Community Development, Research, and Reinvestment: 

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Abstract
Using archival data and oral histories, this paper describes the community reinvestment movement in Washington, DC from 1970 until 1995. 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). The DC government responded to both redlining and gentrification with a suite of community development legislation designed to extend credit based on social needs, to increase homeownership via a homestead housing program, and to mitigate displacement due to gentrification with tenant right-to-purchase legislation. Additionally, DC’s reinvestment movement is unusual in that the city government used an interstate banking law to force reinvestment in the 1980s and early 1990s. Furthermore, the paper describes class-based barriers to reinvestment within the African American community including petty corruption amongst mortgage bankers and real estate brokers, corruption that foreshadowed exploitation during the sub-prime era. The paper concludes with a discussion of how the DC reinvestment movement took advantage of political opportunity structure, using advocacy and research to effect reinvestment because of successful venue-shopping. 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.
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Keywords: Redlining; Reinvestment; Community development; Gentrification; Housing; Washington, DC; Political opportunity structure; Venue-shopping

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http://dx.doi.org/10.1016/j.progress.2013.02.001
1. Introduction

During the 20th century, American cities underwent dramatic changes: segregation, urban renewal, highway projects, suburbanization, white flight, and 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 rapidly as expressed by stunning white in-migration and black out-migration; 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 (Morello & Keating, 2011; US Census Bureau, 2002; US Census Bureau, 2011). 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 (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 & Trejos, 2007; Immergluck, 2009). 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 & Chung, 2008), the crisis revealed that subprime lenders heavily targeted African Americans (Wyly, Moos, Hammel, & Kabahizi, 2009), with many African Americans receiving subprime loans when they would have qualified for prime loans (Savage, 2010); these subprime loans were immediately repackaged and sold on as mortgage-backed securities (Immergluck, 2009). Such exploitation resulted in stripped equity and dramatically higher fees (USHUD, 2000). After the crisis 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, & Taylor, 2011).

However, a historical perspective reveals that a racialized lending market is nothing new. Banks and other lending institutions, influenced by the Chicago School’s ecological model of urban ‘growth’ and ‘decay,’ systematically redlined inner city, minority neighborhoods across the US. The study of redlining and its effects is well established in the planning literature (Jacobs, 1961; Marcuse, 1979; Perle, Lynch, & Horner, 1994; Smith, 1979), as is the study of the community reinvestment movement, the neighborhood-based effort to force banks to stop redlining and instead invest in inner-city neighborhoods (Dreier, 2003; Goering, 1979; Peterman, 2000; Wyly, Atia, Lee, & Mendez, 2007; Wyly, Atia, Lee, & Mendez, 2007). In the US and throughout most of the world planning is done in the context of capitalism; private market investments, particularly in home lending, shape the built environment and determine who may live where. When such financing is unavailable for inner city home lending, property values fall, and city revenues along with them. Thus home lending investment patterns and grassroots efforts to positively change such investment patterns are of paramount interest to city planners whether they work for municipalities, consultancies, or community-based organizations.

Research on redlining, however, needs to take into account the insights provided by critical social theory; processes of urban change are not inevitable ecological processes. Rather, 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, as alluded to above. Armed with social legislation passed from 1968 to 1977, this community reinvestment movement was able to win significant reinvestment concessions from banks and thrifts (Campen, 1998; Dreier, 1991; Dreier, 2003; Goering, 1979; Fishbein, 1992; Immergluck, 2004; Naparkstek & Dooley, 1997; Schwartz, 1998a; Schwartz, 1998b; Shlay, 1999; Squires, 1992; Squires, 1994; Squires, 2003; Squires & Chadwick, 2009; Squires & O’Connor, 2001).

Unfortunately, the literature has failed to document the reinvestment movement of Washington, DC. To correct this deficiency, I use oral histories and archival data to report how 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 to mitigate the effects of disinvestment and gentrification. Finally, I argue that the DC reinvestment movement’s strategies can be explained theoretically using a combination of political opportunity structure (Meyer, 2004), venue shopping (Baumgartner & Jones, 1991), and politics of scale (Smith, 1992).

2. Methods and Data

This research 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?

Given that I am studying past events, I used historical methods including archival sources and oral histories to
answer my research questions (George & Stratford, 2010; Harris, 1978; Roche, 2010). Historical methods are appropriate because the point of this research is not to document demographic changes in Washington or to determine the efficacy of different policies. Rather, the purpose of this research is to describe the efforts that were made to combat redlining in DC and the relationship between local efforts and federal policy, and to contextualize such efforts within the overall community development policy of Washington. This research asks questions regarding advocacy, legislation, policy implementation, media coverage, cooperation by banks, and corruption; these are not questions that can be answered with ArcGIS and historical Census datasets.

This research benefited from extensive coverage by local newspapers; 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. I retrieved data from the archives of these newspapers and other documents in the vertical files (loose collections of documents, often arranged by topic and date) of the Washingtoniana section of the Martin Luther King, Jr. branch of the DC Public Library. To supplement these data I used the online Washington Post archive as well as the Washingtoniana collection’s microfilm archive of The Washington Star. Because the Post published through the study period and is online, I used it extensively. During my archival research I retrieved several significant empirical studies that had major policy impacts when they were originally conducted, including a 1975 quantitative redlining study by the DC Public Interest Research Group (DC PIRG, 1975), a 1976 report by the DC Government on redlining and policies to combat redlining (Government of the District of Columbia, 1976), a 1991 redlining study by ACORN, and a 1993 discrimination and redlining study by The Washington Post (Brenner & Spayd, 1993).

In addition to the archival work, I conducted oral histories with individuals involved in anti-redlining advocacy and DC government during the 1970s and 1980s. As George & Stratford (2010, p. 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.” These oral histories captured contextual, qualitative detail not available in newspaper articles or in the quantitative, policy-oriented studies that the organizations produced. I transcribed all oral histories verbatim and sent transcript copies to each respondent.

To pre-emptively respond to potential criticism that the respondents (and the researcher) are all male, none of the women that I attempted to contact responded to my communications; I could not find street addresses or offices for these women, so in-person cold calls were not possible. Women did, of course, play a significant role in the reinvestment movement, and I would have recorded oral histories from them had it been possible.

In this research I chose respondents that played a role in the reinvestment movement in Washington, DC (George & 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 recorded oral histories from the following individuals: James Vitarello, former redlining researcher at the DC Public Interest Research Group (PIRG); Frank Smith, former community organizer and DC politician; 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.

