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A Gateway to Housing Discrimination: A St. Louis Case Study to Identify Home Loan Denial Rates among Black and White Citizens

Emily Schlichtig

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A St. Louis Case Study to Identify Home Loan Denial Rates among Black and White Citizens

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By

Emily Schlichtig

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Political Science
J. William Fulbright College of Arts and Sciences
University of Arkansas

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Sitting in the middle of Delmar Boulevard in downtown St. Louis, Patricia Dees, and Damon Giboney's dilapidated home needs major repairs such as a new roof, updated plumbing, and electrical work. So, they applied for a loan to work on these issues. At first, it seemed as though Dees and Giboney were going to receive a home loan to make the updates as they were in the stages of filling out final paperwork with a lender. That was until the lender required more information from the couple. The lender was interested in knowing the couple's race and whether they planned to sell the house in the future. It was not until three months later when Dees and Giboney heard back from the lender who informed Giboney that "his credit score had dropped five points and the company would be unable to approve the loan" (Farzan, 2020). Yet, the couple continues to receive fines for code violations that they are unable to fix without a home loan to do so. A home loan that they would have received if the lender was not privy to the couple's race.

This couple's story is not uncommon for blacks across the country. Black families make it to the final steps of a loan process, meaning that their credit history meets the requirements of a lender, only to be denied at the very end after the lender acquires more information about race and intentions to move. This means even without redlining; lenders are still segregating neighborhoods. Lenders are playing too large of a role in deciding where people live. Although loan distributions are race-neutral, Black Americans are disproportionately affected by these policies, therefore making race salient. Specifically, the issue is race neural policy because it has a disparate impact on black homeowners and can illustrate why race is salient in the mortgage loan market.

Introduction

This paper's research question examines how housing discrimination is used as a vehicle to violate the 14th amendment of the United States Constitution. To eliminate barriers based on race within the law, the United States government implemented the 14th amendment. The 14th amendment offers protection to all citizens and guarantees equal protection under the law. Even after the ratification of the 14th amendment, the government has yet to implement legislation that ensures that equal protection under the law is upheld. One of the largest disparities within the 14th amendment is residential housing. One can see this through the 1989 Housing Discrimination Study (HDS), "which found significant levels of discrimination against [citizens] in both rental and owner-occupied markets (Ross and Turner 2005, p. 152). Residential discrimination is relevant due to its ability to limit the black community in job opportunities and access to exceptional school districts as well as its capacity to force black homebuyers to live in high-crime areas. Job opportunities are limited on account of travel expenses, and educational opportunities are limited as a consequence of zip codes. Each one of these ideas is a violation of the 14th amendment. Since these violations occur based on home location, it portrays the perfect example of how housing discrimination is a vehicle used to disrupt the law and order that the 14th amendment is supposed to offer. The purpose of this research is to reveal the way that housing discrimination as a form of de facto segregation perpetuates in the United States.

Overview

There is much literature that attempts to outline the roots of housing discrimination. One common rationale is the idea of white flight. Many researchers pin the issue of residential segregation on white families who moved out of the cities as black families began to move in. Within the same area of research, others go beyond the idea of white flight and rationalize the issue through a sorting lens. These researchers believe that people want to live around their own race. It builds upon the white flight idea because white flight allowed for blacks and whites to be separate and now that the two races are separate, the argument is that they want to remain separate. What makes this reasoning problematic is that there is no justification in the suggestion that whites and blacks prefer to be separate.

Other researchers blame policy as the mechanism that allows for housing discrimination. One specific piece of legislation that is under scrutiny by analysts is the Fair Housing Act, which ultimately intended to curve segregation, but the implementation of the legislation propelled segregation. This paper will give insight into what different researchers observe about this legislation as well as specific court cases that have defined housing issues. Many researchers place the blame of segregation on the legislative and judicial branches of the government.

