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Detrimental Influences: Chicago and the Home Owners' Loan Corporation, 1933-1940

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INTRODUCTION

Millions of American homeowners faced the threat of foreclosure during the Great Depression because they could not maintain their mortgage payments. In response, President Franklin Roosevelt Administration's pushed Congress to create the Home Owners' Loan Corporation in 1933. From 1933 to 1936, the HOLC purchased more than a million mortgages from private financiers using government bonds and restructured the loans for borrowers, rescuing the mortgage lending industry from complete economic collapse and providing about a million homeowners and their families with much improved mortgage terms. From 1936 to 1940, HOLC agents produced neighborhood security maps and surveys, assigning urban areas letter grades A to D based on their perceived home financing investment risk, usually penalizing communities of color and rewarding White sections committed to racial segregation. Given that much of the HOLC's decision-making took place at local offices rather than the national headquarters in Washington, D.C., operations varied a great deal from city to city and state to state. Studying the actions, influences, and impact of the Illinois state headquarters in Chicago reveals the local and largely hidden workings of the New Deal. Furthermore, analyzing the racial prejudices and inequities built into the Chicago HOLC's appraisal systems illuminates the roots of housing segregation in America today.

This dissertation answers two broad questions: how did the Home Owners' Loan Corporation operate in Chicago and how did it influence racial residential segregation? The first two chapters chronicle the lending phase of the Chicago HOLC and consider Chicagoans' relationship with the agency. In doing so, they add to the literature on Depression-Era Chicago and the operations of New Deal programs in the city. While the Chicago HOLC succeeded in providing relief to thousands of Chicagoans who would have otherwise lost their homes, this history also reveals cautionary tales for policymakers who would seek to avoid replicating the HOLC's many mistakes. The final three chapters turn to the question of the HOLC's policies and impacts regarding race, ethnicity, and redlining (refusing to make or insure loans in poor or minority-occupied areas) in Chicago. They build on a growing literature implicating the federal government and private capital in encouraging segregation in the name of defending White property values while discouraging financing in neighborhoods of color by defining Blacks, Jews, and other "undesirable populations" as "detrimental influences." As this dissertation demonstrates, the real detrimental influences laid in the Chicago HOLC itself. Corrupt machine politicians nearly destroyed the program through nepotism, incompetence, and graft. Narrow eligibility policies limited the HOLC's ability to help some of the most vulnerable Chicagoans avoid homelessness. Finally, institutionally-sanctioned racist appraisal policies influenced private lenders and federal agencies like the Federal Housing Administration, although in a somewhat less direct manner than historians have believed. The HOLC's detrimental influences helped aggravate, expand, and institutionalize the racial segregation and wealth inequality that marked Chicago for the rest of the twentieth century.[1]

[1] I choose to follow the American Psychological Association style and capitalize 'Black' when referring to African Americans and 'White' when referring to Americans of European descent. Black people have formed a rich, strong ethnic identity in the United States despite having much of their African heritage stolen from them, and capitalizing 'Black' as we capitalize other ethnic identities reflects that. Whites often erased or suppressed their particular ethnic distinctions upon immigrating to the United States, and so have formed their own racial identify. Although Whiteness often appears normative due to its outsized cultural and political influence, it is neither the default culture nor quintessentially American, and thus should receive the capitalization treatment that places it on the same level of analysis as other ethnic identities. For a fuller explanation of this style choice, see Kwame Anthony Appiah, "The

Chapter 1 describes the origin of the Home Owners' Loan Corporation at the federal level before chronicling the tempestuous lending period from 1933 to 1936 at the Illinois state HOLC headquarters in Chicago. Most of this information originates from the *Chicago Tribune*, the Records of the Federal Home Loan Bank Board at the National Archives in College Park, Maryland, and the John H. Fahey Papers archived at the Franklin Roosevelt Presidential Museum and Library in Hyde Park, New York. President Roosevelt urged Congress to create the HOLC in 1933 to help homeowners threatened with foreclosure by using government bonds to buy up "underwater" mortgages and restructure them with longer terms and lower interest. The overwhelming rush of applicants the day the Chicago office opened demonstrated the depth of need in the city and its suburbs.

The Nash-Kelly Democratic political machine in Chicago, however, appointed unqualified and unscrupulous officers to lead and staff the Chicago HOLC office on LaSalle Street. This incompetent crew left thousands of applications stuck in processing while their friends profited off of nepotism, favoritism, and graft for nearly six months. Citizen complaints to the national HOLC headquarters in Washington, D.C., led to internal investigations, and the federal leadership eventually replaced the state manager and more than a hundred staff members, reformed the office, and issued more than seventy thousand loans to Illinois homeowners. These events demonstrate the importance of careful federal and civilian oversight over state and local bureaucracies. That said, the overall success of the program reveals that government intervention in home financing during times of economic crisis can provide a profound measure of relief at

Case for Capitalizing the *B* in Black," *The Atlantic*, June 18, 2020, https://www.theatlantic.com/ideas/archive/2020/06/time-to-capitalize-blackand-white/613159/, accessed June 13, 2022.

remarkably low cost to the taxpayer. Having received relief loans on reasonable terms, the vast majority of Illinoisians of all classes and ethnicities paid off their loans when they could.[2]

Chapter 2 analyzes letters to President Franklin Roosevelt from desperate Chicagoans seeking help related to the HOLC. Most sought for the administration to reverse the Chicago HOLC's decision to deny them a loan. Others asked Roosevelt to intervene for them against the agency when it threatened to foreclose on them. (The HOLC – despite its better-than-average term lengths and interest rates – still foreclosed on tens of thousands of borrowers who could not keep up with the new payments; many of those borrowers hoped the president could intervene on their behalf.) These letters reside in the records of the Federal Home Loan Bank Board (FHLBB) – the agency that oversaw the HOLC – at the National Archives in College Park, Maryland. The collection contains thousands of letters from all over the country, correspondence which has gone underutilized in histories of the HOLC; a rich record remains for researchers interested in more regional or urban case studies. This correspondence provides an unparalleled view into the public opinions of Chicagoans towards President Roosevelt and the New Deal generally and the HOLC specifically. Moreover, the letters offer a rich, often tragic record of life across Chicago and its suburbs during the Depression; the hopes and fears of average Americans leap off the worn pages. Furthermore, the collection often includes the administration's replies to the letters, both offers of assistance and – much more often – rejections of their plea. While the agency helped tens of thousands of Chicagoans, thousands also fell through the cracks, particularly undocumented immigrants, military veterans, widows, and the disabled.

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[2] *"Final Report to the Congress of the United States Relating to the Home Owners' Loan Corporation," (Home Loan Bank Board: Washington, D.C., 1952), Schedule 7.*

Chapter 3 lays the foundation for the rest of the dissertation by analyzing White attitudes towards racial segregation in the 1920s and 1930s which would have influenced the Chicago HOLC and indeed the organization as a whole. Analysis of the *Chicago Daily News*' reporting on the 1919 Race Riot shows a broad willingness on the part of Chicagoans to at least consider government-enforced racial zoning as a solution to racial tensions. Influential sociologists at the University of Chicago, including such scholars as Robert Park, Ernest Burgess, and Harvey Zorbaugh, regarded racial segregation as a natural result of urban and cultural evolution rather than a harm primarily caused by White prejudice or economic exploitation. Similarly, the nascent profession of real estate economics, pioneered by Richard Ely at Northwestern University, insisted that racial integration would harm property values and recommended that property owners use racially-restrictive covenants to keep their neighborhoods White. In 1929, journalist Zita Louise Baker, investigating for the *Chicago Defender*, found that major White-owned banks, real estate offices, and hotels in Chicago discriminated against Black customers. In the late 1930s, HOLC field agents and analysts who prepared the corporation's neighborhood security maps and surveys interviewed many such mortgage bankers who candidly shared their prejudicial attitudes and policies towards Blacks, Jews, and other European immigrant groups. Combined, these sources demonstrate that the Chicago real estate industry was both primed for and influential in creating the segregationist federal policies that originated with the New Deal.

Chapter 4 analyzes how the HOLC embedded pro-segregation views into its now-infamous redlining maps and area descriptions of Chicago. Field agents divided the city and its suburbs into areas that it assigned investment risk ratings – A for excellent risk, B for good risk, C for poor risk, and D for areas with a hazardous level of risk that the government encouraged mainstream lenders to avoid. While non-race-based negatives – such as proximity to industry or a lack of paved roads – did influence the neighborhood security risk ratings, race and ethnicity often proved the most determinative factors. Many communities with highly favorable features – such as access to schools, transportation, and utilities – received C or D ratings solely based on the presence of a Black or Jewish residents. Field agents also expressed considerable bigotry towards Chicago's Italian community while generally regarding Northern European immigrants from Germany or Scandinavia as desirable populations. Surveyors made a few rating exceptions here and there – such as if a Black family had lived in a White area a long time without other Blacks following or if the Jews in a neighborhood were wealthy and culturally assimilated – but overall the Chicago HOLC drew the color line very strictly. Several entirely-White neighborhoods near the Black Belt received poor ratings merely due to the risk of Black "encroachment." The maps also usually favored areas protected from racial integration by racially restrictive covenants – private agreements between homeowners not to rent or sell to certain minorities that the court system could enforce. The Chicago HOLC did not – so far as the records show – share these maps or surveys with the wider population, but it did produce the *Metropolitan Chicago* report which featured many of the same prejudicial attitudes regarding race and ethnicity – fatalistically portraying integration as harmful yet inevitable – and the agency distributed this report fairly widely to both private and governmental actors. If other HOLC branches similarly shared such reports in their localities, it would confirm the influence of the HOLC on twentieth-century American racial segregation.