I contacted James Vitarello first; he was an obvious choice due to his large role in the reinvestment movement. Following law school, Vitarello worked as a legal intern at HUD and then received his LL.M in Sweden at the University of Stockholm Law School. After returning to the US and working in the DC government, Vitarello was hired by the DC Public Interest Research Group (PIRG), part of Ralph Nader’s PIRG network, to be DC PIRG’s executive director with an anti-redlining program. After working at DC PIRG Vitarello was then hired by the DC Government to be the Executive Director of the Commission on Residential Mortgage Investment (CRMI), where he also conducted research on redlining. Following this work Vitarello worked at the US Office of the Comptroller of the Currency (OCC), traveling around the US to promote community reinvestment lending. Vitarello later did lending policy consulting for the Reagan Administration and was ultimately hired by the Government Accountability Office (GAO) to examine housing policy.

I next recorded an oral history from Gerard Dunphy, owner of Dunphy Properties, a real estate company located on 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 DC PIRG researchers. Dunphy is Irish, grew up in England, and came to the United States in the early ’60s, where he immediately
began working in building maintenance and rehabilitation. An anecdote about his first encounter 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 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? (Dunphy, 2012)

In addition to the oral history, Dunphy allowed me to take his personal correspondence from the 1970s to catalogue and photocopy, after which I returned the originals to Dunphy.

I next recorded an oral history from Frank Smith; during the ‘70s Smith 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 representing of Ward 1. Originally from rural Georgia, Smith received his undergraduate degree in political science from Morehouse College in Atlanta, GA, and encountered Martin Luther King, Jr. during civil rights demonstrations in Atlanta, as King was teaching a seminar at Morehouse at the time. After working in civil rights organizing and political campaigns in Atlanta, Smith went to Mississippi to help organize the Mississippi Freedom Democratic Party, work that took him to DC:

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 ... (Smith, 2012)

After working to help organize tenants’ associations in DC, Smith became even more involved in the community by working in the Adams-Morgan Organization. Smith then became a city council member, representing Ward 1 for the next 16 years.

My final interview was with Professor Robert Stumberg of Georgetown University Law School. Stumberg was the student director of DC PIRG in the 1970s while at Georgetown and as such hired Vitarello to be the Executive Director of DC PIRG. After law school, Stumberg took a position at Georgetown doing legal policy research for the DC Government:

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... (Stumberg, 2012)

Stumberg is very familiar with DC’s community development work and the real estate dynamics in DC in the 1970s and 1980s, and he also has personal experience with redlining.

To complete my analysis, I qualitatively coded the oral histories and the archival data. I relied on the literature review 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. I then assembled the coded archival data and oral histories to form my narrative.

3. Background and Literature Review

3.1. Research on Redlining

Jane Jacobs was the first to document redlining in the literature, terming it “credit blacklisting” (1961, p. 11). Activists in Chicago’s Austin neighborhood coined the term “redlining” after the color of the lines drawn around supposedly high risk areas on security maps made by lending institutions (Pogge, 1992, p. 134). Why was redlining harmful? In the words of Massey & Denton (1993, p. 55), “The lack of loan capital flowing into minority neighborhoods made it impossible for owners to sell their homes leading to steep declines in property values and a pattern of disrepair, deterioration vacancy, and abandonment.” Jacobs (1961, p. 302) describes at length the damaging effects of redlining—
her words, “There is no telling how many city districts have been destroyed by blacklisting [redlining]. The Lower East Side of New York ... was doomed by blacklisting ... Unless a neighborhood does possess extraordinary vitality, along with some form of extraordinary resource, a drought of conventional money inexorably enforces deterioration.” Redlining is one of the causes of uneven development and unequal opportunity in the urban human geography (Squires & Kubrin, 2005).

Jackson (1980, 1985) laid the blame for redlining at the feet of the Home Owners Loan Corporation, but this narrative has since been challenged by more in-depth research (Crossney & Bartlet, 2005; Hillier, 2002; Hillier, 2003a; Hillier, 2003c; Hillier, 2005). Regardless of details, the FHA generally (Gotham, 2000) and Hoyt (1939) specifically bear a certain amount of responsibility for the racialization of finance during the pre-war period.

Redlining, in concert with highway programs and FHA subsidies for suburbs (Jackson, 1985), condemned much of the inner city to disinvestment (Gotham, 2000), though this interpretation has not been without its critics (Beauregard, 2001). In response to civil rights activism, the federal government passed the Fair Housing Act in 1968 (USHUD, 2011). The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, forbade discrimination in the private housing market on the basis of race, color, religion, sex, or national origin. Furthermore, the Fair Housing Act (FaHA), enforced by the US Department of Housing and Urban Development and the US Department of Justice, also forbade discrimination in real estate related lending, including home lending (USDoJ, 2013b); it was this part of the Fair Housing Act that outlawed process-based redlining (Hillier, 2003b).

In 1974 Congress strengthened such protections against discrimination in home lending with the Equal Credit Opportunity Act (ECOA), a statute that forbade discrimination in lending on the basis of race, color, religion, national origin, sex, marital status, age, or receipt of public assistance. This protection applies for all credit transactions, not just for home lending (USDoJ, 2013a). The ECOA is enforced by the Federal Trade Commission (FTC).

Following much pressure from community groups, Congress then passed the 1975 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 by US Census Tract (FFIEC, 2011b). These data were then made publicly available; they allowed researchers the ability to assess whether banks and thrifts were redlining. Furthermore, Congress outlawed outcome-based redlining (Hillier, 2003b) with the Community Reinvestment Act (CRA) of 1977 (FFIEC, 2011a). CRA was intended to force financial institutions that had deposits insured by the FDIC to serve the credit needs of their local communities. The regulations developed to enforce the statute contained the teeth of the legislation; not only could the federal government deny a proposed merger/acquisition/branching based on a poor CRA lending record, but local organizations could challenge such mergers/acquisitions/branchings as well.

Armed with the Fair Housing Act and HMDA, in the 1970s and 1980s community groups and academics documented redlining through quantitative studies (Benston, 1981; Perle et al., 1994; Squires & Velez, 1987). While HMDA required lending institutions to disclose the number of loans made by location, these data were not as useful as they might have been (Dingemans, 1979) given that they did not provide the number of applications made, only the number of applications accepted. As Kantor and Nystuen (1982) pointed out, without more detailed information from financial institutions making conclusive claims about redlining is difficult. In spite of this, in 1989 the Federal Reserve Bank of Boston released a hugely influential study of redlining in Boston based on data from the 1980s (Bradbury, Case, & Dunham, 1989).