Another argument found within literature about the reason for housing segregation is income disparities. The belief is that blacks on average make less money than whites and therefore whites are able to afford a different set of properties than blacks. When the income disparities idea is proposed in such a way, it places the blame on the black community rather than obstacles the black community faces when trying to purchase a home in a predominately white area. This argument does not evaluate other types of institutional racism that the black community faces in the education and employment sectors, which misleads readers to believe that blacks have less monetary means due to their own actions. This is a fallacious idea that aims to propel white supremacist ideals.

Finally, the idea that lacks research in specific areas is lending discrepancies in the housing market. Many researchers agree that there is an issue in lending institutions that allows for blacks to be denied loans are a higher rate than whites, but there is little evidence as to why. It is also important to point out that most of the research done in the lending realm is much older than the other arguments outlined above. Within this literature review, there will be some pieces of literature discussed that do include arguments about lending issues.

Movement Trends.

White Flight.

The first focus of literature is on the idea of white flight. Not all literature specifically points out white flight as an issue, but most contain underlying tones that pinpoint white flight as a reason for residential segregation. Some research combines white flight with another argument to illustrate how and why neighborhoods have become segregated. The focus of this section will be on the part of the argument that attempts to place blame on both blacks and whites. This sort of blame argument does not allow room for discussion to take place because it is unambiguous. One researcher whose focus is not on white flight still interestingly included the idea that “the desegregation of city schools accelerated white flight, leading to the all-too-familiar pattern of black cities and white suburbs" (Charles M. Lamb, 2005, p. 28). It is important that Lamb pointed out a root for the white flight as it is uncommon for many to do so. Many claim white flight without a justification and that is seen in many researchers who have focused specifically on the city of St. Louis, which According to Rigel C. Oliveri (2015), scored within the top ten cities with the highest isolation index in 2010 (p. 1053), expressing the deep segregation that is prevalent in the city of St. Louis and gives reason to why many researchers focus on this city. Once white-dominated areas of the city, Ferguson and North City, are now highly concentrated by black homeowners Oliveri (2015) explained, because as blacks began to move into the neighborhoods whites moved further south and west (p. 1067). It is difficult to prove that whites began to move south and west due to the presence of new black owners because one cannot attribute causation to a correlation. While it might correlate that the two happened together it would be hard to prove that the presence of blacks in a neighborhood caused the flight of whites. Oliveri used racial demographic trends that spanned 73 years to see this correlation, which was different from Lamb who did not conduct research on the issue but rather inferred that white flight was an ongoing matter. Different from both Lamb and Oliveri, Alan Mallach tracks changes in many different areas across St. Louis including income changes, population changes and changes in the way homes are occupied. In his study of home occupancy, Mallach found that in the area north of Natural Bridge Road the black population skyrocketed from 43% to 83% (almost doubling) to which Mallach also found that three-quarters of the areas white population left during the same period (2019, p. 1067). It seemed that homeownership rates remained the same in the area, the only change was the color of the skin of the people who were residing in that specific county.

Sorting.

Another movement trend (or lack thereof) is sorting. Thomas Sowell explains that there are many types of sorting, whether it be socially or residentially. Sowell claims that sorting is spontaneous and therefore unsolvable since sorting comes naturally from the brains of human beings (2018, p. 58). Sowell takes a more philosophical approach to explain sorting rather than including research. This is common in this argument because it is difficult for one to conduct hard research on the thoughts of others. To prove his point, W.A.V Clark who studies geography analyzed a previous study by "Schelling (1971) [who] suggested that minor variations in nonrandom preferences (or choices) can lead in the aggregate to distinct patterns of segregation in society" (1991, p. 1). Clark uses Schelling's hypothesis and research to rationalize the idea that black and white neighborhoods are predominately one race or the other because people have a preference to live amongst those most like themselves. This argument is not completely irrational as it could follow that people prefer to live around people who seem the most similar to them. It is however difficult to prove this idea. There is not much research that attempts to gather data about self-sorting. This issue seems to be stuck in the hypothesis stage.