Chapter 5 puts several of these themes together to investigate the attempt by Whites in one South Side Chicago neighborhood, Woodlawn, to keep their area segregated in the face of

Black Chicagoans trying to escape the overcrowded slums nearby. The Woodlawn Property Owners' Association campaigned (fraudulently, as it turned out, due to ineligible and insufficient signatures) to create one of Chicago's first racially-restrictive covenants in 1928, targeting Blacks but not Jews (the latter having already established a sizeable presence in the community). As the Depression created vacancies in apartments and homes, however, some desperate property owners began to violate the agreement, selling or renting to middle-class Blacks willing to pay well to leave the Black Belt. When the association's leaders moved too slowly to prosecute violations, salesman and retired policeman James J. Burke orchestrated a takeover of the organization, gaining the aid of the Chicago School Board, local real estate professionals, the community newspaper *The Woodlawn Booster*, and the University of Chicago administration in fostering White solidarity against integration and securing funding to prosecute covenant violators and evict Black families. The Home Owners' Loan Corporation tacitly approved of these actions, and even developed a neighborhood conservation plan for community improvements once segregation was assured. However, Black civil rights activists Henry Pace and Carl Hansberry challenged the covenant's validity, leading to the Supreme Court decision *Hansberry v. Lee* (1940) that empowered opponents of segregation nationwide to challenge fraudulent covenants. With their orchestrated campaign to keep Blacks out defeated, most Woodlawn Whites left the neighborhood and the HOLC abandoned its conservation plan. As Blacks moved in, they faced a hostile home financing market, and Woodlawn, rather than providing an escape from the segregated ghetto, became an extension of the underserved Black Belt.

The scholarly literature on the HOLC generally portrays the agency as both a policy success for rescuing and reforming the nation's home finance industry and as a force for segregation and wealth inequality due to its racist neighborhood surveys and redlining maps. Since the 1980s, however, scholars have debated the extent to which the HOLC's neighborhood ratings contributed to – or even precipitated – the government's decades-long commitment to protecting White property values at the expense of minorities through Federal Housing Administration policies. These debates have hinged around the question of how much the HOLC did or did not share its neighborhood security surveys and maps with private lenders or the FHA. More recent scholarship – including this dissertation – finds the question of map-sharing less definitive in terms of determining the HOLC's level of complicity in American metropolitan segregation, as the government openly shared – and encouraged banks and realtors to use – the HOLC's prejudiced appraisal methodologies and lending principles.

C. Lowell Harriss, a HOLC employee who later taught economics at Columbia University, published a very positive record of the agency when it closed its doors in 1951. He portrayed the HOLC as a bold success that helped about 800,000 Americans keep their homes. Harriss emphasized the design and implementation of the program, never discussing the HOLC's residential security maps or city surveys and focusing exclusively on the lending program. (The HOLC made its loans between 1933 and 1936, while the neighborhood survey program took place from 1936 to 1940.) Harriss never considers whether the HOLC's appraisal policies discriminated based on race. Essentially, Harriss' work represents less a critical evaluation of the program and more a triumphant summary to cap off the program's successful conclusion.[3]

Urban scholars over the next few decades reported on the governments support for racial segregation, but they primarily focused on the FHA, not the HOLC. In *Forbidden Neighbors* (1955), urbanist Charles Abrams argues that the government's actions contradicted the liberal international image America tried to project in the twentieth century. "In the very years we were signing our treaties and our declarations of nondiscrimination, the FHA was deploring the presence of "unharmonious racial groups" and even proscribing the form of racial covenants to keep such groups in their place." Abrams criticizes the HOLC for maintaining existing segregation in how it sold homes acquired through foreclosure – roughly 200,000 – but condemned the FHA even more for encouraging discrimination and segregation in new developments and even in previously integrated areas.[4]

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[3] C. Lowell Harriss, *History and Policies of the Home Owners' Loan Corporation* (Washington: Bureau of Economic Research, 1951), 1, 4, 6, 41, 43, 49-63. Price V. Fishback, Alfonso Flores-Lagunes, William C. Horrace, Shawn Kantor, and Jaret Treber, "The Influence of the Home Owners' Loan Corporation on Housing Markets During the 1930s," *The Review of Financial Studies* 24, no. 6 (2011): 1789.

[4] Charles Abrams, *Forbidden Neighbors: a Study of Prejudice in Housing* (New York: Harper & Brothers, 1955), quote from 8-9, 234; Abrams comments contrasting the assimilation of European White immigrants and exclusion of non-White immigrants were validated by Thomas Lee Philpott. Aided by progressives in the settlement house movement, European immigrants melted into the broader American Whiteness within a generation or two. Public and private forces, meanwhile, blocked Black mobility from the perimeter of the ghetto while uplift-minded reformers hoped their work in the Black community would dissuade the residents from leaving. Immigrant enclaves featured many different ethnicities, with few ever forming significant majorities even in neighborhoods named for their group. By contrast, 90 percent of Black Chicagoans lived in areas more than 80 percent Black. Philpott concludes that the Black Belt was Chicago's only real ghetto. Middle-class Blacks tried to escape the crowded ghetto by making above-market offers on properties outside the periphery. If they succeeded in moving in, however, local Whites left, often encouraged by property owners and landlords who saw the potential for greater profits by selling or renting to Black customers. As new Black families moved in, they often had to take on too many renters to help them make the high rents or loan payments, and soon the formerly-White area fell into the same crowding and disrepair as the older parts of the ghetto. While this ensured generational suffering for Black residents, property owners (mostly Whites) profited greatly. See Thomas Lee Philpott, *The Slum and the Ghetto: Neighborhood Deterioration and Middle-Class Reform, Chicago, 1880-1930* (New York: Oxford University Press, 1978), xvi, 141, 149. See also Thomas Guglielmo, *White on Arrival: Italians, Race, Color and Power in Chicago, 1890-1945* (Oxford: Oxford University Press, 1970).

Historians overlooked the HOLC's impact on racial segregation until 1980 when Kenneth Jackson reintroduced the academic community to the agency's redlining maps in a *Journal of Urban History* article, later expanding on this topic in his highly influential work on the government's support for suburbanization, *Crabgrass Frontier* (1985). Jackson agrees with Harriss that the HOLC positively revolutionized mortgage lending in America by standardizing the long-term, low-interest loan. He also found in case studies of St. Louis, Missouri, and Newark, New Jersey, that the HOLC did provide loans for Black homeowners during its lending phase. However, Jackson also reflects on the HOLC's race- and ethnicity-obsessed neighborhood surveys. While realtors had long considered such factors when making appraisals, Jackson argued that the HOLC codified, standardized, and nationalized what had once been private, fluid, and local practices. HOLC agents considered the racial makeup of a neighborhood of equal or greater importance than building conditions or access to amenities. The insidious axiom that Black residents drive down property values - previously preached by real estate economists - became federal policy on a national scale beginning with the HOLC.[5]

Jackson strongly influenced urban American historians for the next few decades, including Arnold Hirsch, who wrote about the government's support for segregation in Chicago. Hirsch divides the creation of America's urban ghettos into phases. The first phase, roughly from 1880 to 1930, coincided with the first wave of the Great Migration when Chicago's Black population jumped from 14,000 to 234,000. Middle-class Blacks tried, repeatedly, to purchase homes outside the ghetto, yet found themselves continuously rebuffed by explicitly racist

[5] Kenneth Jackson, "Race, Ethnicity, and Real Estate Appraisal: The Home Owners Loan Corporation and the Federal Housing Administration," *Journal of Urban History*, Vol. 6, No. 4 (August 1980), 422-423; Kenneth Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York: Oxford University Press, 1985).

restrictions and White violence. In 1917, the Chicago Real Estate Board advised its members to limit Black sales to areas in and around the Black Belt, and in 1924 the National Association of Real Estate Boards (NAREB), also based in Chicago, amended their code of ethics to bar realtors from introducing "members of any race or nationality" into a neighborhood in a manner that could harm property values. Hirsch argues that a second – and much larger – phase of the ghetto began around 1930 as the federal government and New Deal agencies – advised by NAREB – embraced the use of racially-restrictive covenants and redlining maps. Hirsch accepts Jackson's claim that the HOLC directly influenced the FHA. "In adopting systematic methods of appraisal from the Home Owners' Loan Corporation," he concludes, "FHA consistently rendered the most favorable judgements on newer, affluent fringe areas or suburbs, whereas black occupancy – by itself, without regard for any other factors – guaranteed any neighborhood the lowest possible rating."[6]

Sociologists Douglas Massey and Nancy Denton used Jackson's analysis to create their own summary of the HOLC in their influential work on segregation in 1993, writing that the HOLC "initiated and institutionalized" federal redlining in the United States with its neighborhood rating system, claiming incorrectly that C- and D-rated neighborhoods "virtually never received HOLC loans." (Later research has shown that the FHA began redlining before the HOLC, and Jackson had already found that the HOLC freely made loans to Black borrowers if they met the program requirements.) Massey and Denton further asserted, again following

[6] Arnold Hirsch, "With or Without Jim Crow: Black Residential Segregation in the United States," in *Urban Policy in Twentieth-Century America*, edited by Arnold Hirsch and Raymond Mohl (New Brunswick: Rutgers University Press, 1993), 65-99, quote from page 86; see also Arnold Hirsch, *Making the Second Ghetto: Race and Housing in Chicago, 1940-1960* (Chicago: University of Chicago Press, 1983).

Jackson, that private banks used the HOLC's system as its maps were "widely circulated," another claim now deeply disputed. Thomas Sugrue similarly connected the HOLC redlining maps with later FHA financing decisions in his analysis of segregation in Detroit, noting that areas with any Black occupants received D ratings while surveyors rewarded White neighborhoods with racially restrictive covenants. Jackson's claims of HOLC responsibility for urban segregation have also shaped journalists' reporting, as seen in Ta-Nehisi Coates' influential *Atlantic* article, "The Case for Reparations":

> It was the Home Owners' Loan Corporation, not a private trade association, that pioneered the practice of redlining, selectively granting loans and insisting that any property it insured was covered by a restrictive covenant – a clause in the deed forbidding the sale of the property to anyone other than whites.

