancy. The same condition holds for locations whose properties present freakish architectural designs. The presence of over-improvement or under-improvement in the neighborhood constitutes a condition which may adversely affect location ratings. Maintenance and repair of neighborhood houses is a clue to the future physical condition.

232. Where nuisances are present in a neighborhood little protection is offered to locations close to such undesirable elements. A nuisance may be defined as anything, whether temporary or permanent, which is considered objectionable to any or all of the occupants of residential structures in the neighborhood. In estimating the full import of nuisances which may be present the Valuator must consider whether or not it is probable that the nuisance will be changed or removed. In all instances the rating must reflect the presence of the nuisance to some degree, a heavy penalty being assigned in instances where it is felt that the removal of the nuisance is improbable. Thus the dwelling situated adjacent to a filling station is subjected to the adverse influence of such a nuisance. The rating in this instance should severely penalize the location, perhaps to the point of rejection. A few nuisances may be listed: Presence of billboards, undesirable domestic animals, stables, chicken coops and runs, liquor dispensing establishments, rooming houses, zoos, public playgrounds, schools, churches, mercantile and industrial establishments, cemeteries, homes of an institutional character, offensive noises and odors, and poorly-kept, unsightly properties.

233. The Valuator should investigate areas surrounding the location to determine whether or not incompatible racial and

Part II 233–235 — UNDERWRITING MANUAL

social groups are present, to the end that an intelligent prediction may be made regarding the possibility or probability of the location being invaded by such groups. If a neighborhood is to retain stability it is necessary that properties shall continue to be occupied by the same social and racial classes. A change in social or racial occupancy generally leads to instability and a reduction in values. The protection offered against adverse changes should be found adequate before a high rating is given to this feature. Once the character of a neighborhood has been established it is usually impossible to induce a higher social class than those already in the neighborhood to purchase and occupy properties in its various locations.

ADEQUACY OF TRANSPORTATION

234. Ready access to places of employment, main shopping districts, and other neighborhoods within the city is a requisite for neighborhood stability. The Valuator does not rate transportation itself but rather the adequacy of transportation for the type of residents occupying the location. Areas developed with low-cost homes where the income level of inhabitants is also low need better and cheaper transportation facilities than an area developed with higher-priced homes where the incomes of inhabitants are much higher. The former will need public transportation facilities. The latter may rely to a considerable degree upon the use of automobiles. The price range of properties near a specific location will have a direct bearing upon the quality of the transportation facilities that will be adequate for the use of the inhabitants. Neighborhoods or subdivisions located on the edge of a city where typical values are about $4,000 need much more in the form of public transportation than other neighborhoods or subdivisions similarly located but built up with homes of higher value. The occupants of the first area will possess automobiles but it is highly probable that the cost of operation will prove so high that an undue proportion of income must be devoted to transportation.

235. In rating “Adequacy of Transportation” it is necessary to consider the quality and frequency of the service offered by the carrier, as well as the cost to passengers and the length of time required to reach places of employment, shopping centers, and other neighborhoods. Comparisons should be made between similar and competing neighborhoods with different transportation facilities. The highest rating is given to those areas where services and schedules are the best and where costs are the lowest. If comparison is confined to neighborhoods of the same value range, a logical and correct rating of this feature will result.

UNDERWRITING MANUAL

1847–1850

1847. The Chief Valuator is responsible for the introduction and maintenance of the following files which are required for valuation and location rating data:

a. File of Established Ratings of Locations
b. File of Valuation and Location Record Cards
c. Subdivision File
d. Real Estate Market Data File
e. File of Maps and Plats
f. File of Data on Legal Status of Property
g. File of Population Statistics

1848. Following is a detailed description of each of the required data files listed above. The Chief Valuator will deviate from these instructions only when it is clearly evident that the adoption of some alternate method of filing is essential to the proper functioning of the Valuation Section.

1849. File of Established Ratings of Locations. Completed Established Ratings of Locations, FHA Form No. 2082, should be filed in ring binders according to the following sequence:

a. The forms are first divided into groups and the groups alphabetically arranged according to Economic Background Areas.
b. The forms in each Economic Background Area are then arranged numerically.