A group of researchers ventured to explain this phenomenon by examining the dissimilarity and isolation indexes. After their data collection, they "ran regressions showing the changing association between region and black segregation, and then decomposed changes in segregation" (John Iceland et al., 2012, p. 118). Ultimately their findings followed that regional differences do matter because places with a larger share of the black population seem to be less segregated than places with a lower share. Without knowing, this group of researchers combated the idea of self-sorting without focusing their argument on it.

Their data collection shows that when there is a high number of blacks in a region, there is a lower presence of segregation because people can live among those who are dissimilar to themselves. With the current presence of segregation, people do not have a choice. The focus of their argument was not on self-sorting although their data collection about the isolation and dissimilarity indexes would explain the sorting phenomenon. Sorting however in itself is a term that is used to hide segregation. Sorting is segregation. Using the term "sorting" rather than "segregation" downplays the issue at hand and is used by people to ignore a racial disparity.

Overall movement trends are important to understand to get on a psychological level of humans. This is important for an argument about segregation because segregation is the isolation of humans. Movement trends, however, are not a complete argument within the domain of explaining housing discrimination as a form of de facto segregation and therefore cannot be the sole focus of research.

Policy

The policies that a government adopts will shape how citizens act and react within a specific country. Policy ultimately should reflect the values that a society holds.

Within multiple pieces of literature, researchers argue about how policy has influenced housing segregation. The focus of this section of the literature review will be on what has been concluded about the role the legislative and judicial branches of government play when it comes to housing segregation within the United States.

Focusing first on the judicial branch, Oliveri (2015) brings to light the case of *Shelley v. Kramer* in which the Supreme Court ultimately overruled the Supreme Court of Missouri and stated that covenants placed on specific neighborhoods within the city of St. Louis barring black citizens to live in them is a violation of the 14th amendment (p. 1058). This was an advancement toward desegregating neighborhoods. Shortly after the decision of *Shelley v. Kramer*, residential segregation became more secretive. Sellers began to simply refuse to sell to black owners. Unbeknownst to a normal citizen, real estate agents began to draw their own neighborhood lines in order to continue the racist trend of segregation.

The legislative side's involvement in residential segregation is much more exhaustive. In 1934, President Roosevelt created the Federal Housing Administration (FHA) to curve the complications that middle-class renters faced when attempting to purchase a home. Distinguished Fellow of the Economic Policy Institution, Richard Rothstein (2017), explains that the FHA insured bank mortgages, but there was a catch, the FHA had to conduct an appraisal of a property in order to deem it insurable. The FHA used its discretionary power to regard racially mixed neighborhoods as uninsurable (p. 65). Fast forward to 1968 when President Johnson passed the Fair Housing Act. Throughout his book titled *Housing Segregation in Suburban American since 1960*, Charles Lamb (2005) explains that the Fair Housing Act was originally intended to curve housing segregation when Johnson passed it but argues that because Nixon came into office so soon after the passage of the legislation, he was the one that was ultimately able to define it. The Fair Housing Act intended to abolish discrimination in any area that concerned selling houses. The Fair Housing Act turned out to be merely for aesthetics rather than aiming to dismantle an institutionally racist practice. This is expressed when Lamb (2005) clarifies that the legislation was supposed to be enforced by the Department of Housing and Urban Development (HUD), who was given no true power over the legislation because the HUD was unable to file lawsuits against parties that violated the Fair Housing Act (p. 22). With no enforcement, the Fair Housing Act was ineffective.

Shelley v. Kramer, the Fair Housing Act, and the creation of the Federal Housing Association are just a few examples that scholars cite when illustrating how policy has shaped housing discrimination within the United States. Policy does play an important role in shaping how housing discrimination is structured, but when studying housing policy through the years, one can see how it does not dismantle housing discrimination but rather shapes what the discrimination looks like. Recent policy has limited individual racism but has yet to hinder systemic racism.

Income

One argument created by scholars attempts to shift the categories in which people are segregated. Rather than defining residential segregation as a race issue, they define it as an income issue. The belief is that neighbors are segregated by income rather than race. What makes this argument easily refutable is the idea that race and income level are highly concentrated within one another due to institutionally racist practices that allow for blacks to be disproportionately a part of the lower-income bracket. So, to say that income is the reason for segregation is to also say that race is the reason for segregation. It is however still important to see what scholars have to say about this topic, so this section will explore literature that explains housing segregation as an income issue.