Coates' powerful article introduced many Americans to the New Deal's role in exacerbating, nationalizing, and perpetuating urban racial segregation, but it also repeated some of the oversimplifications scholars had taken from Jackson's work.[7]

Historians began to conduct more city-level analyses of the HOLC in the early 2000s. Some began to question the extent to which the blatantly prejudicial HOLC surveys actually impacted government or private lending decisions. Historian Amy Hillier examined HOLC loaning practices in Philadelphia, noting that the residential security maps could not have influenced the loan application process as the agency did not produce the neighborhood security maps or surveys until after it finished distributing loans in 1936. Hillier confirmed that the

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[7] Douglas Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (New York: Harvard University Press, 1993), 51-52. They used Jackson's *Crabgrass Frontier* (1985) as their only source for this section; Thomas Sugrue, *Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton University Press, 1996), 44; see also Thomas Sugrue, *Sweet Land of Liberty: the forgotten Struggle for Civil Right in the North* (New York: Random House, 2008), 204; quote from Ta-Nehisi Coates, "The Case for Reparations," *The Atlantic* (June 2014).

HOLC held the color line with properties acquired in foreclosure, refusing to sell homes in White areas to Black applicants. She notes that HOLC policy did not require this, but "the agency relied on local brokers to sell off their properties, and these brokers, in turn, followed local practices in their work for HOLC." However, she considers the corporation's acceptance of this "an endorsement of segregation and racial discrimination." In her analysis of Philadelphia's HOLC maps, Hillier concludes that, although large all-White areas often received a D rating based on non-racial criteria such as age and quality of houses, distance from amenities, or proximity to industry, appraisers redlined all Black areas regardless of the presence of other positive factors.[8]

Urban sociologists Kristen Crossney and David Bartelt shared some of Hillier's views of the limited impact of the HOLC's surveys in their study of the agency in Philadelphia and Pittsburgh in 2005. They similarly emphasize that scholars must separate the HOLC's lending policies and its later neighborhood surveys, as the HOLC initially aimed to restructure the mortgage market, not appraisal practices. Crossney and Bartelt reference contemporary sources which suggest the HOLC and the FHA did not interact very much and that the residential security maps may not have actually influenced private lenders or the FHA as much as Jackson proposed. However, Crossney and Bartelt stress that HOLC lending, appraisal, and influence varied widely across regions and cities, and therefore historians need more case studies to fully assess the impact of the HOLC on racial residential segregation.[9]

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[8] Amy E. Hillier, "Who Received Loans? Home Owners' Loan Corporation Lending and Discrimination in Philadelphia in the 1930s," *Journal of Planning History*, Vol. 2, No. 1, (2003), 13; Amy E. Hillier, "Residential Security Maps and Neighborhood Appraisals: The Home Owners' Loan Corporation and the Case of Philadelphia." *Social Science History* 29, no. 2 (2005): 207-33.

[9] Kristen B. Crossney and David W. Bartelt, "The Legacy of the Home Owners' Loan Corporation," *Housing Policy Debate*, 2005 16 (3-4): 547-574.

Historian Louis Lee Woods studied reports and publications from the Federal Home Loan Bank Board, the agency overseeing the HOLC, and found that the agency promoted racial discrimination in mortgage lending not so much directly through its surveys and maps but rather by standardizing a prejudicial system of neighborhood appraisal which the government then mandated for members of the federal banking system. The Federal Home Loan Bank Board's chief organ, *The Federal Home Loan Bank Review*, not only promoted the HOLC's system of appraisal as rational and scientific, but provided forms with detailed instructions on how to replicate said system. Woods provides examples from the HOLC survey in Nashville, Tennessee, that show how race represented a special category for appraisers: a nice Black neighborhood with a college and medical school received a poor rating strictly based on the race of its occupants, while a White-occupied academic district – one somewhat past its prime in other factors – enjoyed a favorable rating. Although the HOLC may not have widely shared its maps, its bigoted appraisal practices became ubiquitous through the FHA.[10]

Historian James Greer has analyzed basic demographic data from the HOLC's surveys of several major cities and performed a more detailed examination of the maps and descriptions of Chicago, Cleveland, and St. Louis. According to Greer, the government asked the HOLC to make the maps because it anticipated future federal work by the FHA to aid in mortgage programs - as the HOLC program only aided mortgages in foreclosure, not distress generally - and the FHA would only approve and insure mortgages that met the criteria of the Housing Act of 1934 as well as appraisal standards similar to those used by the HOLC. Greer finds that, while

[10] Louis Lee Woods, II, "The Federal Home Loan Bank Board, Redlining, and the National Proliferation of Racial Lending Discrimination, 1921-1950," *Journal of Urban History*, Vol. 38 No. 6 (2012), 1036-1059.

race factored into appraisals, other considerations such as age, condition, and market price weighed more heavily. He further notes that the HOLC city survey appraisers based their assessment partly on the ability of homeowners or builders in a neighborhood to secure financing from existing institutions. Consequently, if a Black community could not acquire funding prior to the New Deal, the HOLC appraisal only perpetuated or increased that disinvestment afterwards.[11]

The most extensive analysis of HOLC lending policy since C. Lowell Harriss' chronology in 1951 is that of economic historians Price Fishback, Jonathan Rose, and Kenneth Snowden in *Well Worth Saving* (2013). They commend the corporation for doing what no private bank or collection of banks could have: serve as a "bad bank," large, diversified, and long-term-funded enough to take the nation's toxic mortgages off the hands of lenders and refinance them without the need to make a profit or even break even in the short term. While Harriss boasted that the HOLC ran at a small profit – since it ended up returning money to the government at the end of its run – Fishback, Rose, and Snowden factored in inflation and opportunity costs tracked by the Comptroller General and found that the program actually cost taxpayers about $53 million – although they admit this is a fairly small price to pay for refinancing $3 billion worth of loans. The authors also discover that the HOLC program represented an even greater financial boon to lenders than to borrowers. Mortgage holders could refuse to sell the mortgages if they did not like the HOLC's bond offer. To allow the agency to make better offers, HOLC appraisers usually valued homes above market value – assuming a

[11] James Greer, "The Home Owners' Loan Corporation and the Development of the Residential Security Maps," *Journal of Urban History*, Vol. 39 No. 2 (March 2013), 277, 285-286, 292; see also James Greer, "Historic Home Mortgage Redlining in Chicago," *Journal of the Illinois State Historical Society,*) Vol. 107 No. 2 (2014): 204-233.

future home values recovery. Since a higher bond offer to the lender meant a larger new loan for borrowers, most HOLC borrowers received no debt reduction at all despite their home's loss in value, while lenders recovered, on average, 96 percent of their investment.[12]

Well Worth Saving exclusively focuses on the agency's lending phase, not on the HOLC's residential security maps or support for racial segregation. In 2021, however, Fishback, Rose, and Snowden joined with Thomas Storrs to produce a working paper on New Deal redlining for the National Bureau of Economic Research. They find that the FHA practiced exclusionary lending from its inception in 1934, before the HOLC made any redlining maps, and that the FHA did not appear to make any policy changes based on the HOLC's surveys. In this way, they fall on the side of historians who regard the HOLC maps – bigoted as they were – as relatively unimportant in the grand scheme of government-supported segregation when compared with the FHA.[13]

Some historians have focused less on which agency held the most blame for redlining, emphasizing rather the long thread of racist housing economics weaving between public and private actors throughout the twentieth century. In 2020, LaDale Winling and Todd Michney studied loans made to Black borrowers by the HOLC, revealing that such lending was far more widespread than earlier historians had thought – proportional to Black citizens' level of home ownership, in fact. They point out that White-owned companies held most Black mortgages, so lending to Blacks still represented a bailout for White wealth-holders. Additionally, Blacks who

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[12] Price V. Fishback, Jonathan Rose, and Kenneth Snowden, *Well Worth Saving: How the New Deal Safeguarded Home Ownership* (Chicago: University of Chicago Press, 2013), 20-21, 66-68, 90-97, 131-132.
[13] Price V. Fishback, Jonathan Rose, Kenneth Snowden, and Thomas Storrs. "New Evidence on Redlining by Federal Housing Programs in the 1930s," NBER Working Paper No. w29244, available at SSRN: https://ssrn.com/abstract=3922518.

received HOLC loans generally already lived in segregated areas, so helping them stay in those homes through refinancing actually reinforced racial segregation.[14]

The debate over the nature and influence of the Home Owners' Loan Corporation will likely continue for some time, as new case studies on the program in individual cities will undoubtedly unearth fresh nuances to consider. Correspondence suggests that the Chicago HOLC considered itself barred from sharing its neighborhood security maps with private lenders, which supports the view that the HOLC maps had very little impact on later redlining. However, the *Metropolitan Chicago* report – containing many of the same prejudicial attitudes – was dispersed fairly freely to public and private institutions. If historians find that other city branches produced and shared similar reports, it would give greater weight to arguments placing more blame for segregation on the HOLC. I hope my work inspires more such case studies to expand, complicate, and enrich our understanding of one of the New Deal's most ambitious and controversial programs.

[14] LaDale C. Winling and Todd M. Michney, "New Perspectives on New Deal Housing Policy: Explicating and Mapping HOLC Loans to African Americans," *Journal of Urban History*, Vol. 46 No. 1 (2020): 150-180.