1850. Each Established Rating of Location will be numbered in accordance with a symbol consisting of the following:

a. Assigned Number. In each Economic Background Area the assigned numbers will begin with “1” and run consecutively.
b. Racial Occupancy Designation. This will be a letter indicating predominating racial characteristics, as follows:
W—White
M—Mixed
F—Foreign
N—Negro
c. Price Range Symbol. This consists of the first digits of the lowest and the highest amounts listed in the price range.
d. Typical Property Value Symbol. This will consist of the first digit, or digits, in the amount listed as the value of the typical property. For example, Outlined Neighborhood No. 28 is found to be predominantly of white racial

THE EVENING SUN

Model Negro Village

Cherry Hill's Possibilities

By CLARK S. HOBBS

MR. E. LESTER MULLER, State director of the Federal Housing Administration, leaned heavily on a spade at Cherry Hill a few days ago while an official photographer faithfully recorded the exertion. If the plans, hopes and expectations of FHA, the City Plan Commission, the Federal Public Housing Agency and the Housing Authority of Baltimore come to anything, Mr. Muller was making some local housing history. His shiny new spade was breaking ground for 196 family dwelling units, the first to be started in the much-quarreled-about development of the Cherry Hill area as a planned-from-the-ground-up, self-serviced Negro community.

Immediately following Mr. Muller's symbolic effort, bulldozers, trench diggers and stump pullers, manipulated and augmented by sixty men—their number will grow to a possible 400 in the next few weeks—took over the groundbreaking assignment, and the dirt has been flying prodigiously ever since. The construction schedule calls for the completion of some of the 196 units by July 1, and all of them by October.

One interesting thing to note about Cherry Hill is that FHA-insured private enterprise has arrived there a good jump ahead of FPHA, which, it will be remembered, bore the brunt of the squabbles that culminated in the pointing of this South Baltimore location as a sort of promised land for Negroes. It was the quest of FPHA and HAB, its local agent, for a site whereon to erect temporary shelter for Negro war workers that finally brought about an agreement to make the temporary quarters permanent housing and locate it where there could be expansion by private capital.

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But FPHA and HAB will be tagging along. Mr. Cleveland R. Bealmear, chairman of the latter agency, reports that plans for a 600-unit project are being whipped into final shape and specifications for bidders will be ready on or about May 1. In the meanwhile, however, two other private companies are preparing to get under way and quite possibly will nose in ahead of the public agencies. One of these has plans for a 336-unit development, and the other will begin construction of the area's commercial center.

These various undertakings add up to 1,132 family-dwelling units in immediate prospect, plus stores to service the occupants-to-be. With the exception of a possible addition of 152 family units, this will be all until the war ends or until Washington gets more liberal with priorities. For Baltimore's allocation of Negro housing units is about exhausted. The units already authorized will provide, however, a substantial start toward the 3,200 units, to house approximately 12,000 persons, for which the Cherry Hill area has been planned. The aggregate of 1,132 family accommodations overshadows any of the projects for Negroes yet undertaken by HAB. In fact, it almost doubles the largest of these, Gilmor Homes, with its 587 units.

Size, however, is not the only thing that makes the Cherry Hill program unique. Cherry Hill is distinguished from all other local Negro housing projects by the use of a tract of virgin land, with natural boundaries, permitting an original ground pattern consonant with modern community planning. City Plan Commission, FHA, FPHA and HAB have worked together in an effort to make the most of the opportunity.

The streets have been laid in a pattern that minimizes through traffic by providing circumferential highways and confines entering traffic to a single main thoroughfare, Cherry Hill avenue. This is accomplished by curving and dead-ending residential streets in the Guilford and Homeland manner.

Land is reserved for two elementary schools and a junior high school, for firehouses, a police substation, a health center and playgrounds. Sites, also, are indicated for churches.

There will be a commercial center at the heart of the community, where essential stores, a theater and other amusement enterprises are contemplated.

—o—

The 532 units about to be constructed by private builders will each be of the two-story, daylight type, containing two bedrooms, living room, kitchen and bath. The rents will range from $42.50 to $48 a month. In the future larger units are promised, as are garden apartments and cottages.