Ann Owens (2019) makes the simple observation that “income inequality translates to income segregation because it increases the gap in the housing that high- and low-income households can afford” (p. 498). Owens agrees that if all homes within the United States had the same monetary value then housing segregation would be muted. Homes within the United States vary widely in their price point. What one could conjecture from Owens’s argument is that she believes the reason for housing segregation is the fact that neighborhoods are built with homes at the same price point. From another economic standpoint, Richard Rothstein (2017) added that blacks who were able to move into middle-class neighborhoods were wealthier than their white neighbors. This commentary directly refutes Owens’s belief about neighborhoods being separated by income. If wealthy black citizens are living in areas with whites who are comparatively less wealthy, then blacks were unable to achieve the appropriate loan size to reside in a neighborhood that whites who have the same monetary means live in. Owens would argue against this idea and instead take the stance that “research demonstrates that economic resources and constraints shape where households live”

(Owens, 2019, p. 498). Both Owens and Rothstein believe that income plays a role in the housing market, but they have contradicting ideas of whether or not there are any other limitations for households to acquire certain homes.

Ultimately it seems any argument that handles income segregation also touches on the topic of racial segregation. This is an important aspect to understand when researching housing discrimination. It is easy for authors to pass off fallacious arguments that claim race plays no role in residential segregation. In every other section of this paper, one can see a clear trend of how race affects residential segregation.

Lending

Instead of taking a broad approach, some scholars focus narrowly on the issue of housing loan disparities between blacks and whites within the United States. A less recent work, *Racism in the Post-Civil Rights Era*, by Robert C. Smith includes a one-section analysis of housing issues within the United States. Through some research Smith (1995) concluded that "in terms of social class, strikingly the highest-income black applicants have a loan rejection rate that resembles that of a low-income white" (p. 67). When a poor white citizen has the same chance for a home loan as an upper-class black citizen, there is more than only income being examined when determining loan approvals. Race appears to be salient. Some argue that income is only a little part of how lenders determine to distribute loans. When controlling for a large number of variables, a Boston Federal Reserve study indicated that blacks were still more likely to be denied loans than whites (Stuart, 2003, p. 156). While there are obvious marks of discrimination within lending practices, there is no answer as to why or how discrimination is able to occur in this area. Smith (1995) hypothesized that "bankers who are supposed to look at the bottom line nevertheless somehow find it more financially prudent to loan to poor whites rather than middle-class black" (p. 66). Smith's hypothesis would follow the idea that lenders have ingrained biases that compel them to lend to whites over blacks. This, however, has never been proven true and there is not much research to support this idea.