CHAPTER 1

RELIEF, RACKETS, AND REFORM: THE CHICAGO HOLC ADMINISTRATION

The Burgwalds seemingly did everything right. Theodore Burgwald, born in 1887 to German immigrants, had to drop out of school early to work in Chicago's steel industry. Despite having not attended high school, he managed to make a career for himself as a clerk, first for a steel mill, then for the Standard Oil Company, and eventually for the Cook County Recorder's office. Theodore married Grace Boberg, daughter of Swedish immigrants, in 1918 before serving briefly in the U.S. Army at the end of World War I. Grace, nine years younger than her husband, likely introduced him to the Swedish Mission Church that they attended and where their two sons received baptism. In 1928, the family purchased a bungalow at 10628 Avenue F on Chicago's far south side, a mere five blocks from the Indiana border, taking on a $4,000 mortgage from the South Chicago Savings Bank. This patriotic, single-income, nuclear family seemed well set to realize the American dream.[1]

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[1] Theodore N. Burgwald. Year: *1910*; Census Place: *Chicago Ward 8, Cook, Illinois*; Roll: *T624_249*; Page: *2B*; Enumeration District: *0480*; FHL microfilm: *1374262; Theodore Bergwald.* Year: *1920*; Census Place: *Chicago Ward 8, Cook (Chicago), Illinois*; Roll: *T625_318*; Page: *16A*; Enumeration District: *532; Theodore Bergwald.* "Illinois, Cook County Marriages, 1871–1920." Index. FamilySearch, Salt Lake City, Utah, 2010. Illinois Department of Public Health records. "Marriage Records, 1871–present." Division of Vital Records, Springfield, Illinois; Theodore Burgwald. *United States, Veterans Administration Master Index, 1917-1940*. Salt Lake City, Utah: FamilySearch, 2019; Grace Burgwald. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *16A*; Enumeration District: *2467*; FHL microfilm: *2340167; Theodore August Burgwald.* Covenant Archives and Historical Library; Chicago, Illinois, USA; *Swedish American Baptisms, Marriages, Deaths, and Burials*; Parish: *Ravenswood Covenant Church*; CAHL Film: *168*; SSIRC Film: *48315_556352; "Unpaid County Employee Gets First Home Loan: Illinois Office Concludes Deal in Ten Days," Chicago Tribune, August 18, 1933, 28.*

The Depression hit Chicago's public sector hard, however, as the cash-strapped city simply stopped paying many of its workers. By August 1933, the city had not paid Theodore for more than eight months. The Burgwalds defaulted on their mortgage payments, and due to interest fees they owed $4,585 on the original $4,000 loan as well as nearly $400 in unpaid property taxes and assessments. Desperate, the Burgwalds applied for assistance from Chicago's newly opened Home Owners' Loan Corporation office. Within ten days of receiving their request, HOLC officials had approved the application, negotiated with the bank, and completed a loan that saved the family from eviction. The HOLC purchased the bank's mortgage using government bonds approved by Congress for the purpose. They then wrote a new mortgage of $5,000 for the Burgwalds with a longer term – fifteen years – and a lower interest rate. The Burgwald's new monthly payment, $40, proved manageable, and the family found its financial footing and kept their home. (Grace sadly passed away young in 1942, but Theodore remained at the residence until his death in 1961.) The Burgwalds' story could give one the impression that the HOLC in Chicago operated efficiently. In reality, theirs was one of only a handful of completed HOLC loans in Illinois in 1934. Machine politics, fraud, nepotism, and incompetence hampered the agency for its first six months, depriving Illinoisians of aid and tarnishing the image of the New Deal. Decisive and thorough reform and oversight thankfully turned the program around in early 1935, and the HOLC based in Chicago saved more than 60,000 Illinois families from foreclosure.[2]

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[2] *"Unpaid County Employee Gets First Home Loan: Illinois Office Concludes Deal in Ten Days," Chicago Tribune, August 18, 1933, 28; Grace Burgwald.* "Illinois Deaths and Stillbirths, 1916–1947." Index. FamilySearch, Salt Lake City, Utah, 2010; *"Obituaries: Theodore Burgwald," Chicago Daily Calumet, May 23, 1961; "Final Report to the*

The Roosevelt Administration intended the Home Owners' Loan Corporation to provide relief for hundreds of thousands of working- and middle-class homeowners struggling to maintain their mortgage payments during the Great Depression. When the agency's Illinois offices opened in August 1933, Chicagoans lined up in the thousands outside of the state headquarters on LaSalle Street, flooding it with applications for loans that would rescue them from foreclosure. However, the officials and staff appointed for Illinois by the Nash-Kelly political machine corrupted the state office with favoritism, nepotism, and incompetence. Illinoisians barely received any loans for the first six months, and the program nearly ended in complete disaster for both homeowners and the Roosevelt Administration. Drastic firings, thorough federal oversight, and aggressive reform measures reversed the damage and provided significant – if still controversial – aid to Illinois homeowners reeling from the financial downturn. This episode highlights the stranglehold of Chicago's political machine in the early 1930s and provides many lessons for policy-makers seeking to enact programs that address evolving crises.

By 1933, the financial disruptions of the Great Depression threatened the real estate industry with systemic collapse. Unemployment reached 25 percent, and homeowners struggled to make payments on mortgages written when home values rose and capital flowed freely. Additionally, mortgages prior to the 1930s featured higher interest rates and shorter terms while not covering the entire amount of home loans, making payments difficult for homeowners to manage even before the Depression. Mortgage lending institutions – many facing bank runs

Congress of the United States Relating to the Home Owners' Loan Corporation," (Home Loan Bank Board: Washington, D.C., 1952), Schedule 7.

during and after 1929 that depleted their reserves – could not exercise typical leniency for late payments. Poor terms and a shattered economy led to a deluge of foreclosures. Prior to 1932, American cities averaged 78,000 home foreclosures annually. In both 1932 and 1933, more than 273,000 urban borrowers suffered foreclosure, and the 1933 figures would have likely reached even more catastrophic levels if many states had not put foreclosure moratoriums in place. The Home Owners Loan Corporation also negotiated a stop to many foreclosing procedures by September 1933. A 1934 study found that 45 percent of mortgaged, owner-occupied homes were delinquent on payments but not in foreclosure. Financial institutions restricted credit. Housing construction plummeted. In 1929, the United States had created $3.7 billion in new residential construction. By 1933, that number had fallen to $499 million, a staggering 86 percent decrease. In 1928, Americans erected more than half a million residences, but in 1933 they barely built 93,000. Additionally, municipal governments struggled to fund basic functions as struggling homeowners became unable to pay their property taxes. One cannot easily overstate the scale of potential disaster, as outstanding urban home mortgages in 1930 totaled $21.8 billion – equal to nearly a third of the entire national annual income.[3]

[3] *Historical Statistics of the United States: Colonial Times to 1970, Bicentennial Edition, Part 2,* (Washington, D.C.: US Bureau of the Census, 1975), 126, 618, 640; *The Home Owners' Loan Corporation: Its Purposes and Accomplishments, June 13, 1933 to June 13, 1936*, Federal Home Loan Bank Board: Washington D.C., 1936, Official File 644b, Home Owners' Loan Corp, 1936-1938, Box 6, John H. Fahey Papers, Franklin D. Roosevelt Presidential Library & Museum, Hyde Park, New York (hereafter abbreviated to "Fahey Papers"); Price V. Fishback, Jonathan Rose, and Kenneth Snowden, *Well Worth Saving: How the New Deal Safeguarded Home Ownership* (Chicago: University of Chicago Press, 2013), 39-40, 49-50. This text (Fishback et al.) is the most comprehensive description of the HOLC's lending program at the national level. For a contemporary description, see C. Lowell Harriss, *History and Policies of the Home Owners' Loan Corporation* (Washington: Bureau of Economic Research, 1951).

During the last year of the Hoover Administration, Congress began efforts to address the growing mortgage lending crisis. In spring 1932, they created the Home Loan Bank System, comprised of 12 regional banks overseen by the Federal Home Loan Bank Board (FHLBB). The system primarily made loans to mortgage-lending institutions, but Congress also authorized it to make direct home loans. However, this solution floundered from the beginning. The loan terms proved unworkably restrictive, with loans only covering 30-40 percent of a home's value (at a time when homes generally held very little market worth). The board further required applicants to demonstrate they had tried and failed to obtain a loan elsewhere, a difficult and time-consuming hurdle. Nevertheless, more than 42,000 homeowners applied for these FHLBB loans, but in the end the FHLBB only closed three. The board also failed to report to Congress on their plan to fix these problems, leading Congress to deny confirmation of the board members once their interim terms expired in March 1933, allowing incoming President Franklin Delano Roosevelt to make his own appointments to the FHLBB.[4]

To address the home mortgage crisis, president-elect Roosevelt conceived the idea that became the Home Owners' Loan Corporation well before entering the White House. When promising the American people a "new deal" during his nomination acceptance speech at the 1932 Democratic National Convention, he offered hope to the nation's homeowners. "We can lighten his burden and develop purchasing power . Take away the spectre of too high interest and of due dates, save homes for thousands of self-respecting families, and drive out the spectre of insecurity from our midst." Roosevelt made good on these promises about a third way into his

[4] John H. Fahey, "A Report to the Congress of the United States by the Home Owners' Loan Corporation," (United States Government Printing Office: Washington, D.C., 1944), 3.

famous first one hundred days as chief executive, asking Congress to pass legislation "to protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments..." He pointed out that borrowers did face these threats through fault of their own: they had entered into these mortgages before home prices and the value of the dollar had fallen so precipitously. He reminded Congress that home ownership represented "a guarantee of social and economic stability" that needed protecting. He believed they could find a path to aiding homeowners while also doing right by investors, and hoped that such a program would "put an end to present uncertain and chaotic conditions that create fear and despair among both home owners and investors." Roosevelt further asked the mortgage-holders of America to refrain from proceeding with foreclosures until the planned program took effect. While this request asked a lot of the mortgage-holders, they would have found selling foreclosed properties difficult in the housing market anyway.[5]