Row construction will prevail for most of the area; but nine units to the block will be the maximum permitted, the blocks spaced at least sixteen feet apart and set back twenty-five feet from the street to break monotony, limit density and allow lawn settings and shrubbery embellishments.

Builders will assume seventy-five per cent. of the paving costs. The city will pay the remaining twenty-five per cent., and the entire cost of water mains and storm-water drains and ultimately of sanitary sewers. For the present, FHA and private developers will install septic-tank systems.

These and other detailed building requirements are possible now because control of priorities for building is in the hands of FHA. It will remain there after priorities are abolished for developers whose financing is insured by FHA. Once the war is over and priority restrictions are lifted, however, FHA will have no control over builders who do their own financing. Responsibility for protecting Cherry Hill against non-conforming construction and blight-creating invasions, when that happens, will rest squarely on the municipality.

As yet there is no such protection. Cherry Hill has yet to be zoned by ordinance as a residential area, with restrictions conforming to those now enforced by FHA. Failure to act in time to head off post-war opportunists would cheat the carefully drawn plans for this development of their fulfillment.

When the FHA finally did underwrite private housing loans to African Americans (at the behest of NAACP advocacy), it did so in Baltimore on a racially segregated basis by underwriting a new subdivision in Cherry Hill, solely for African Americans in 1944. By July 1944, the FHA projected to have 196 private homes completed, while 400 private homes were scheduled to be completed by October of that year.

Clark S. Hobbs wrote in the April 13, 1944, edition of *The Evening Sun* that the plan for the Cherry Hill subdivision was also supported by the Baltimore City Plan Commission (today the City Planning Commission). In the October 26, 1943, article from the Baltimore Sun, an unnamed journalist also noted the cooperation of the Housing Authority of Baltimore City in locating the new all-Black public housing community in Cherry Hill.

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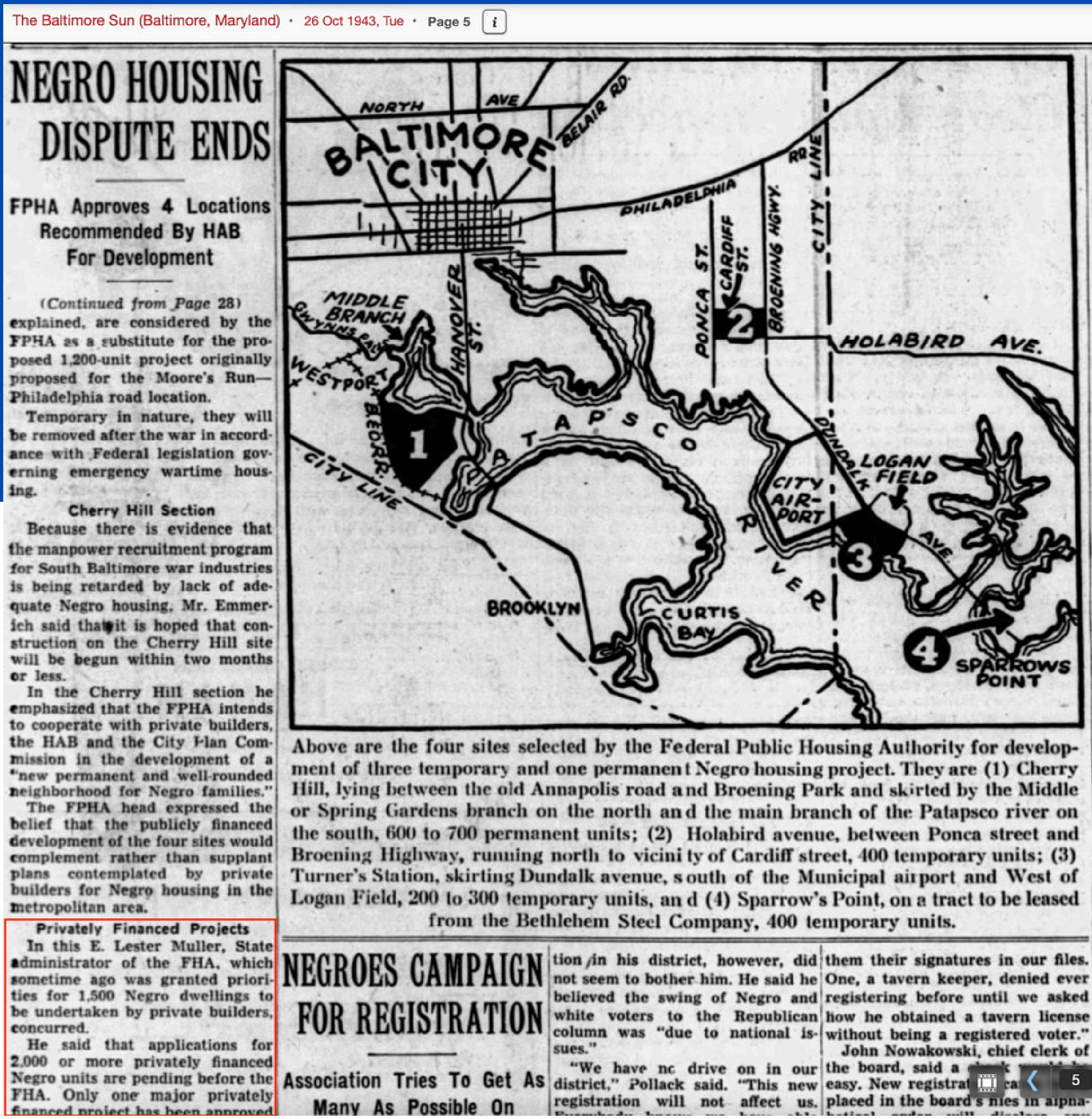
The Baltimore Sun (Baltimore, Maryland) · 26 Oct 1943, Tue · Page 5