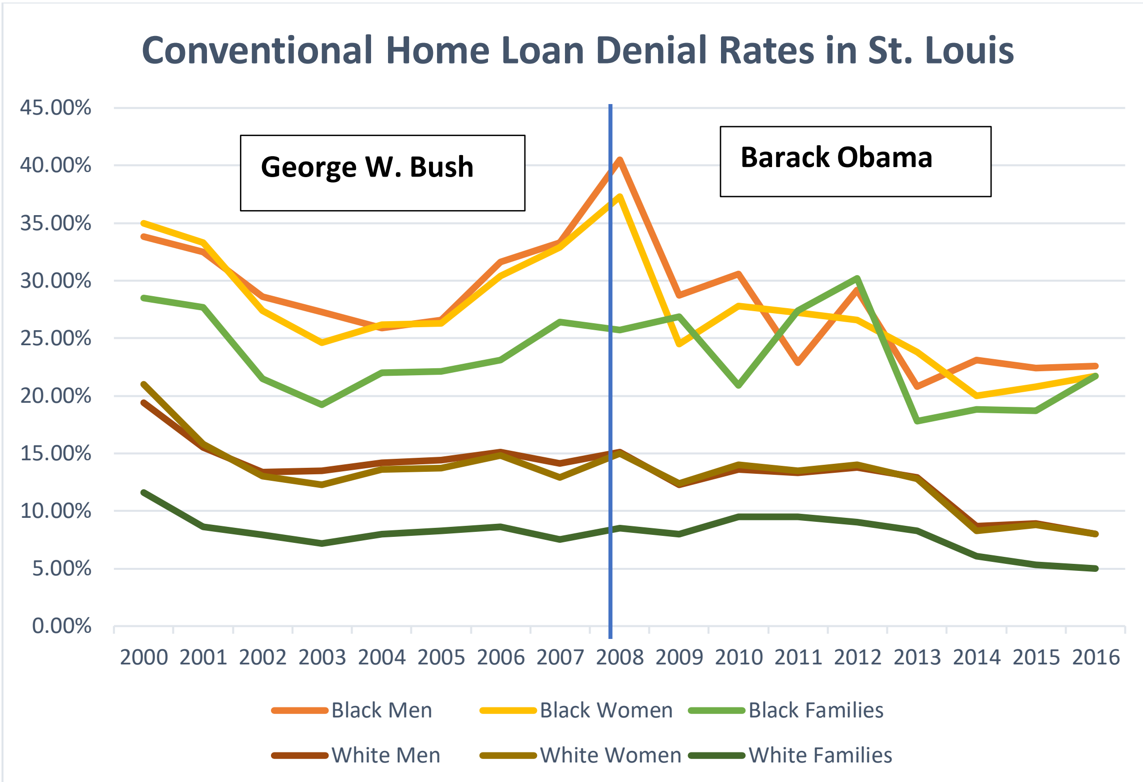
Looking at the years that these sources were written indicates how the values of scholars have changed. The focus is no longer on lending discrepancies, although it should be. There should be more research on current years to see if there has been a shift in loan denial rates by race. Research should also focus on how these disparities can occur. Lending is an important topic to focus on when considering housing discrimination and segregation.

Literature Recapitulation

With current research on policy and lending, one can see current discriminatory practices that are present within the housing market. As for the movement trends and income arguments, it seems that some scholars still expect black citizens to shoulder the burden of segregation. Either way, all scholars agree there is still segregation within the United States. There is no one answer to why segregation occurs. Scholars have not attempted to blend arguments and blur the lines of choice and constraint. There is a need for deeper research into lending practices and how they are discriminatory. Policy could be blended with lending disparities because policy has to the power to add more control to lending practices. My research will focus on recent loan denial rates by examining rates in the city of St. Louis using the Home Mortgage Disclosure Act, which forces all data surrounding loans to be released. With this, the hypothesis will be that there are still large disparities between black and white loan denial rates due to the lack of policy and regulations surrounding lending practices.

Data Analysis

To further examine the home loan denial rates among races, I have gathered data specifically on the city of St. Louis and synthesized it into a chart to easily examine and scrutinize the current system. To make this chart, I used data collected from the Federal Financial Institutions Examination Council's (FFIEC) website. I examined the data by looking at each time an application was submitted for a conventional home loan, and then I looked to see whether the application was approved or denied. After that, I evaluated whether it was a black male, black female, black family, white male, white female, or white family applying for the loan. In the end, I was able to convert how many people were denied a loan based on their subcategory of being a black male, black female, black family, white male, white female, or white family and turn it into a percentage. I did this each year from 2000 to 2016 as this is currently the only data available. The limitation of only having 17 years of data limits my study to the two presidential terms of George W. Bush and Barack Obama.



Pre-2000 Era.

To understand the data above, one must have the historical context of black citizens' introduction into the housing market. After receiving freedom from slavery, blacks were able to own land, or so they thought. Having the opportunity to own land and having ownership of land are very different from each other. To have an opportunity means one could still be denied whatever it is they have the freedom to do. To have ownership of an object means one already possesses that object. So, when the government allowed blacks to own land, it was a scheme to over portray pseudo equality within the housing market. This led the way for cities to follow the same model. The question remains of how those cities were able to maintain the model.