Congress passed the Home Owners Loan Corporation (HOLC) Act, which Roosevelt signed on June 13. The legislation established the HOLC under the supervision of the FHLBB with $200 million in cash and authorization to issue $2 billion (later increased to $4.75 billion) in tax-exempt bonds. Congress authorized the HOLC to buy home mortgages from lending institutions with these bonds paying 2-3 percent interest guaranteed. The board soon learned that

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[5] Franklin Roosevelt, "Acceptance Speech to the 1932 Democratic Convention," July 2, 1932, from Franklin D. Roosevelt Library and Museum website, https://www.fdrlibrary.org/dnc-curriculum-hub, accessed July 4, 2022; Franklin Roosevelt, "Message to Congress on Small Home Mortgage Foreclosures," April 13, 1933, from The American Presidency Project website, https://www.presidency.ucsb.edu/documents/message-congress-small-home-mortgage-foreclosures, accessed July 4, 2022.

mortgage-holders found these terms insufficiently appealing, so they convinced Congress to guarantee the principle of the bonds also.[6]

The HOLC would then restructure the mortgages with terms that made it easier for borrowers to pay. Prior to this, most commercial banks offered mortgages with a short, three-to-five year term, and the loans did not cover the entire value of the property, often only around 60 percent. This required prospective homebuyers to make very large cash down payments or take out second mortgages to cover the difference. High by later standards, first mortgage interest rates averaged six percent nationally and rose as high as eight percent in some areas like the Mountain West. Second mortgages often featured even higher interest rates. A fortunate family wanting to buy a $5000 home might put down $2000 cash take out a $3000 mortgage with a six percent annual interest rate. These loans only required borrowers to make interest payments, so our hypothetical family would pay about $15 a month. At the end of the term, the borrowers owed the entire principal in one lump sum; for this reason, economists call such mortgages "balloon loans." Frequently, borrowers could not pay and had to "roll over" their loans by renewing the mortgage or taking on a new one, often leaving them vulnerable to poorer terms or higher interest rates. Many borrowers who took out a balloon mortgage amidst the rosy financial climate of the 1920s ran into the end-of-term principal due dates just as the Depression ruined the economy, spelling disaster for both the homeowner and the banks. Building & loan associations, meanwhile, offered share-accumulation mortgages: the B&L encouraged their borrowers to invest in shares in the association which would pay off the mortgage principal at the

[6] Harriss, 1-14.

end of the term. The Depression, however, destroyed the value of thousands of B&Ls, leaving borrowers with worthless shares and no equity; this situation completely ended the use of share-accumulation mortgages.[7]

By contrast, the HOLC offered low-interest loans with 15-year terms, considerably longer than the industry standards up to that point. (Given the term-length of the loans and that Congress only authorized the HOLC to make loans until 1936, HOLC officials knew from the start the corporation would cease to function by 1952 at the latest.) Additionally, HOLC loans featured a lower interest rate: five percent initially, reduced to 4.5 percent in 1939. HOLC loans were fully-amortized, meaning that the monthly payment calculations included both the interest and the principal – no balloon payment waiting at the end of the term. Borrowers, however, did not need to pay on the mortgage principal at all for the first three years after the act passed as long as they made interest payments and complied with other conditions. These terms excelled over those of private mortgages so much that many who could make payments during the Depression still tried to get the HOLC to take over their mortgages. The government made clear, however, that they would strictly limit eligibility to those with urgent need: the HOLC would only approve loans for non-farm homes worth no more than $20,000, the loan could not exceed 80 percent of the total value of the home, and, most importantly, the applicant must demonstrate they were actually behind in payments and at immediate risk of losing their homes. According to

[7] Price V. Fishback, Jonathan Rose, and Kenneth Snowden, *Well Worth Saving: How the New Deal Safeguarded Home Ownership,* (Chicago: University of Chicago Press, 2013), 21, 28-31, 34-36, 47.

C. Lowell Harriss, a HOLC official who published a history of the agency when it closed in 1951, the agency rejected half of all applications, mostly for ineligibility.[8]

President Roosevelt picked John H. Fahey (1870-1950), a New England businessman and publisher, to lead the HOLC. Born in New Hampshire, Fahey only completed high school before entering the workforce at a local newspaper, quickly rising to become reporter, editor, and eventually manager at the Associated Press in New Haven and later Boston. He ran newspapers throughout Massachusetts, operated a shipbuilding business for two years, and then turned his eyes to public service: in 1923 he joined the Inter American High Commission, tasked with promoting trade and regulation between the United States and other nations in the Western Hemisphere. He later served as president of the United State Chamber of Commerce and American director of the International Chamber of Commerce. In 1932, he delivered speeches promoting Roosevelt's presidential run in Massachusetts, calling the Democratic candidate "a great liberal, imaginative leader of men, with a record of proven success..."[9]

The feelings of respect were mutual; in 1941, Roosevelt heard rumors Fahey might decline reappointment to the FHLBB. "I do not know whether these rumors are true," Roosevelt wrote to Fahey, "and, to be honest, I do not really care… The world we have with us insists not only that we cannot slacken our pace, but that we must redouble our efforts." While admitting Fahey deserved a break from public service, the president insisted his friend stay on. "To make

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[8] Harriss, 1-14; John H. Fahey, "A Report to the Congress of the United States by the Home Owners' Loan Corporation", (United States Government Printing Office: Washington, 1944), 3-4; Jonathan D. Rose, "The Incredible HOLC? Mortgage Relief during the Great Depression," *Journal of Money, Credit and Banking*, Vol. 3, No. 6 (September 2011), 1079.

[9] Roosevelt Clippings, Box 16, John H. Fahey Papers.

sure that you will," Roosevelt continued confidently, "I must remind you I am your Commander in Chief. You have always been too good a soldier to disobey." Fahey, a family man and a devout Catholic, served as a hard-working, circumspect, and loyal lieutenant for Roosevelt's administration, promoting efficiency and diligence in the agencies he oversaw.[10]

The Home Owners' Loan Corporation operated in a highly decentralized manner. According to Fahey, this delegation of authority prevented "the delays in action which would have ensued if decisions on details of loan operations and other necessary procedures had been concentrated in Washington."[11] District offices opened to receive loan applications, appraise properties, and approve craftsmen for modernization and repairs. These local offices reported to their state's central office for closing loans and general troubleshooting. (Texas and California, given their size, utilized two and three state offices, respectively.) Agents referred thornier problems to the national HOLC headquarters in Washington, D.C. Later on, eleven regional offices opened to aid state offices, but most activities, including the storage of important title documents, took place at district offices. As the state's economic capital and perhaps the most influential center of real estate thought in the country, Chicago served as Illinois' headquarters. Although some offices opened in other states in June 1933, Illinois operations did not begin until August, giving its administrators additional time to appoint staff and educate the public.[12]

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[10] Letter from President Franklin Roosevelt to John H. Fahey, April 8, 1941, Roosevelt Clippings, Box 16, John H. Fahey Papers.

[11] John H. Fahey, "A Report to the Congress of the United States by the Home Owners' Loan Corporation" (United States Government Printing Office: Washington, 1944), 4.

[12] Harriss, 140.

The Roosevelt administration needed to select managers and other officers to run the state offices. In the United States, particularly in its cities, political parties had long awarded government jobs to their own members. This spoils system, often connected to a well-organized political machine, could cause significant turn-over of city and state employees following elections and often resulted in office-holding by less-than-qualified partisans. Despite attempts at civil service reform in the late nineteenth century, the practice of giving out patronage jobs remained entrenched well into the New Deal Era, and the HOLC proved no exception. FHLBB chairman William F. Stevenson openly admitted to partisan hiring standards: “Naturally, we are not choosing Republicans to carry out the policies of a Democratic administration.” The agency relied on Democratic members of Congress to recommend HOLC officials for their respective states, counting on their knowledge of local personnel. The national administration stated that they would vet such recommendations and claimed to have rejected those found unqualified, but their due diligence would fail miserably in Illinois.[13]

The FHLBB tapped Chicago banker William G. Donne, aged 38, for the position of Illinois HOLC State Manager. Head of the new business department of the Chicago City Bank and Trust Co., Donne enjoyed deep connections with the Chicago Democratic political machine. The U.S. Senators from Illinois, William Dieterich of Beardstown and James Hamilton Lewis of Chicago, had pushed for Donne’s appointment on the recommendation of Patrick Nash, chairman of the Democratic county committee and co-leader of the famous Nash-Kelly Democratic political machine alongside Chicago Mayor Edward Kelly. Donne praised the HOLC

[13] “Pick Democrats to Manage Home Loan Branches,” *Chicago Tribune*, July 11, 1933, 26.

Act as "one of the most outstanding pieces of legislation ever enacted at Washington" and affirmed the need of it for both lenders and borrowers. "I've seen the suffering occasioned by the inability of the home owner to pay his mortgage principal. The mortgagee has to eat and he can't eat the paper. The present situation explains why real estate mortgages are so unpopular." Based on some of his correspondence and frequent public engagement efforts, one might assume Donne took his job seriously and believed in its mission. Unfortunately, official records and letters of complaint from citizens tell a far different story. While one cannot infer with certainly Donne's motives and intentions, the record shows that incompetence, favoritism, graft, and nepotism characterized his short-lived administration from the very beginning, to the detriment of taxpayers and Illinois homeowners.[14]

Figure 1. William G. Donne came from a banking family and enjoyed political connections, but he would prove woefully unable to complete loans or curb corruption. Image from the *Woodlawn Booster*, November 2, 1933, 1.

[14] Al Chase, "Home Owners in Distress Get First U.S. Loans: Illinois Chief Tells Plans for System," *Chicago Daily Tribune*, Jul 20, 1933, 23 ; Al Chase, "W. G. Donne Illinois Home Loans Chief," *Chicago Daily Tribune*, Jun 27, 1933, 23.