The story of the financial industry willfully impoverishing African American communities through redlining is 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 ecological model (Burgess, 1925; 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, p. 301). With declining property values, borrowers had incentives to default if the values of their properties dipped too far; lenders had to either charge higher effective rates to remain profitable or cease making loans to that area (Masulis, 1982). However, Squires and O’Connor (1993) showed that there was no relationship between lender profitability and redlining. This supports the idea that neighborhood decline is a socially constructed process, one in which action by a wide variety of actors (Kantor & Nystuen, 1982) realize racialist ideas of ecological urban processes.
In response to the S&L Crisis of the 1980s, 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 loan applications made as well as the race, sex, and income level of applicants. Armed with these new FIRREA data and additional data collected in an in-depth survey of local lending institutions, Tootell (1996) found little evidence for redlining in Boston, but did find that lenders were racially discriminating. Perle et al. (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.

In more contemporary research, Wyly (2002), Reibel (2000), Ezeala-Harrison, Glover, & Shaw-Jackson (2008), and Silverman (2005) found continued evidence for redlining in cities across the US, while Ross and Tootell (2004) demonstrated that by requiring mortgage insurance, the industry effectively increased mortgage rates for predominantly black borrowers to cover the risk of properties declining in value. 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. And in the 1990s and 2000s, redlining was eclipsed as a problem by subprime lending (Immergluck, 2009; Squires, 2008/9), with previously redlined areas targeted by subprime lenders (Hernandez, 2009), and such exploitative activity is linked to the disappearance of race from disclosure data (Wyly & Holloway, 2002; Wyly et al., 2007a,b).

3.2. History of Reinvestment and Community Development

While the aforementioned literature has focused primarily on establishing or debunking the existence of redlining, or investigating its historical roots, communities, groups, and municipalities carried out a fight against redlining throughout the ‘60s, ‘70s, ‘80s, and ‘90s (Campen, 1998; Dreier, 1991; Dreier, 2003; Goering, 1979; Fishbein, 1992; Immergluck, 2004; Naparkstek & Dooley, 1997; Schwartz, 1998a; Schwartz, 1998b; Shlay, 1999; Squires, 1992; Squires, 1994; Squires, 2003; Squires & Chadwick, 2009; Squires & 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. Banks, in order to achieve business goals, would negotiate agreements to issue more loans to disadvantaged areas.

The reinvestment movement began in the 1950s as community groups began to fight back against mortgage disinvestment. The first reinvestment movement occurred in Chicago’s Back of the Yards neighborhood in the 1950s; existing “unslumming” efforts (Jacobs, 1961, p. 298) had been stymied by “credit blacklisting,” as Jane Jacobs referred to redlining before the term existed. In response, residents organized and met with bankers, making it clear that they would withdraw their deposits en masse if loans were not made available. In response, some of the institutions increased lending to the area, resulting in significant neighborhood improvement (Jacobs, 1961).

Chicago was not the only community to experience early grass-roots reinvestment work. In Pittsburgh in 1957 residents founded a reinvestment group entitled Allegheny Council to Improve Our Neighborhoods - Housing (ACTION-Housing), and in 1968 ACTION-Housing and North Side residents created Neighborhood Housing Services (NHS) (Metzger, 1992). In Chicago in 1969 Gale Cincotta led community groups to fight redlining (Pogge, 1992), and 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 thrifts in response to disinvestment (Immergluck, 2004).

However, the reinvestment movement needs to be contextualized within the broader community development movement. Biddle & Biddle (1965, p. 78) defined community development as:

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

For Biddle and Biddle, community development is participant planned, place oriented, and results in empowerment and increased ability to deal with the world. However, Ferguson & Dickens (1999, p. 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.

The community development movement emerged out of a reaction to top-down urban renewal, termed “negro removal” by its critics, that had been discredited due to severe displacement of low-income residents, the low rate of housing stock replacement, and the fact that program mostly served to free up valuable inner city land (Wilhelm & Powell, 1964). Community development activists envisioned a different future, one in which communities took control of their destinies. Senator Robert Kennedy, Elsie Richardson of the Central Brooklyn Coordinating Council, and Ron Shiffman of Pratt Institute launched the US community development movement 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). Given that the inner city’s predominantly minority population faced serious unemployment and disinvestment, Senator Kennedy outlined job creation as his main urban policy in 1966. After touring the Bedford-Stuyvesant neighborhood of Brooklyn, NY, local activists confronted Kennedy and called for action (Johnson, 2004). In response Kennedy worked with community groups and local planners to create CDCs, which 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 in a reconstruction program for deteriorating inner city areas, ameliorating urban unemployment in the process. With CDCs managing projects and training workers, local residents were to be prioritized in hiring and affordable housing ownership opportunities (Chapple, 2010). After 5 years in which the federal government disbursed $90 million for 23 CDCs, the policy and its funding faltered; in 1968 Kennedy was assassinated, and following Martin Luther King, Jr.’s assassination race riots swept the county. In response, the Federal Government formed the Kerner Commission, which concluded that urban growth patterns were responsible for the problems of the inner city, as new suburban employment opportunities were spatially separated from the urban unemployed. Federal policy therefore moved away from community economic development and toward resolving this spatial mismatch between suburban jobs and the urban unemployed (Chapple, 2010).

In 1970s, without funding for jobs programs, CDCs adapted by transitioning almost entirely into the provision of badly needed low-income housing in cities using federal monies and private grants (Stoecker, 1997). This focus on housing and physical development in general has meant that for many years community development was synonymous with the work of CDCs. Ferguson & Dickens (1999, p. 6) note:

… 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 into service provision as the 1980s progressed and poverty worsened (Clavel, Pitt, & Yin, 1997).

Community organizing, which develops social capital and political capital in the pursuit of structural change, is often directed at the goal of community development even if it is sometimes discussed as a separate activity. Gale Cincotta’s community action groups, a prime example, used a variety of tactics to force banks and thrifts to stop redlining (Bradford & Cincotta, 1992; Immergluck, 2004). This grassroots, confrontational method contrasts with the collaborative style of CDCs (Stoecker, 1997). Community development groups were often too occupied with the provision of housing and services to be able to effectively act in advocacy campaigns, and often did not have the freedom to be politically independent because of funding streams (Bradford & Cincotta, 1992). Community action groups, on the other hand, had the freedom and the capacity to conduct aggressive reinvestment campaigns (Capra, 2004). CDCs were still important to reinvestment campaigns, as they operationalized banks’ reinvestment commitments by creating loan demand including low-income housing projects (Bradford & Cincotta, 1992).