NEGRO HOUSING DISPUTE ENDS

FPHA Approves 4 Locations Recommended By HAB For Development

(Continued from Page 28)

explained, are considered by the FPHA as a substitute for the proposed 1,200-unit project originally proposed for the Moore's Run—Philadelphia road location.

Temporary in nature, they will be removed after the war in accordance with Federal legislation governing emergency wartime housing.

Cherry Hill Section

Because there is evidence that the manpower recruitment program for South Baltimore war industries is being retarded by lack of adequate Negro housing, Mr. Emmerich said that it is hoped that construction on the Cherry Hill site will be begun within two months or less.

In the Cherry Hill section he emphasized that the FPHA intends to cooperate with private builders, the HAB and the City Plan Commission in the development of a "new permanent and well-rounded neighborhood for Negro families."

The FPHA head expressed the belief that the publicly financed development of the four sites would complement rather than supplant plans contemplated by private builders for Negro housing in the metropolitan area.

Privately Financed Projects

In this E. Lester Muller, State administrator of the FHA, which sometime ago was granted priorities for 1,500 Negro dwellings to be undertaken by private builders, concurred.

He said that applications for 2,000 or more privately financed Negro units are pending before the FHA. Only one major privately financed project has been approved

Above are the four sites selected by the Federal Public Housing Authority for development of three temporary and one permanent Negro housing project. They are (1) Cherry Hill, lying between the old Annapolis road and Broening Park and skirted by the Middle or Spring Gardens branch on the north and the main branch of the Patapsco river on the south, 600 to 700 permanent units; (2) Holabird avenue, between Ponca street and Broening Highway, running north to vicinity of Cardiff street, 400 temporary units; (3) Turner's Station, skirting Dundalk avenue, south of the Municipal airport and West of Logan Field, 200 to 300 temporary units, and (4) Sparrow's Point, on a tract to be leased from the Bethlehem Steel Company, 400 temporary units.

NEGROES CAMPAIGN FOR REGISTRATION

Association Tries To Get As Many As Possible On

tion in his district, however, did not seem to bother him. He said he believed the swing of Negro and white voters to the Republican column was "due to national issues."

"We have nc drive on in our district," Pollack said. "This new registration will not affect us.

them their signatures in our files. One, a tavern keeper, denied ever registering before until we asked how he obtained a tavern license without being a registered voter."

John Nowakowski, chief clerk of the board, said a

easy. New registrat

placed in the board's files in alpha-

Together, the Federal Public Housing Authority, Housing Authority of Baltimore City, and Baltimore City Plan Commission approved new housing developments that deepened racial segregation. In the 1940s, their collective action resulted in financing and building four racially segregated public housing communities—two in Baltimore City and two in Baltimore County.[9] Meanwhile, the FHA guaranteed loans to mortgage lenders for private builders to construct the privately owned homes in the Cherry Hill subdivision solely for African Americans.