The Cook County Democratic political machine that orchestrated Donne's appointment had a complicated, evolving relationship with the New Deal in the early 1930s. Anton Cermak, a Czech immigrant elected mayor in 1931, had revitalized the machine into a potent political force that both won elections and profited loyal supporters, but it had initially opposed the nomination of Roosevelt at the Democratic National Convention held in Chicago in 1932, alienating the machine from the victorious candidate. In March 1933, Cermak travelled to meet the president in Miami in an attempt to improve the machine's relationship with the administration but fell to an assassin's bullet intended for Roosevelt. Machine leadership soon passed jointly to the new mayor, Edward Kelly, and Cook County Democratic Party Chairman Patrick Nash. Kelly gained power in the 1920s as chief engineer of the Sanitary District which gave millions of dollars in contracts to Nash's sewage company. Kelly and Nash sought to repair the machine's relationship with Roosevelt, gain public works funding for Chicago, and distribute political spoils to their allies. The machine did not dip its hands into unemployment relief itself, but it did work its usual graft into federal work relief programs such as those of the Civil Works Administration. Illinois Governor Henry Horner had grown up in the machine, but tensions grew as Horner sought to limit the machine's influence over the use of federal relief funds after the discovery of graft in local CWA projects in 1933. Fearing Roosevelt would back another candidate in Chicago's 1935 mayoral race, Kelly and Nash began increasingly associating the machine with the administration and its policies. Kelly won reelection by a landslide in 1935 by promising to work with President Roosevelt to earn as much Works Progress Administration funding for the city as possible. Meanwhile Horner struggled to pass an emergency relief bill (which required a supermajority) in early 1935, torn between downstate Illinoisans who felt Chicago should bear more of its relief burden on its own and Chicago Democrats who saw his attempts at bipartisanship as getting in the way of providing crucial assistance to struggling families. In 1936, the Chicago machine backed a challenger to Horner while the governor openly campaigned against "boss rule," signaling the deep fissures which had formed between the former allies. Although Horner survived the election, these policy battles had ironically aligned the corrupt Nash-Kelly machine with the reform-minded Roosevelt administration. While the president and his agency heads sought to purge programs of graft and favoritism, the administration also knew they needed machine leaders to deliver the electoral victories necessary for their legislative agendas.[15]

The Chicago HOLC expected a rush the moment its doors opened in July 1933 due to frenzied branch beginnings in cities where the HOLC opened earlier. When the Detroit HOLC office opened in June, for example, so many applicants arrived that the line devolved into a chaotic mob. To avoid a repeat of this in Chicago, Donne worked to make it very clear to the general public that the HOLC made loan decisions based on the applicant's level of distress, not on the order of application. "Of course, every family which has a mortgage on its home is apt to consider theirs a distress case," Donne admitted, "But no one need come in for the first thirty days we're in operation unless his mortgage actually is past due." Many did not heed this advice. When the Chicago offices at 134 North La Salle Avenue, which held the loan offices for Cook and four nearby counties, opened on August 1, 1933, more than 17,000 applicants showed up.

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[15] Gene Delon Jones, "The Origin of the Alliance between the New Deal and the Chicago Machine," *Journal of the Illinois State Historical Society*, Vol. 67, No. 3 (June 1974), 253-274; see also Roger Biles, *Big City Boss in Depression and War: Mayor Edward J. Kelly of Chicago* (DeKalb: Northern Illinois University Press, 1984).

The line stretched several blocks, and a lack of security meant many rushed inside without waiting their turn. Finally, HOLC agents started handing out application forms in line outside to save time. The demand proved so great that within three days the office ran out of the 25,000 applications blanks Washington had originally sent. When a new shipment of forms failed to arrive, Donne asked if he could print his own in Chicago, not waiting for permission before beginning to do so. Donne's administration started behind and never caught up.[16]

By the end of the first day, they estimated that only half the applicants actually experienced eligible financial distress. The rest merely sought better terms than those of their current mortgages. Donne again sought to stem the tide of ineligible applications by going on WGN radio, explaining with examples which cases they would accept, namely only those with foreclosure in process or threatened due to unpaid interest, principal, or taxes.

> Briefly and simply stated, the purpose of the Home Owners' Loan Corporation, as conceived by the President of the United States, is that of providing emergency relief with respect to home mortgages… The work of the corporation is specifically not that of an underwriting agency through which new loans can be made, or old ones refinanced on a long term amortization basis if such loans are not now in distress.

HOLC representatives also visited realtor meetings and home owners association gatherings to explain the parameters and procedures for acquiring a loan. This education proved necessary, as successfully applying proved far from simple: according to one HOLC instruction card, applicants had to provide their mortgage policy, Torrens certificate or title abstract, cancelled interest coupons and cancelled principle notes, records of any other mortgages on the property,

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[16] Al Chase, "Home Loan Will Take Only Past Due Cases First: Hope to Avoid "Mob" Scenes" by Applicants," *Chicago Daily Tribune*, Jul 27, 1933, 22; Al Chase, "Washington Red Tape Hampers Home Loan Work," *Chicago Tribune*, August 4, 1933, 28.

insurance policy information, and – if available without further expense – a plot survey. (Torrens certificates emerged from the land title registration method of the same name, developed by Robert Torrens of Australia. In this system, courts affirming the validity of the title holder's claim by decree and the issuance of the certificate. Illinois adopted this system in 1895, the first state to do so, partly due to thorny issues of title validation in the wake of the Chicago Fire of 1871. Title insurance companies would later replace this system.)[17]

The Home Owners' Loan Corporation, like New Deal programs generally, evolved to address a very dynamic economic emergency. As a result, its policies changed often, especially in the early days. Donne also frequently ignored national HOLC policy, which the FHLBB sent out in official bulletins; this likely added to the inconsistency problem in Chicago. The *Tribune* complained that the local office "broke all federal records for cutting red tape and rapidity in changing its mind," confusing reporters and applicants alike. The Chicago HOLC switched back and forth between wanting one or two application blanks from home owners, between needing a mortgagee signature or not, and between needing photographs or not. Thankfully, various institutions held public meetings to aid borrowers in understanding the procedures. Chancellors

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[17] Al Chase, "Thousands Ask U.S. Home Loans on First Day," *Chicago Tribune*, August 2, 1933, 9; Al Chase, "Home Owners Told What U. S. Considers Distress Mortgage Cases," *Chicago Daily Tribune*, August 6, 1933, 22. The staggering amount of aid requested combined with limited personnel led to some comical challenges. The treasurer of the HOLC, Patrick J. Maloney, suddenly had to sign 18,000 interim certificates. He soon shortened his signature to "P. J. Maloney" but after 7,000 signatures came down with such a terrible case of writer's cramp that he had to hire an assistant. "Writer's Cramp Halts Home Loan Officer's Work," *Chicago Tribune*, August 6, 1933, A7; "Realty Board Told Provisions of Federal Code", *Chicago Tribune*, September 7, 1933, 24; "East Hamilton Park Home Owners Meet Tomorrow," *Chicago Tribune*, October 1, 1933, SW1; HOLC instruction card, Home Owners' Loan Corporation, General Administration Correspondence, Chicago Region, Roll 106, T-945, National Archives at College Park, Maryland (hereafter "GACC, Roll #"); Blair C. Schick and Irving H. Plotkin, *Torrens in the United States: a Legal and Economic History and Analysis of American Land-Registration Systems* (Lexington: Lexington Books, 1978), 139.

at the superior and circular courts agreed to delay foreclosure proceedings, and by mid-August, more than 3,000 applications had been successfully filed in Illinois, with some 75,000 more applications in processing. Perhaps most hearteningly, financial institutions seemed open to working with the HOLC. According to Donne, "Courts have shown a fine spirit of cooperation. Banks and trusts companies indicate they will accept bonds in exchange for mortgage indebtedness wherever possible. Individual mortgagees being educated to proposed plan. Have received numerous acceptances to date." Indeed, Chicago witnessed the first completed HOLC loan given in the entire country, the one received by Theodore and Grace Burgwald. The South Chicago Savings Bank accepted HOLC bonds in exchange for the mortgage, and the HOLC gave Burgwald and his wife Grace a $5,000 loan on their East Side neighborhood bungalow, covering not only the principal and interest but also two years of back taxes. Completing the loan cost the government $55, with the Burgwalds, as per HOLC rules, paying no commission for processing. The HOLC sped up the Burgwalds' loan by clearing the title using government land registration information directly from the Torrens system at the recorder's office, avoiding the need to use a trust deed from a title company as they would with most mortgages.[18]

The rapidity of the Burgwald loan proved the exception, however, as Illinois loan closing proceeded at a crawl for the remainder of 1933, the worst loan completion rate for the Home Owners' Loan Corporation in any state. By November, the state office in Chicago admitted they

[18] "H.O.L.C. Breaks All Records in High Speed Mind Changing," *Chicago Tribune*, August 13, 1933, 22; "U.S. Loans Save Foreclosure on Homes of 3,000," *Chicago Tribune*, August 15, 1933, 7; Al Chase, "Unpaid County Employee Gets First Home Loan," *Chicago Tribune*, August 18, 1933, 28; Al Chase, "Chancellors and H.O.L.C. Head to Discuss Foreclosure Situation," *Chicago Tribune*, August 20, 1933, A12; "3 Flat, Cottage Owners Given Home Loan Aid," *Chicago Tribune,* August 31, 1933, 24.

could only finish about thirty loans per day despite receiving 160 applications daily from the Chicagoland area and another 100 from downstate offices. (Even the thirty-per-day claim proved to be an exaggeration.) Some fairly banal factors held up loans, including complications regarding title and taxes and negotiations with mortgage-holders to accept appraisals at post-crash values. Additionally, Illinois Attorney General Otto Kerner initially forbade building and loan institutions from accepting HOLC bonds at all, forcing Donne to appeal to the U.S. Building and Loan League, Governor Henry Horner, and the Illinois General Assembly for a legislative fix. However, rumors of far more nefarious causes for the Chicago HOLC's poor performance soon reached the ears of Federal Home Loan Bank Board Chairman John Fahey in Washington, D.C.[19]

From the beginning, the Chicago HOLC struggled to prevent unscrupulous lawyers from taking advantage of desperate applicants. For instance, the HOLC legislation made it illegal to charge applicants a fee to assist them in processing applications, with a potential punishment of a $10,000 fine and five years in prison. Some attorneys attempted to circumvent this by charging clients to examine their titles for $5-$25 – a form of "advanced fee racket." Two attorneys faced prosecution for sending their own employees into the long lines on the Chicago HOLC office's opening day to tell waiting applicants that their private law office could expedite the process. Wilmer Meyers of Chicago Heights brazenly set up an office in the same building as the HOLC to promote the ruse that he could expedite loans for $75, spending 60 days in jail for this crime.