Though the Fair Housing Act of 1968 prohibited discrimination in home lending, its enforcement mechanisms were extremely weak (Immergluck, 2004). Due to this lack of enforcement, in 1975 anti-redlining groups, including Gale Cincotta’s National People’s Action (NPA), worked with Senator William Proxmire of Wisconsin to pass the Home Mortgage Disclosure Act (HMDA), the provisions of which are
discussed above. Following further pressure from community groups, Proxmire then passed the afore-
mentioned Community Reinvestment Act (CRA) of 1977 which to force financial institutions to look after the 
credit needs of their communities (Dennis, 1978; Immergluck, 2004; Squires, 1992). Marcuse (1979) 
outlines a variety of definitions of redlining: redlining as lenders refusing to lend to certain areas; redlining as 
lenders giving weight to location when underwriting; and redlining as failing to grant needed mortgages in a 
specific area given social needs. CRA as written hews very much to the idea of social needs being paramount. 
The Reagan administration failed to enforce CRA; in 
fact, the Federal Reserve Board did not deny a merger until 1989 (Immergluck, 2004). As mentioned above, 
CRA allowed community groups to challenge bank branchings, mergers, and acquisitions based on the 
record of the bank in question. In the late 1980s and 1990s such groups were able to force lenders to the 
negotiating table using research, protests, direct action, lobbying, and finally CRA challenges. Groups then 
negotiated reinvestment commitments with the banks (Immergluck, 2004; Bradford & Cincotta, 1992; Squires, 1992). 

After Bill Dedman (1988) of the Atlanta Journal/ 
Constitution exposed massive redlining in the 1988 
article “The Color of Money”, Congress increased its 
surveillance and in 1989 the Federal Reserve denied its 
first merger request because of CRA issues, shocking the 
industry (Fishbein, 1992; Immergluck, 2004). Successful CRA challenges and a more aggressive 
regulatory posture caused many banks to make unilateral reinvestment commitments to avoid scrutiny. 
1986-1994 was a golden age of reinvestment, with an 
average of 29 CRA agreements per year; FIRREA 
reforms, enhanced regulation from the federal govern-
ment, and the large amount of merger activity occurring 
because of banking deregulation allowed community 
groups ample opportunity to negotiate reinvestment 
agreements (Schwartz, 1998b). Reinvestment agree-
ments dwindled by the late 1990s with decreased merger activity and the election of a hostile Congress 
(Immergluck, 2004).

Reinvestment as it typically unfolded involved 
community groups, advocacy organizations, municipal 
governments, and financial institutions. Such actors 
engaged in conflict and protest, negotiation, monitoring, 
and the enlistment of allies in local and federal 
government, the media, and academia. Community 
groups would often band together to create much larger 
alliances that would then make the main effort. Hindering the banks’ response was the fact that banks 
and thrifts were accustomed to competing fiercely with 
one another, making collective action more challenging. 
There was also diversity within the financial commu-
nity; the Boston Bank of Commerce played a significant 
role in the reinvestment process, for instance, as 
Boston’s only black-owned/managed bank (Campen, 

Non-profits, such as branches of the US Public 
Interest Research Group (PIRG) (Lippman, 1975a) and 
the Association of Community Organizations for 
Reform Now (ACORN) (Schmidt, 1991), were a great 
help to community groups. City governments, faced 
with declining tax receipts and property values, 
typically worked with community groups to stop 
redlining (Squires, 1992). 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” (Edmonds, 1987 in Everett, 
1992, p. 109). In Boston, city councilors led an effort to 
link city bank deposits with reinvestment performance, 
a program that was then unilaterally created by the 
Mayor (Campen, 1992).

Allies within federal and state government inter-
vened, either directly in the form of the approval of 
CRA challenges, or indirectly in the form of informa-
tion leaks. In Detroit, the commercial bank Comerica 
attempted to buy a Texas bank; the Detroit Committee 
for Responsible Banking (actually two Detroit lawyers - 
James Edwards and Patrick Murray) challenged this 
acquisition under federal and state CRA statutes. 
During the process of the state CRA challenge, state 
officials ‘accidentally’ mailed Comerica’s poor federal 
CRA rating along with a great deal of other confidential 
information to Edwards and Murray (Everett, 1992).

The primary means of beginning a struggle against 
a bank that was perceived to be redlining a neighborhood 
was to produce/acquire a study claiming that redlining 
was occurring. In Boston this took the form of a leaked 
draft study that had been performed by the Federal 
Reserve Bank of Boston (Dunham & Spring, 1988 in 
Campen, 1992) which dramatically bolstering the case 
of the community groups; later, the Fed released a study 
publicly, reinforcing the community groups’ case (Bradbury et al., 1989). Additionally, in December 
1989, during the height of negotiations, the Boston 
Redevelopment Authority released a 1989 study by 
Charles Finn, a prominent economist, showing dramatic 
differences between lending patterns in minority and 
while neighborhoods (Finn, 1989).
In Pittsburgh and Detroit the community groups had no such federal study, but instead used 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 the aforementioned Charles Finn as well as Calvin Bradford of the Hubert Humphrey Institute to produce an anti-redlining study (Everett, Gallagher, & Blossom, 1988). But community groups were not the only ones to use academic studies; in Detroit, Comerica hired David Goldberg, a sociology professor at the University of Michigan, to discredit the Detroit Free Press study (Goldberg, 1988a and Goldberg, 1988b in Everett, 1992). Goldberg’s critique turned out to be insignificant because the head of the state bank regulatory body had been convinced by the evidence he had seen (Everett, 1992).

Community groups also direct action in their reinvestment work. In the 1970s, Chicago activists would enter bank branches en masse during busy hours, opening or closing accounts for one dollar, or dropping handfuls of pennies on the floor, 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 (Campen, 1992).

The media were also instrumental in building momentum for a reinvestment struggle. Beyond the aforementioned Free Press stories in Detroit (Everett, 1992), in Boston unrelenting media coverage by the Globe and the Herald kept redlining prominent throughout the reinvestment struggle. 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 showed that Pittsburgh banks had the second worst disparity in loan rejections between blacks and whites in the country (Metzger, 1992).