Throughout the timeline that will be explored, there were many new policies put in place. The start was with the Housing Act of 1937. There were many new investments into public housing within city areas specifically, it offered a place for more affordable access to housing. So, cities offered those in the low-income bracket a suitable living situation. During the same time, Black Americans found it difficult to be approved for a home loan, because lenders would focus on white applicants. This meant that blacks did not have access to the largest determinate of wealth, a home. This created a cycle in which, if a black citizen was not able to have access to homeownership, then in return that same person would have a lower wealth status and since that person was of lower wealth status, they would be less likely to be approved for a loan. To deeper explain this idea, researchers believe "because initial wealth levels affect whether individuals become homeowners in the first place, it is difficult to separate the variables' casual roles on each other" (Charles & Hurst, 2002). Thus, this period started the vicious cycle that keeps black citizens on average in a lower income bracket than their white counterparts and bars blacks from an opportunity to obtain the largest determinate of wealth.

Sub-Prime Mortgages.

The decline from 2000 to 2001 can be explained through the idea of subprime mortgages. Subprime mortgages are meant to be offered to citizens who have a low or damaged credit score. An example of a subprime mortgage is an adjustable-rate mortgage (ARM). At first, ARMs seem unproblematic but, they "feature an introductory or 'teaser' period of low interest rates for two or three years at their outset, and then reset to much higher rates" (Langley, 2009). These high rates make it almost impossible for the person to continue paying off the loan because the reason they needed the loan with a low-interest rate in the first place was due to insufficient access to funds. When it comes to subprime loans, the color of one's skin plays a role because "financial institutions that historically had redlined communities of color to deny them capital suddenly targeted them for subprime lending" (Rugh et al, 2015). Residential segregation made it easy for lenders to market their loans to marginalized clients (Rugh et al, 2010) because they were already condensed into one area after being denied loans in white-dominated areas at a high rate. Subprime loans were targeted at lower-income families as bait to reel them into signing a loan agreement. Predatory lenders purposefully used complicated language to confuse those who were desperate for any type of loan, which would trick those in a lower income bracket into signing a loan that had the potential to increase a large amount in the future. Black citizens make up a disproportionately high amount of the lower-income bracket because of their lack of access to home loans. So, since black citizens were both congregated in one area and disproportionately part of the lower-income bracket, they made up the greatest number of subprime loan clients. In fact, "subprime lending accounted for 43% of the increase in black homeownership during the 1990s and 33% of the growth in ownership within minority neighborhoods" (Rugh et al, 2010).

To put the figure in context with these findings, the reason that there was a decline across the board for blacks being denied home loans in the early 2000s in St. Louis was because of their access to subprime mortgages. As the rate increase on ARM loans, borrowers were unable to pay back the loans. Since blacks made up the bulk amount of ARM borrowers, lenders were able to create a false narrative that blacks are risky loan candidates. So, when the housing crisis hit in 2007, lenders denied blacks loans at an extremely high rate. The figure shows the scale of the effect on black citizens compared to white citizens. Black men and women went from being denied loans at a 25% rate in 2005 to 35% (women) and 40% (men) in 2008. Whereas white men and women remained at a constant 15% denial rate in 2005 and 2008, even seeing a 3% drop in 2007. The housing crisis of 2008 was only a crisis for blacks.

Post-2007 Era.

Since the housing crisis, there is a lack of literature that discusses residential segregation and home loan acceptance rate disparities between black and white citizens. One hypothesis for the lack of this literature could be a shifted focus toward housing in general rather than looking at it as a racial issue. Many still remember the harsh effects of the housing crisis as having a large effect on the general population. Since this is the narrative that many still cling to, those doing research also focus on the effects of the population. The research contained within this paper and the figure above combats the typical narrative and instead illustrates how the black community in St. Louis was excessively overwhelmed by the housing crisis.