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[19] "Donne Expects Rush in Illinois for Home Loans," *Chicago Tribune*, November 8, 1933, 32; "Donne Requests Horner to Help Bonds of H.O.L.C." *Chicago Tribune*, September 12, 1933, 28; "Home Loan Fund Aiding Illinois, Says Governor," *Chicago Tribune*, November 2, 1933, 26.

Four more men faced charges of impersonating federal officers to run a similar fraud in October 1934. The willingness of applicants to pay for these sketchy schemes highlighted the true desperation of many for quick financial assistance in saving their homes.[20]

Perhaps the most bizarre case was that of attorney David Patlak, charged on December 8, 1933 with embezzling $160,000 by telling 130 victims he enjoyed high-ranking government connections that he could use to get quick HOLC loans. At times he would even interrupt meetings to pretend to take a phone call from President Roosevelt – while the client was still in the room! He temporarily fled to a sanitarium in Milwaukee before his brother brought him back to Chicago to face charges. He pled not guilty by reason of insanity, with his lawyer claiming Patlak suffered from monomania and delusions of grandeur. He became addicted to headache powders, consuming 75-100 every day, and according to his family he had attempted suicide twice. Patlak's lawyers did not even attempt to get him bail, claiming a jail cell actually protected him from his exceedingly – if understandably – angry victims. The court, however, did not seem moved by his alleged suffering: they initially denied him a sanity test, and seemed to agree with the prosecutor who ventured "that robbery with a gun is a less reprehensible crime than the crime of this defendant, who cloaks himself in a lawyer's license to fleece hard pressed and trusting people." His lawyers eventually won him a sanity test, and a jury found him insane on January 15, 1934. He stayed in the Illinois Security Hospital in Menard, where doctors

[20] Al Chase, "Lawyers Face Charges in Home Loan Soliciting," *Chicago Tribune*, August 12, 1933, 19; "Chicago Heights Man Accused of Home Loan Fraud," *Chicago Tribune*, January 20, 1934, 3; "Poses as HOLC Official; Gets 60 Days in Jail," *Chicago Tribune,* February 17, 1934, 7; "Order Lawyer Arrested for HOLC Frauds," *Chicago Tribune,* December 9, 1933, 1.

diagnosed him with dementia paecox and hallucinations of grandeur. A lower court convicted him again after his parole a year later, but the Illinois Supreme Court decided on appeal that Patlak committed his crimes while insane. Although he did not spend a long term in jail, the state did disbar him in 1938. The Patlak incident – while possibly an example of judicial prejudice against a mentally-disturbed man – highlights how seriously the legal system viewed abuses and frauds related to the HOLC program coming from the outside.[21]

However, the most damaging misconduct came from within the HOLC itself. Despite public statements of concern for homeowners, state manager William Donne exhibited a lack of concern with efficiency and proper protocol from the very beginning. Right after the hectic opening and with applications pouring in, he suggested to the national leadership that he personally bring the first dozen completed loans to Washington, D.C., in triumphant fashion. Assistant General Manager James Hoyt, likely surprised by this frivolous proposal, responded gently, "I suggest that this will probably be an unnecessary expense. We are extremely anxious to hold down the expenses of this Corporation, and unless there is some urgent necessity for this trip, it cannot be approved." Donne also lost no time repaying the Nash-Kelly political machine for his appointment, making more than a hundred hires strictly based on their approval. He openly admitted to this system in an early letter to HOLC General Manager A. E. Hutchinson,

[21] "Order Lawyer Arrested for HOLC Frauds," *Chicago Tribune*, December 9, 1933, 1; "Pledges Patlak Will Give Self Up Tomorrow," *Chicago Tribune*, December 10, 1933, 4; "Patlak Denied a Sanity Test; Locked in Jail," *Chicago Tribune*, December 12, 1933, 6; "Finds Patlak Insane in Home Loan Swindle," *Chicago Tribune*, January 16, 1934, 7; "Patlak is Seized; Officials Called for Parole Quiz," *Chicago Tribune*, January 18, 1935, 6; "Patlak is Held Sane; Now Faces Swindle Trial," *Chicago Tribune*, January 19, 1935, 6; "Officials Fight Sane-or-Insane Cycle of Crime," *Chicago Tribune*, February 20, 1938, 1; "Supreme Court Reverses Patlak Larceny Verdict," *Chicago Tribune*, February 20, 1936, 3; "Two Chicagoans Disbarred from Legal Practice," *Chicago Tribune*, April 16, 1933, 11.

who had asked Donne why the application of one William Lonnquist, a seemingly qualified candidate, had received no reply. Donne responded that Democratic politicians had sponsored every staff member at his office.

> All of the applications which we have received, we have submitted to Mr. P.A. Nash or to the Congressman of the particular district in which the individual resides… Unless [Lonnquist] secures the endorsement of his Congressman, National Committeeman or either of the United States Senators, it will not be considered very seriously, unless you advise me to the contrary.[22]

According to one H. Lewis Griffith, an appraiser from Wheaton who had applied for a job many times, Donne could not break free of the machine's control regarding hiring. "Mr. Donne seems to be very touchy on the subject of his running his own office," Lewis wrote to the HOLC national headquarters, "as a matter of fact he is running around in circles trying to get rid of the Chicago politicians – but so far they have won out." Whether Donne wanted to break free of partisan hiring or actively desired it remains unclear, but his failure to depart from it appears throughout the records of the Illinois HOLC[23]

Investigations by the HOLC national leadership soon uncovered the scope and brazen nature of the partisan hiring. According to internal reports, "political qualifications took precedence over all other considerations." Donne had held a conference in Springfield with all the Democratic Senators and Congressmen – along with Democratic leaders in Republican districts – where they selected all the original personnel of the Illinois HOLC. Donne freely stated that all HOLC employees participated in Democratic organizations. Districts and wards

[22] Letter from James Hoyt to William G. Donne, August 22, 1933, GACC, Roll 113; letter from William G. Donne to A.E. Hutchinson. August 29, 1933, GACC, Roll 113.

[23] Letter from H. Lewis Griffith to the Home Owners Loan Corporation. October 2, 1933, GACC, Roll 116.

took turns making appointments in a set rotation, and applicants with no political sponsors received no consideration as a matter of policy. Unsurprisingly, the Nash-Kelly machine involved itself deeply in the process according to Daniel Hair, a HOLC agent sent to investigate. Hair reported on the hiring irregularities of the Chicago office: “A regular form was printed which Mr. Patrick A. Nash, the Democratic political boss of Chicago, used in assigning political workers to particular HOLC positions; these forms contained information on the ward and precinct of the worker and his political sponsor.” Not only did this political hiring process prevent the employment of many competent applicants, but HOLC officials at district office outside of Chicago also felt unable to fire unqualified or unsatisfactory workers since the bad hires all boasted important political connections.[24]

Complaints from individuals and homeowners led to the investigations discovering Donne’s mismanagement. One such group critical of the HOLC in Chicago was the United Home Owners of Illinois, led by Martin Powroznik, a Polish immigrant in his thirties who had built a considerable influence among northside homeowners. Working in munitions production during World War I, Powroznik learned mass production techniques and applied them to real estate development, building more than 1000 homes in the “bungalow belt” to the northwest during the 1920s. He became a leader in the Polish community, which exhibited a strong affinity for home ownership at the time. Powroznik would later challenge Edward Kelly in the 1935 Democratic mayoral primary, winning seven percent of the vote – almost exclusively from the Polish precincts. In 1933, Powroznik helped form the United Home Owners of Illinois in order to

[24] “The Record: Illinois State Office, Home Owners’ Loan Corporation,” October 24, 1936, Box 7, Home Owners’ Loan Corporation Record of State Managers, John H. Fahey Papers.

protest harsh tax assessments for homeowners. They convinced a judge to invalidate the 1928 and 1929 taxes (which many homeowners still had not paid), but the State Supreme Court overruled the order. Then they persuaded the Illinois General Assembly to pass a mortgage foreclosure moratorium, but Governor Henry Horner vetoed it. Finally, they convinced the Cook County Board of Tax Appeals to reduce property taxes for 1933 and 1934 by 15 percent, saving hundreds of thousands of homeowners millions of dollars. Powroznik personally visited the HOLC office in December 1933, complaining that the HOLC neglected Polish Chicagoans. He called on the HOLC to push courts to issue restraining orders to block foreclosures. Internal memos show administrators largely ignored his complaints. William Donne charged Powroznik with being "a rabid Communist." In the absence of any evidence for this belief, one must wonder if ethnic prejudice was at play.[25]

After months of hearing complaints and rumors about graft, favoritism, and incompetency in the state headquarters in Chicago, the national leadership sent Daniel C. Hair to investigate. An Illinois native living in Minnesota, the 47-year-old Hair had risen to the rank of bank vice president prior to joining civil service despite having only achieved an eighth grade education. He first visited the Chicago HOLC in late October 1933, and on the surface matters appeared to him in fine shape. His report notes the well-equipped office – perhaps a bit extravagant but not enough to cause alarm. "Handling of applicants seems to be efficient… The contact men… seem to be courteous and give advice to the distressed mortgagors with patience and fortitude." He noted that the initial processing of applications frequently resulted in the