The CRA challenge was the key to getting banks to the negotiating table. Under CRA, the public could file challenges to bank mergers, acquisitions, and branching on the grounds that the banks were not adequately serving the credit needs of the local community. CRA challenges put the teeth these reinvestment movements, as the actual business operations of the banks were then affected. Bottom-up challenges were necessary in the first place because the Reagan administration was not enforcing the law (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 negotiate directly with banks and threats to achieve reinvestment settlements and commitments. Community groups were then able to use a settlement with one bank as a precedent/template for settlements with other banks. Furthermore, banks and community groups addressed community needs proactively through specially formed review and oversight committees at banks (Metzger, 1992). Over time, banks that signed CRA agreements were more likely to address credit needs of minority and low-income households (Schwartz, 1998b). Furthermore, the effects of CRA organizing extended into the subprime era; Casey, Glasberg, & Beeman (2011) found that African-American mortgage applicants were more likely to pursue mortgage credit from traditional, regulated lenders in cities with a strong history of CRA organizing.

3.3. Gentrification

While community development focuses on developing the assets of an extant, low to moderate-income community, gentrification involves the displacement of an existing community by the urban middle class and the renovation or redevelopment of the local built environment. While community development involves the development of people and place, 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 DC. During gentrification black residents were displaced and excluded via alley dwelling clearances, racial covenants, and market-based mechanisms. A community development process 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 summarize certain
theoretical concepts. Zukin (1987, p. 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, p. 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. 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.

3.4. Theory: Redlining, Capitalism, Structure, and Agency

Marxist geography interprets redlining from a different perspective, one 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 and can also spend more on transport; this means that bidding as a function of distance from locations of 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. Furthermore, as Harvey notes, when congestion costs increase the wealthy simply move back into the city, forcing out the poor. Harvey (1973, pp. 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 undermaintenance, rents fall, as do sale prices. Financial institutions therefore cease lending to such areas and instead seek higher returns in suburbia (Smith, 1979).

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) recognized this critique (Harvey, 1973) by pointing out that the commodification of housing is 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. More often than not, as Harvey (1973, p. 144) notes, “we discuss everything except the basic characteristics of a capitalist market economy.”
In contrast to such Marxist geography, the reinvestment movement was a liberal social movement concerned with social justice—it sought to achieve equity, efficiency, and a certain amount of redistribution to fulfill societal needs, all within capitalism. Gale Cincotta described the anti-redlining movement as a reaction to the entitlement-based War on Poverty. The reinvestment movement was explicitly about empowering communities within capitalism rather than about helping individuals get their due under Great Society programs (Bradford & Cincotta, 1992). This liberal position largely ignores how even with perfectly functioning markets, poor black neighborhoods still do not receive enough financing and below market rate loans were often a key feature of reinvestment commitments (Squires, 1992).

In the 1980s, however, urban theory shifted away from conventional Marxist analysis to employ critical social theory, including ideas of structure and agency existing together (Gottdiener & 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 & Feagin, 1988, p. 179). Such a position is particularly useful for analyzing the reinvestment movement given that community groups were able to improve their economic positions by organizing and campaigning. To wit, Shlay (1999) concluded that the increase in lending to the inner city through the ‘80s and ‘90s was due to synergy between local efforts and national efforts, though her analysis did not take into account the concomitant increase in subprime lending (Immergluck & Wiles, 1999).

Agency by itself is a broad concept. Relevant to community reinvestment are three general theories that seek to explain how social actors go about exerting agency in contested social processes. From the geography literature, politics of scale (Smith, 1992; Delaney, 1997) explains how spatially placed communities seek to contest power relations by constructing or engaging in struggle at different scales; these groups, while reliant on spaces of dependence, engage with their foes in spaces of engagement (Cox, 1998). Such theory is pertinent to community reinvestment, as communities living in disinvested neighborhoods cannot hope to win struggles at the scale of the individual—as the literature review showed, such groups worked at the scale of the bank, the city, state government and federal government to win financial concessions. Furthermore, these groups took an issue that was affecting many individual homeowners/homebuyers and reconstructed the issue as a threat to neighborhoods and fundamentally a national urban issue in order to change federal financial policies and gain concessions that would then be returned to the scale of the individual homeowner.

Similarly, from political science and public policy, venue shopping (Baumgartner & Jones, 1991) refers to the theory that groups focused on policy change will choose amongst different legal and political venues in order to both find an arena in which they will triumph and also to reaffirm group identity to serve the needs of the organization. From Pralle (2003, p. 234), “… advocacy groups or policymakers who want to change policy are often frustrated by biases within institutional venues where key decisions about a policy are made. One strategy for overcoming such biases is to shop for an alternative venue and attempt to move decision-making authority to a new policy arena. If successful, a change in venue can lead to substantive policy change, due in part to the participation of new actors, the adoption of new rules, and the promotion of new policy images, or understandings, of an issue.” As this paper will show, reinvestment movements and advocacy organizations were adept at pursuing reinvestment agreements and policy change in whatever venue would result in the greatest effect given their expended efforts.

Finally, from sociology and the study of social movements, political opportunity structure theory (Meyer, 2004; Meyer & Minkoff, 2004) holds that social groups are able to win victories based on the political opportunities that present themselves over time. This does not mean that such groups will take advantage of every opportunity, just that as time progresses political structures and political openness are major determining factors in social movements’ successes. McAdam (1996) outlines the dimensions of political opportunity: the relative openness or closure of the institutionalized political system; the stability or instability of that broad set of elite arguments that typically undergirds a polity; the presence or absence of elite allies; and the state’s capacity and propensity for repression. From within the planning literature Grengs (2002) used political opportunity theory to explain the success of the transit equity movement in Los Angeles. Grengs (2002, p. 171) explains the importance of political opportunity structure: “Collective action emerges not when groups experience hardship or deprivation—these preconditions are fairly constant—but when people find a permissive political environment and then seize opportunities through openings in
institutions and instabilities in political alignments.” And in analyzing periurban environmental planning in Indonesia, Hudalah, Winarso, & Woltjer (2010) emphasized how political opportunities are not mechanistic but are rather contested, symbiotic interactions between structure and agency. Furthermore, legal opportunity structure (Andersen, 2005; De Fazio, 2012), the legal corollary of political opportunity structure, provides a theoretical basis for when social movements will pursue their struggles through the courts and when they will engage in protest etc. This paper will show how the availability of political and legal opportunities directly determined what policy changes and reinvestment commitments the DC reinvestment movement was able to win. Furthermore, this paper will show, after Hudalah et al. (2010), how the DC reinvestment movement helped to construct its own opportunities and did not just mechanically respond to external structures.

3.5. 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 & O’Connor, 2001), and Relman’s (2003) account of 1990s DC area anti-redlining and anti-discrimination litigation.

Furthermore, the reinvestment literature focuses almost entirely on community groups, 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. This research fills these gaps.