The main factor holding back black citizens in 2007 and on from rebuilding their wealth was the unequal opportunities offered to citizens to do the rebuilding (Sharps & Rasch, 2015). Once the market began to rebound in the slightest, the home values for white citizens began to level out at a loss of zero, meaning their home value stayed the same after about a year. For blacks, there was a decline of 40% (Sharps & Rasch, 2015). So, blacks lost almost half of the largest investment they held during the housing crisis. One can see in the figure that since the time of the crisis, whites have seen a continual downfall in the percentage of being denied a mortgage loan. Black citizens are not as lucky and have seen increases and decreases in home loan denial rates since 2007. The rollercoaster style of denial rates makes it hard for blacks to have stability in their ability to receive a mortgage loan.

To reduce the effects the housing crisis holds on black citizens, new President Barack Obama came into office with sights set on the housing market. One can see in the figure that Obama was successful in reducing the number of black citizens being denied a loan from 2008 through 2011. In 2012, the uptick in blacks being denied was due to republicans taking control of the House of Representatives making it hard for Obama to push through housing-specific legislation. There was one housing idea that Obama was relentless in passing, which was the "Affirmatively Furthering Fair Housing" (AFFH) addendum. This was a revision to the previous Housing Act brought about in 1986 by Lyndon B. Johnson. AFFH required the Department of Housing and Urban Development (HUD) to go beyond just limiting segregation. AFFH meant the HUD had to actively overcome segregation and foster inclusive communities. This specific addendum aimed to "proactively promote an integrated or inclusive community" (Davis & Appelbaum, 2015) by adding lower-income housing to existing neighborhoods within suburbs. Not only would this create an opportunity for blacks to receive home loans with less of a burden outside of the city, but it also meant that home prices overall would decrease in the market. This would create economic efficiency by allowing citizens to invest in homes at a decreased rate.

The AFFH however did not make race specificity a priority. The lack of race-specific policy has been an issue since the creation of the Constitution as “racial issues were to be excluded from interparty politics” because racial issues are “too ideologically disruptive to conform to the developing two-party system” (Morris & Davis, 2006). This idea created the color-blind society or the idea that we do not acknowledge race. Without the acknowledgment of race, there is no recognition of the disparate impact that marginalized citizens face within the United States. The color-blind society has seeped into legislation, which has focused on making sure the law applies to all people in the same manner instead of focusing on the specificity for all races. Equity is achieved through race specificity, understanding the needs of certain groups of people, and then meeting those needs. Also, leaving ambiguous lines within legislation has left “real implementation and real value-choices to the private sectors” (Morris & Davis, 2006). Specifically, in lending, the private sector has taken it upon itself to segregate neighborhoods, thus redistributing wealth and power.

The AFFH and its effects remained only in the Obama administration because when Donald Trump took office in 2016, there was no longer an oversight ensuring the HUD would follow through with the AFFH. Early in his term, Trump released a tweet ensuring those in suburban areas that he would rescind the Obama AFFH rule and guarantee residents their home prices would increase, and crime rates would decrease (“In play for suburban”, 2020). The tweet created a false narrative that by generating affordable housing in neighborhoods the new housing would decrease the prices of all homes within the neighborhood and attributed the idea that low-income housing also brings with it increased crime. Both of which are overreaching claims that one uses to disseminate fear. So, the rate that blacks were denied a loan right before the housing crisis in 2006 is the same rate at which blacks are denied a loan in present times. Whites have seen a significant decrease in their loan denial rate from 2008 to 2016. To create equity within the mortgage loan market there must be more oversight of the mortgage lending industry and long-lasting policy that cannot be overlooked depending on the presidential administration.

Hypothesis for the Current State.