FORMER OFFICIALS SPREAD SPATIAL DISCRIMINATION

On August 19, 1935, FHA officials Homer Hoyt, Arthur Weimer, and L. Durward Badgley co-wrote an internal report entitled “The Rating of Neighborhoods in Metropolitan New York,” according to the National Archives’ records. In the report, the three officials rated 50 neighborhoods across the New York metropolitan area. Homer Hoyt, who later became the principal housing economist of the FHA Division of Economics and Statistics, authored a 1939 FHA monograph detailing the agency’s Block Data Maps and Rental Area Maps that pointed the FHA to the high-rent areas where the FHA was willing to underwrite loans.[10] In both the report and monograph, race was a critical factor in the FHA’s grading of neighborhoods and a major criterion in deciding whether or not to underwrite loans.

After leaving the FHA, Homer Hoyt and Arthur Weimer continued to spread their methodology of spatial-racial discrimination. In the 1960 edition of *Principles of Real Estate*, Weimer and Hoyt co-wrote a chapter called “Neighborhoods and Districts” (chapter 17), which contained the same written descriptions of and a map of Washington, D.C., resembling the FHA Rental Area Maps. On page 331, they parroted the FHA’s racially exclusionary language by writing: “Frequently the presence of inharmonious racial, national, or income groups in an adjoining area represents a threat to the neighborhood.”

In 1978, Weimer and Hoyt published the seventh edition of the same book, now titled simply *Real Estate*. In chapter eight entitled “Location Analysis,” the authors shared four maps depicting high-income areas in Indianapolis, Phoenix, Houston, and Washington, D.C., on page 213. Language echoing the structure and logic of FHA Rental Area Maps can be found on pages 216 through 219. While less explicit than the 1960 edition, the 1978 text still indicated which areas were creditworthy for lenders and realtors, and by comparison, which areas were not creditworthy. Hence, four decades after creating spatially discriminatory maps as FHA employees, Hoyt and Weimer were still working to spread their maps and discriminatory logics to private industry.

Like his FHA counterparts, Henry E. Hoagland also spread information regarding federal maps to the banking industry. Hoagland served as one of the early commissioners of the Federal Home Loan Bank Board (FHLBB) from 1935-1937. By overseeing the entire operations of the FHLBB, Hoagland was familiar with the redlining maps its agencies drafted. In an October 1936 speech to the American Life Convention, a life insurance trade group, Hoagland explained how cities could be divided into four residential districts: best, still desirable, definitely declining, and hazardous.

After returning to private industry, Hoagland published the first edition of his textbook *Real Estate Finance* in 1954 and the fifth edition of the book in 1973. In both editions, Hoagland described how banking institutions "are giving serious attention to the neighborhood in which a property is located before approving an application for a loan" (p. 198, first edition). He remarked that bankers could appraise areas according to their desirability for lending by using the colors green, blue, yellow, and red. He wrote tellingly: "Red spots on the map are danger signs" (p. 203, fifth edition). Hence, over 35 years after serving as an FHLBB commissioner, Henry Hoagland spread knowledge of how to create private versions of federal redlining maps to the banking industry.[11]

"Red spots on the map are danger signs."

CONCLUSION

The City of Baltimore is still working to disentangle itself from spatial-racial discrimination methodologies that were developed and disseminated by federal officials over fifty years ago. Given this historical backdrop, it is no surprise that Baltimore's bank lending today is highly stratified by racial geography, with bank loans being concentrated in the White L, an area around the Inner Harbor that stretches North to the wealthy neighborhoods including Homeland and Guilford. Meanwhile, bank loans are less likely to be found in Black Butterfly neighborhoods throughout East and West Baltimore.

The next report in this series, featuring analysis by Mac McComas, will show how these historical forces are reflected in modern-day racial geographies of small business lending in Baltimore City. His research quantitatively analyzes patterns in small business bank lending from 2013 to 2023. It reveals extreme disparities in investments among small businesses in the Black Butterfly and White L, demonstrating how historical disinvestment in Baltimore's majority Black neighborhoods persists.