4. Results and Discussion

4.1. Context

Before continuing, a brief explanation of US governance is in order for non-US readers. The US has a federal system of governance in which the Constitution divides power between the federal government and state governments. State code is generally based on English common law, with the exception of Louisiana where state code is based on civil law. The city, town, or village is the lowest level of government—a local municipality incorporated with a state charter. City governments do their own urban planning, often with the assistance of consultancies. Cities or villages typically lie within counties: administrative/geographic divisions of a state. Though municipalities govern themselves, county governments often have large governmental responsibilities and city residents often interact with the county government, particularly in the area of real estate tax assessment and recording of deeds. A homeowner in a given community would pay property taxes locally, often to support local government-operated schools (referred to as ‘public schools’ in the US). The county government directly governs all land within its geographic boundaries that lies outside of incorporated areas, such as unincorporated settlements (census designed places and the like). Above the county is the state; the state government issues charters to municipalities and it is state law that determines what local governments may/may not and must/must not do in the way of planning.

Unlike in Europe, in the United States the vast majority of housing is supplied by the private sector. The role of government in housing is typically limited to building codes, the issuing of building permits, the regulation of home finance, tax assessment, the recording of deeds, and physical planning including zoning. Local governments assess and levy property taxes and may also issue debt for public projects. The state and federal governments are generally removed from this process, though federal and state statutes do regulate aspects of building via state building codes and also the 1988 amendment to the Fair Housing Act that mandates that new multi-family construction be disabled-accessible. The federal government has largely stayed out of local planning, but the US Constitution1 and certain US Supreme Court decisions2 have shaped the legal framework for local planning and use of such powers as eminent domain. Additionally, federal statute plays a large role in the planning process when endangered species or wetlands are affected by a project because of the federal Endangered Species Act of 1973 and the Clean Water Act of 1972, respectively.

Between the 1930s and the 1960s, the federal government played a much larger role in housing by

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1 Takings clause of Fifth Amendment, Equal Protection clause of Fourteenth Amendment.
directly financing the construction of low-income housing in cities; this housing is now owned and operated by local public housing authorities. By the 1970s the continued construction of such housing faced strong political opposition. In a retreat from its earlier urban policies, the federal government shifted its urban policy to the issuance of community development block grants directly to municipalities that would then have a great deal more latitude in how the money was spent. From the ‘70s through today private non-profit developers have developed the vast majority of low-income housing.

However, in the world of housing finance the federal government is heavily involved through both finance and tax. Private owners of residential properties may deduct the interest on their mortgages from their taxable income for the purposes of federal income tax. The tax deduction has become an enormous subsidy to private homeowners not available to renters. Additionally, since the 1980s the federal government has begun issuing Low Income Housing Tax Credits to state and local governments. These governments may then issue these tax credits to developers of private low-income housing developments; these developers may then use these credits to lessen their own tax burden or they may sell these credits to private companies who use them for their own purposes. The Internal Revenue Service therefore plays a much larger role in housing than does the US Department of Housing and Urban Development.

In housing finance, the federal government has played a major role from the 1930s onward. In the post-war era the federal government chartered and insured different types of financial institutions to perform different tasks. Commercial banks existed for business lending and deposits, whereas savings and loans (also known as ‘thrifts’) existed to take consumer deposits and to issue home loans. Racialized lending patterns aside, this system worked well until high rates of inflation in the 1970s caused depositors to remove their money from savings and loans, as these institutions were not allowed to increase interest paid on deposits to attract depositors past a certain point. Such ‘disintermediation’ caused a crisis in the industry and in response federal government began a long road of deregulation (Stone, 2006).

Beyond regulation-chartering of financial institutions and insurance of their deposits, the federal government directly insured mortgages via the Federal Housing Administration (FHA) and the Veterans Administration (VA), though until the 1970s these insurance programs were typically a subsidy to white-dominated suburban developments. Additionally, the federal government has set up several Government Sponsored Enterprises (GSEs) to buy mortgages and thereby inject more liquidity into the home mortgage system. These companies include the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and Government National Mortgage Association (Ginnie Mae), though technically Ginnie Mae is government owned, not government sponsored (Stone, 2006). The federal government set up Fannie Mae was set up in 1938 and for the first 30 years of its existence to bought VA/FHA insured home mortgages from local banks in order to inject liquidity into the mortgage market and provide for more affordable homeownership. In 1968 Ginnie Mae was split off from Fannie Mae; Ginnie Mae was and still is a wholly government owned corporation that issues Mortgage Backed Securities (MBS) that are backed with the full faith and credit of the US Government. At the same time Fannie Mae was made into a private corporation. Two years later, in 1970, Freddie Mac was created as a competitor to Fannie Mae and both companies were authorized to buy non-government insured mortgages. As will be no surprise to contemporary audiences familiar with the US mortgage crisis of 2008, both Fannie Mae and Freddie Mac issue mortgage backed securities. Such companies, by issuing underwriting standards for loans that they will buy, directly influence not only who will receive loans but also what types of building will receive loans. And, as discussed in the literature review, the Congress and federal agencies have played a large role in fair lending by the passage of legislation and the enforcement (or non-enforcement) thereof.

Washington, DC is governed in a different manner from other parts of the US. DC is not a state and has no representation in Congress, though its residents are still liable for federal tax. Rather, DC is directly under the supervision of the federal government. Federal commissioners that were appointed rather than elected ruled DC from the late 19th century until 1973 when DC was granted home rule by the federal government. This meant that DC has some of the power of a city, some of

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3 In the US a tax deduction lowers a taxpayer’s taxable income. A homeowner with an annual income of $100,000 who pays $10,000 in mortgage interest annually would only have a taxable income of $90,000, leading to a commensurate reduction in his or her income tax burden. With a tax rate of 30%, the person’s owed income tax would be lowered from $30,000 annually to $27,000. A tax credit, on the other hand, acts directly on a person’s tax burden. If the same homeowner with the income of $100,000 owed $33,000 in income tax, a $10,000 tax credit would lower his or her tax burden to $23,000.
the power of a state, but many powers that would normally be held by state/local government are still held by the federal government; for instance, the Congress must approve DC’s budget every year. Furthermore, planning authority is shared between DC and the federal government’s National Capital Planning Commission. In the time period under study, the DC government collected property taxes, received community development block grants, had public housing, and was home to many federally chartered banks and thrifts.