With available data ending in 2016, one can only hypothesis the effects since then. In 2016 conservative President, Donald Trump took office. After taking office, Trump excitedly tweeted that he "rescinded the Obama-Biden AFFH." When repealed by Trump, it would make sense that segregation would continue and that mortgage loan denial rates for blacks would increase. Through the repeal, Trump signaled to lenders that blacks are riskier citizens to lend to. So, from the beginning of Trump's term through 2019 it could be hypothesized that the gap of loan denial rates increased. The year 2020 has the potential to look different due to the COVID-19 virus. COVID-19 had an immense impact on the economy forcing those in power to have a harsher oversight than before. Unsure of the future, lenders encouraged citizens to continue investment and apply for loans. With fewer applications, lenders were forced to accept more people that would often get denied pre-pandemic. COVID-19 most likely had a positive impact on integration within the housing market. With lenders now more often approving blacks for home loans, it would make sense that the trend would continue. Lenders would have seen a positive impact of lending to black citizens and then would continue to do so. Once more data is available, one would be able to continue the analysis and evaluate whether these hypotheses follow or not.

Data Conclusion

Currently, the 14^{th} amendment is not being fully utilized and black citizens are still facing unequal treatment within the United States, specifically in the mortgage loan market. While white flight and sorting are reasonable ideas for why communities are still segregated, mortgage loan denial rates best explain the reason for this segregation. White flight and sorting arguments simply place blame solely on citizens, whereas the argument for mortgage loan rates as a vehicle to disrupt the 14^{th} amendment places the blame on both citizens and governmental institutions. St. Louis was examined to see the extent to which mortgage loan denial rates vary among races. Through the St. Louis study, one can see that there is a gap between how often blacks get denied a loan comparatively to whites. This gap became wider during the Bush administration and then declined during the Obama administration, demonstrating the effect that a presidential administration can have on the mortgage loan market. Overall, this paper accomplishes explaining how housing discrimination as a form of de facto segregation perpetuates in the United States.

The findings in this paper conveyed the discrepancies in lending. For example, take the last year of available data, blacks were denied a loan at a 23 percent rate, whereas whites were denied a loan at a seven percent rate in 2016. As time passes, it would make sense that the gap between loan denial rates would decrease but this is not the case. For the people of St. Louis, this means that citizens only have the ability to live amongst people who are most like themselves. Since blacks are unable to move into the suburbs due to loan denial rates and there are no incentives for whites to move to the cities, everyone is stuck in their current residential area. The issue with people living amongst those who are most like themselves is the ability for non-race-based discrimination to occur that is based on race. Take education, for example, there is a major difference between the qualifications of a city educator and a suburban educator. With city educators being less qualified, black students' education is disproportionately affected. States will be able to claim that the placement of teachers and funds are based on area rather than race. Since race and area are highly correlated, as shown in this study, the placements are truthfully based on race. Not only that but studies have shown that "lower-income children have much better prospects if they live in diverse neighborhoods" (Davis & Appelbaum, 2015). If diversified neighborhoods offer better prospects, then it should incentivize those in power to ensure that areas are desegregated.

Another issue with people only living amongst those who are most like themself is the lack of empathy that can be built for those dissimilar to themselves. When people are in proximity to someone, they can connect with them and have empathy for the issues that they face. With the occurrence of segregation, people are only empathetic to those who are like themselves. The lack of empathy for those dissimilar to us is disadvantageous to the struggle for equity within the United States. Having the opportunity to be exposed more often to those dissimilar to oneself would only increase someone's worldview, which would be a positive payoff.

Conclusion

With a large disparity still present within the home loan market, the citizens of the United States must push for more regulation in the market. Since race is currently a salient issue in mortgage loans, race-specific policy outlining the importance of lending to black citizens and incentivizing lenders to do so would allow for there to be a shift toward desegregation. After the implementation of such legislation, it would be beneficial to take inventory again of where certain groups of people are living. If there are more blacks in the suburbs and more whites in the cityscape, then the hypothesis of this paper would fit and convey how race has continued to be a salient issue in lending instead of race-neutral. Through this type of segregation who has the power has been determined. Power is education, employment opportunities, and access to wealth, which are all limited by where one lives. White citizens, therefore, have more power than black citizens on account of their educational opportunities and in turn job access. When citizens, like lenders, can determine the powerholders within the country, there is an issue with the system. With a push for tighter regulations on lenders, the country would see a shift toward equal power opportunities. So now, the burden of bringing change is on the readers of this paper, to push legislators to create new regulations within the home loan market.

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