In the final installment of this series, Yolande Christophe, PhD, and Suntae Kim, PhD, use a qualitative approach to examine the human impact stories behind inequitable banking lending in Baltimore City. Their findings are grounded in – and complemented by – the archival research presented in this brief.

The FHLBB and FHA both created spatially discriminatory maps in the 1930s based centrally on the racial composition of a neighborhood. These federal agencies announced their maps in their journals and encouraged private mortgage institutions to draft similar maps to guide their lending in communities. After leaving the federal government, key FHA and FHLBB officials functioned as industry experts, continuing to promote the racial logics and mapping techniques they pioneered as public servants. They successfully embedded discriminatory policies and practices in private institutions. Contemporary bank lending outcomes and the realities Black entrepreneurs face today reflect the historical and ongoing impact.

ENDNOTES

[1] Mock, B. (2015, November 18). *Banks deny mortgages most often in Baltimore's majority-Black neighborhoods*. Bloomberg. https://www.bloomberg.com/news/articles/2015-11-18/banks-deny-mortgages-most-often-in-baltimore-s-majority-black-neighborhoods; Lance, D. (2023, August 5). *Why aren't people of color getting more home loans in Maryland? Advocates are pushing for changes*. The Baltimore Banner. https://www.thebaltimorebanner.com/politics-power/state-government/why-arent-people-of-color-getting-more-home-loans-in-maryland-advocates-are-pushing-for-changes-224AAWTECZCN5J4LEGHS5ZYO74/.

[2] Bhutta, N., Hizmo, A., & Ringo, D. (2024). *How much does racial bias affect mortgage lending? Evidence from human and algorithmic credit decisions* (Working Paper No. 24-09). Federal Reserve Bank of Philadelphia. https://doi.org/10.21799/frbp.wp.2024.09; Boehm, T. P., & Schlottmann, A. (2005). *Wealth accumulation and homeownership: Evidence for low-income households*. U.S. Department of Housing and Urban Development. https://www.huduser.gov/publications/pdf/wealthaccumulationandhomeownership.pdf.

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[4] Federal Home Loan Bank Board. August 1936. Security Maps for Analysis of Mortgage Lending Areas. *Federal Home Loan Bank Review*. Vol. 2, No. 11: 389-391. See second paragraph.

[5] Area Description forms can be downloaded and viewed for most cities on the Mapping Inequality website.

[6] The A2 graded area included parts of Waverly, Ednor Gardens-Lakeside, and Coldstream Homestead Montebello neighborhoods. The D4 area encompassed the following neighborhoods: Druid Heights, Madison Park, Upton, Heritage Crossing, Seton Hill, Sandtown Winchester, Harlem Park, Poppleton, Franklin Square, Union Square, Mount Clare, and Pigtown. A few southernmost blocks of Bolton Hill and some of the western blocks of Mount Vernon were also included.

[7] Federal Housing Administration. June 1937. A New Map Aid for Mortgage Lenders. *Insured Mortgage Portfolio*. Vol. 1., No. 12: 8-10, 22. See portion in red rectangle.

[8] Federal Housing Administration. April 1, 1936. *Underwriting Manual: Underwriting and Valuation Procedure Under Title II of the National Housing Act*. Paragraph 229.

[9] (Article 1) Author unknown. Oct. 16, 1943. FHPA Approves 4 Sites Recommended by HAB in Housing of Negroes. Baltimore Sun. Page 28. (Article 2) Clark S. Hobbs. April 13, 1944. Cherry Hill's Possibilities. Baltimore Sun. Page 17.

[10] Homer Hoyt. 1939. *The Structure and Growth of Residential Neighborhoods in American Cities*. Federal Housing Administration: Washington, DC.

[11] Henry E. Hoagland. October 15, 1936. Home Loans for Life Insurance Companies. Textual Records, Record Group 195, Entry 24 (Speeches and Press Releases), Box 7. National Archives II: College Park, MD. Also see: Henry E. Hoagland. 1954, 1973 (with Leo Stone). Real Estate Finance. Richard D. Irwin, Inc.: Homewood, Illinois.