By 1970 Washington, DC had undergone some of the most extensive white flight in the US, with many 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 ~802,000 to ~756,000 residents. During the same period the suburbs gained ~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 white workers daily commuting in on highways and mass transit from suburbia. 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 the affluent, causing massive social upheaval. Gillette (1995) links DC’s 1968 race riots that followed the assassination of Martin Luther King, Jr. to the forced displacement of these urban dwellers. As previously mentioned, DC suffered from non-democratic governance until the 1970s; the federal commissioners that ruled the city made 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 rest of 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 the Adams-Morgan neighborhood 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 (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 renters to sell the buildings to speculators who rehabilitated the buildings to be sold at much higher prices (Stumberg, 2012):

… 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).

Within the context of disinvestment and gentrification the DC reinvestment movement began. As this chapter will show, during the 1970s DC was at the center of a national debate on redlining. While residents of predominantly black neighborhoods were able to procure financing for home loans, 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. However, residents of DC did not passively submit to such disinvestment; they organized and fought redlining through pressure tactics, politics, and negotiations. This paper 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 advocacy groups, DC politicians, and lending institutions fought and cooperated throughout the redlining effort.

4.2. Evidence of Redlining

The quantitative evidence for redlining rests on the two main studies done on redlining in DC in the ‘70s: the 1975 DC PI RG study and the 1976 CRMI study. The DC PI RG 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. 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:

Dunphy - Well what do you mean I knew? I mean 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 and 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).

Dunphy 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. Stumberg, as well, recounted 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 [the realtor] 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).

The loan officer did not realize 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. So during the commercial he said, “we’ll fix it.” And a day later I had my loan (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 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 (Vitarello, 2011).

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.

4.3. Researchers and Public Advocacy: Reinvestment in the 1970s

While private citizens and community groups were 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 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,b, 1971). When banks and thrifts were not willing to lend to areas of Washington where he worked, they affected Dunphy’s bottom line. 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,b,d). 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, 2014a, 2014b, 2014c, 2014d and Dunphy, 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,e,g,h). 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,k). However, the thrift made no legally binding commitment to reinvest; Dunphy had to take 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,b; Press, 1974). Dunphry also lobbied policy makers, businessmen, and the media at various levels: the Senate Banking Committee; the Mayor; Marion Barry, who was then on council; the Washington Board of Realtors; and The Washington Post (Dunphy, 1972i,l, 1973b,c; 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. 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 5 x 8 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, 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 chart depicted in Fig. 1, these institutions announced that they were going 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 and National Permanent (two white-owned thrifts), and Independence Federal, the District’s only black-owned thrift (DC PIRG, 1975). The 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, 1978a). 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 depicted in Fig. 2.

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; Lippman, 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. From the archival data, this study seems to have made very little impact, however.

Vitarello proposed that the City Council implement a greenlining campaign: a tax cut reward system for 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, including 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), and 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). CRMI 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. Vitarello:

... 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), because Vitarello was the only individual available with sufficient expertise and credibility to head up the project:

... 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 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 (J. Vitarello, personal communication, January 27, 2012). 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 CRM 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 escaped 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, 1979), 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 sliding scale to assure that between 30 percent and one 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 was 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 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, personal communication, May 29, 2012).

These CDCs were 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, personal communication, May 29, 2012).

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

4.4. DC Reinvestment and the Federal Government in the 1970s

The DC anti-redlining movement had considerable effect on the passage of HMDA and CRA. The federal government 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 drafting 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 originsations 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 & 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 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. 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.

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,d). However, the Fed 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 tying lending to deposits 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).

Community activists from around the country had recast redlining as a national issue best addressed at the federal government where powerful progressive politicians gave the movement the political opportunity it needed to effect structural change. For the DC movement, the unique political opportunity structure offered by the timing of the work of Gale Cincotta and Senator Proxmire on HMDA and CRA offered the movement chances to have an effect much beyond what it would be able to do on its own. The theoretical interpretation offered herein is that the work of Cincotta represents politics of scale, as neighborhood activists, faced with the threat of disinvestment to their "spaces of dependence," took the fight to the federal government where they were able to implement policy change that would allow them to hold local lenders accountable.

Empowered by the results of the reinvestment movement at the federal scale, community groups in Washington were able to use this legislation to achieve results back in the District. The Adams-Morgan Organization, 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). 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 MWPFA 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. 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, 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 - I wasn’t including Boy Scouts - 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, 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 forward leaning on the redlining issue, in spite of exhortations from the media (The Washington Post, 1976c). President Carter, however, involved the executive branch 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, 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, 1978a). 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 FHLBB, 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, 1978b). 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. 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 research. Vitarello and Dennis met with the brokers in the boardroom of Industrial Bank, shown in Fig. 3, 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 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 … 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).


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 19784, 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 a prime example of venue-shipping (Baumgartner & Jones, 1991) and political opportunity structure (Meyer, 2004). Though the election of the Reagan administration had

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4 Marquette National Bank of Minneapolis v. First of Omaha Service Corporation (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.
closed the political opportunities at the federal scale, the activists took advantage of political opportunities at the local scale. Rather than continue their unsuccessful efforts in the venue that is the Congress, where they had had so much success in the ‘70s, as a favorable venue opened for local anti-redlining activists, in the form of a city council debating an interstate banking law, local activists chose to focus their efforts locally, as the following discussion illustrates.

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 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 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 the 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 & 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 & 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 for DC reinvestment movement in general, as their demands were enshrined in local law. This demonstrates that by this point DC politicians were on board with the reinvestment agenda, in sharp contrast to federal laissez-faire policies of the time. However, had it not been for the political opportunity that interstate banking, a result of financial deregulation, presented to DC reinvestment activists, no such policy change would have been possible.

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 & 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 Fund 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. 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).

4.6. 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).
As emphasize by Hudalah et al. (2010), political opportunity structure is not mechanistic; actors construct and contest opportunities. Not only had the DC movement worked with activists from around the country to pressure Congress to pass HMDA and CRA, it had also pressured DC Council to pass an interstate lending bill with reinvestment provisions. These victories in turn created the legal and political opportunities for DC reinvestment activists to exploit in the late ‘80s and early ‘90s.

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, a reinvestment coalition of Washington community groups. 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), and also an example of how changing legal opportunity structure (Andersen, 2005; De Fazio, 2012) can provide openings for social movements to pursue their causes within the courts. Furthermore, as covered in previous subchapters, the DC reinvestment movement, by helping to pass HMDA and CRA in the first place, constructed the legal opportunities it was then able to exploit over a decade later; when branching/merger activity increased in the late ‘80s, the efforts of a previous generation provided the opportunities for CRA challenges.

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 of the ‘80s, the Congress dramatically strengthened HMDA with 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 (Harnay, 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’ 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’ 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). 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 Bhargava was quoted in the article stating that the banks were engaged in markets that they had previously neglected (Powers, 1993a). The debate had 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; 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 & 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 finance 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.

4.7. 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 1989 the Federal Reserve Bank of Boston released a study demonstrating racial differences in credit flows in Boston (Bradbury et al., 1989). 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 first of its kind settlement, the thrift agreed to sensitivity training, outreach to minority communities, cash payments to improperly rejected loan applicants, 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, the executive branch took on redlining aggressively. In March of 1994, 10 agencies, led by HUD Secretary Henry Cisneros and Attorney General Janet Reno, announced a coordinated strategy to combat lending discrimination (Gugliotta, 1994). Such increased attention was felt in DC when the DOJ settled a discrimination lawsuit with Chevy Chase Bank; the bank’s lending record was atrocious, as it had provided 97% of its loans between 1976 and 1992 in white neighborhoods (The New York Times, 1994).

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 presumably adequately servicing their local neighborhoods under CRA. There was even a ‘smoking gun’ of redlining: former Chevy Chase employees alleged that loan officers were ordered not to lend south of Calvert Street NW or east of Connecticut Avenue, with exceptions for Capitol Hill and Dupont Circle (Singletary, 1994b).

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 neighbor-
hoods (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).

4.8. 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
subchapter 4.1, 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 in the DC area,
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 home-
owners, 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 Develop-
ment Block Grants, to make these loans themselves,
including retail lending.

In response to the threat of gentrification, the DC
City Council responded with this suite of legislation
designed to stabilize populations, encourage home-
ownership 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 bonds that it used to make further loans further financing (Smith, 2012). These efforts to maximize lending by the city were motivated by the fact 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 its community development work, the city 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 \textit{in rem} foreclosure\textsuperscript{5}. Rather than demolishing these structures, a preferable strategy is to get new owners into these housing units. 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).

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 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

\textsuperscript{5} When a municipality forecloses upon a property for which the owner has failed to pay property taxes.
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).

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 creasing 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 his own neighborhood, Adams-Morgan, and also with the preservation of a certain amount of affordable housing in the community.

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 low-income white community too, 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).

5. Conclusion

To fight redlining, the reinvestment movement in DC pursued a politics of scale based on the political opportunities offered by political climate and federal financial structures, changing venues in order to effect change. 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 sited 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 research 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. The process was hardly linear as Fig. 4 demonstrates.

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 work 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 helped revitalize 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 … 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

Fig. 4. Non-profit advocacy leads indirectly to reinvestment.
community and in the white community (Vitarello, 2011).

This reinvestment was successful for several reasons. Firstly, the advocates involved were able to take advantage of the progressive political opportunity structures of both the local and the federal government throughout the period of study. DC’s usury law and progressive city council gave activists the opening they needed to push for reinvestment locally. More importantly, in the 1970s the federal political climate was such that community activists could pursue progressive agenda, as there was a Democratic Congress and moderate Republican Presidents. Reinvestment activists took advantage of this climate to work with policy makers, especially Senator Proxmire, to change federal financial structures in favor of inner city neighborhoods, with Republican President Ford signing both ECOA and HMDA into law. 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. As discussed in the previous chapter, when Reagan was elected these political opportunities were closed, but the DC reinvestment movement had exploited them sufficiently to lay the groundwork for the landmark reinvestment campaigns of the ‘80s and ‘90s (Squires, 1992), creating themselves a legal opportunity structure for reinvestment. 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.

Secondly, these efforts were 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. In political opportunity structure, place matters.

Thirdly, reinvestment activists were able and willing to change venues when necessary to effect change in lending patterns. In the 1980s when the Reagan administration refused to enforce CRA, the DC reinvestment movement took advantage of a political opportunity to effect structural change in DC using research on continued redlining to prompt DC Council to attach reinvestment provisions to interstate banking legislation. When merger and acquisition activity picked up in the late ‘80s because of interstate banking, groups began targeting banks for CRA challenges and the DC Government worked to enforce its new reinvestment laws.

Fourthly, 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 enhanced underwriting that CRA loans receive. 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.

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, and there was a dramatic rent gap (Smith, 1979) in inner city Washington neighborhoods at the time. 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 antiquated 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 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. To prevent the wholesale turnover of neighborhoods, policy makers put a 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 mitigated some of the harmful effects of gentrification.

However, even widespread tenant purchase scenarios, co-op apartments, and rent control may be not be able to stop the turnover of a neighborhood that occurs during gentrification, as a look around Washington today would 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, affordable grocery stores etc.), and offers of eye-watering sales prices are 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 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 Frank Smith during his oral history, 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 community impeded reinvestment efforts at the municipal level and led to the continued racialization of home lending in the District, racialization that continue into the subprime era. As the oral history of Jim Vitarello (2011) specifies, black real estate brokers in the 1970s were receiving kickbacks from mortgage bankers in exchange for directing their black clients to these bankers rather than to thrifts. Furthermore, proposed anti-redlining legislation, designed to force white-owned banks/thrifts to reinvest, failed to pass in the District of Columbia because of opposition by black bankers who wanted all the business from inner city African-Americans. Thus black consumers were denied access to credit on the same terms as their white counterparts because business interests in the African-American community were profiting from this racialized credit market. As Vitarello’s oral history, the 1975 DC PIRG study, and the 1993 Washington Post study demonstrated, these 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/thrifts 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).

Hopefully, with this research reinvestment and community development scholars will realize the impact of the Washington, DC reinvestment movement on the national reinvestment struggle, especially in the passage of HMDA and CRA. More importantly, private lenders need to continue to extend credit to the residents of inner city, minority neighborhoods, but in a responsible manner, with high quality underwriting and non-exploitive terms. This credit needs to go hand in hand with well-funded community development work to mitigate gentrification-caused displacement, allowing low- and moderate-income communities to remain intact. The racialization of finance needs to end, and inner city neighborhoods need to receive the right kind of credit to allow their communities to thrive in a financially sustainable manner.

Acknowledgements

Special thanks go to Professors Geoffrey L. Buckley, Yeong-Hyun Kim, and Harold Perkins. Additional thanks go to my respondents: Dr. Frank Smith, Professor Robert Stumberg, Mr. Gerard Dunphy, and Mr. James Vitarello, Esq. For support of fieldwork, I would like to thank Mr. Franz Hardin Misch, Mrs. Mary Gregg Misch, and Mr. William Charles Schubert of Washington, DC. The greatest thanks, however, go to Dr. Theodora Lee Gregg, whose extensive assistance allowed me to finish this research in accelerated fashion.

References


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