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[25] Edward R. Kantowicz, *Polish-American Politics in Chicago, 1880-1940*, (Chicago: University of Chicago Press, 1975), 155-158; Letter from Daniel Hair to Horace Russell, December 18, 1933, GACC, Roll 111.

stoppage of eviction proceedings. Hair even saw Donne as “an able executive, who has surrounded himself with trained men and women in the mortgage field.” However, Hair acknowledged the distance between professional credentials and competence or integrity: “I do not vouch for the character or moral responsibility of the organization. All I can say is they are particularly fitted for the work.”[26]

Despite the surface-level appearance of order, Hair found some of the Chicago office’s procedures problematic. First, their appraisal practices did not conform to national HOLC policy. Rather, they claimed “unusual success” in convincing mortgagees to accept smaller loans based on “the type and form of appraisal used by this branch.” Hair was unconvinced, adding “Whether this version as to the form of appraisal used in Chicago is true in all things remains to be determined.” He warned his superiors that further investigation of their maverick appraisal policies might reveal unpleasant truths:

> In this area, it presents a colossal and dangerous problem. In metropolitan districts, such as is found in a city containing the population as does Chicago, and in the control of unscrupulous racketeers, it could be the source of an investigation later on that might be distasteful. Please understand, I am only giving you my first impression of a situation, which must not be construed as a final conclusion.[27]

When Hair found out that the Chicago administrators paid appraisers $15 per property, he reminded them that HOLC policy allowed a maximum appraisal fee of $5. They replied that no one would work for that little; “The city is appraisal-conscious,” Hair reported being told. “They have been assessed, re-assessed, appraised and re-appraised, until most of those presuming to

[26] Report from Daniel C. Hair to the HOLC Board of Directors, November 1, 1933, GACC, Roll 113.

[27] Ibid.

have a knowledge of the business state that it is almost impossible to obtain a man of responsibility" at the fee set by the board. When Hair asked if the Chicago office could just hire their own appraisers and dispense working with outside appraisal companies entirely, they told him that no qualified, efficient appraisers would accept employment (a strange claim indeed in the middle of a Depression). Despite everyone assuring Hair that appraisal business had to work with the rates and favored companies set up by Donne, and even though Hair found the appraisal process at one of the contracted companies well-organized and efficient, he remained suspicious. He recommended to the national leadership that any wholesale appraisal business in Chicago "should be safe-guarded by a direct representative from the Washington office, accountable to the Board and with no connection whatsoever elsewhere." He finished his report on an ambiguous note, both advising the board to confirm Donne's recommendations for the State Advisory Board, but urging "a slightly conservative policy on the part of the Board" towards Chicago given the overt political influences at play.[28]

By mid-December, however, Hair had completely broken through the façade, writing a second, much more damning report. Hair's investigations led to federal auditors examining the books. They found that of 36,200 applications, only 566 were processed. Donne's policies flagrantly ignored national HOLC policy. Donne committed his original sin by making himself and his leadership staff both the officers for the state of Illinois and for the city of Chicago, rather than creating separate offices according to the national policy. This meant most state office employees owed fealty to the Chicago political machine. Unsurprisingly, downstate

[28] Ibid.

homeowners ended up underserved and often ignored despite many complaints, although Chicago's homeowners fared little better.[29]

The appraisal department particularly suffered from Donne's poor decisions and willingness to unjustly benefit his political allies and relatives. Before the HOLC approved mortgages, an appraiser had to determine whether or not a given house matched the value of its loan and met the standards set by the Home Owners Loan Act. While some local HOLC offices hired staff appraisers, most of this work went out to private appraisal companies or individuals who worked by contract for a fixed fee per appraisal. The FHLBB instructed that appraisal fees not exceed $5, but under Donne the Chicago HOLC paid $15 per appraisal – despite many reminders from the board that this was unacceptable. These trebled fees almost entirely went to just three appraisal companies, at least two of them personally connected to Donne. Donne's brother-in-law Arthur Dritsch – a janitor who lived with the Donne's – incorporated the first one just after Donne received his appointment and just before the HOLC's doors opened. His business, the Central States Appraisal Company, opened its offices in the very same Loop building that the HOLC occupied. Nepotism and political favoritism went hand in hand as the company's co-organizers included James P. Walsh and James J. Sullivan, both of whom had served with Donne in the 8th Ward Democratic leadership. A second company with compromised connections opened in October 1933. Clem B. Mulholland, an attorney from Iowa, organized the Realty Appraisal Company which received a disproportionate amount of HOLC business at the

29 "U.S. Auditors Here to Probe Books of HOLC", *Chicago Tribune*, December 13, 1933, 10; Letter from Henry McNeal to Walter Nesbit, February 21, 1934, GACC, Roll 111.

inflated appraisal price. Mulholland was a business partner with the Chicago HOLC's chief appraiser, Patrick William Barrett. Barrett, the son of Irish immigrants, ran Barrett Brothers Real Estate Company and was deeply involved in home construction in Hyde Park, Kenwood, and Woodlawn. These appraisal fees came out of the HOLC loans themselves, so the $10 excess essentially represented a graft fee taken from borrowers. Additionally, Donne commissioned without approval the costly creation of an appraisal manual specific to the Illinois office, which HOLC headquarters found extravagant and unnecessary.[30]

Worse still, Donne gave special attention to loan requests from his banking friends and partners. The Chicago City Bank and Trust Co., Donne's former employer, received special attention for loans where they held the mortgage. Melvin Traylor, president of the First National Bank which sponsored the Chicago City Bank and Trust Co., had been influential in getting Donne appointed HOLC manager by the Kelly-Nash machine in the first place. Donne also showed preferential treatment to Feuerborn & Klode, a realtor and brokerage company owned by his personal friend, Joseph H. Feuerborn. The fee attorney at Feuerborn & Klode, Frank Rathge, was also the former president of the aforementioned Chicago City Bank and Trust Co. The deeper one digs into the web of favoritism, the more one finds it folding in on itself, enriching Donne's attorney friends with fees and ensuring banks connected to him received HOLC loans

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[30] "The Record: Illinois State Office, Home Owners' Loan Corporation," October 24, 1936, Box 7, Home Owners' Loan Corporation Record of State Managers, John H. Fahey Papers; "William G. Donne Tells Business Men of Home Loan Operations," *Woodlawn Booster*, November 2, 1933, 1; Clem B. Mulholland. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *11A*; Enumeration District: *2573*; FHL microfilm: *2340183; Patrick W. Barrett.* Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *17B*; Enumeration District: *0238*; FHL microfilm: *2340159.*

while smaller businesses and individuals – particularly those downstate – found themselves ignored.[31]

Donne also violated HOLC policy and acted with favoritism in the placement of fire and tornado insurance. Before the HOLC could extend a loan offer, they needed to make certain the homeowner sufficiently insured the home. However, HOLC rules allowed the borrower to pick their own insurance company; in fact, HOLC policy clearly stated that the agency would not even negotiate for insurance on behalf of the borrower, as the board worried about unscrupulous agents seeking kickbacks, splitting commissions with favored insurance companies. HOLC Legal Bulletin #1 clearly stated, "the Corporation will accept any existing policy in any licensed company." By these rules, the national HOLC aimed to affirm homeowners' wishes and prevent graft and extortion. Donne told Daniel Hair during his investigation that the Chicago HOLC encouraged mortgagers to pick their insurance company, but in fact Donne ignored these rules entirely, mandating borrowers take out fire and tornado insurance policies from one of three companies, with special preference for C. H. Verde and Co. whose offices shared the building with the Chicago HOLC. If the borrower already carried a sufficient policy with another business, Donne would force them to cancel those policies and begin a new one with the favored companies. If the borrowers had already paid their policies up in full, Donne ordered a new policy – again, with the favored companies – to go into effect as soon as the old one expired. The auditors who later came in to clean up the mess of the Donne era had to spend valuable time canceling these policies and obtaining refunds which totaled $6,571.87. Donne committed

[31] "The Record: Illinois State Office, Home Owners' Loan Corporation," October 24, 1936, Box 7, Home Owners' Loan Corporation Record of State Managers, John H. Fahey Papers.

similar violations in home repairs. When the HOLC approved a loan, they often required that the home undergo repairs or improvements to protect the home's value and to contribute to the modernization of American homes and communities, a common theme in New Deal programs. HOLC leadership expected state managers to obtain bids from contractors before awarding repair contracts, but Donne declined to do this, giving nearly all the jobs to just two contractors.[32]

Interestingly, infighting and personal antagonisms between the co-conspirators of the graft and favoritism at the HOLC helped Hair uncover the mess, as parties readily complained about each other. One particular informant, Louis K. Boysen, spilled much of the dirt that made its way into Hair's report. Boysen, once the vice president of the First National Bank, had created his own mortgage company that represented both individuals and trusts. In May 1933, Boysen spoke about the HOLC at the annual banquet of the Chicago Mortgage Bankers' Association, predicting that the government agency would offer terms such that private banks could not compete; nevertheless, he appeared to support the program, saying it would prove advantageous for both the borrower – who would receive a "breathing spell to get on his feet" – and for mortgage holders – who would enjoy an "investment in bonds paying 4 per cent interest for eighteen years without the danger of a default during that period." Although the actual interest rate ended up between 2.75 percent and 3 percent, Boysen took extensive advantage of the program for himself and his clients, allegedly getting more HOLC loans processed for mortgages he or his client held than any other individual or company. Despite him enjoying Donne's favor, Boysen told Hair that Donne had no actual mortgage experience and that the

[32] Ibid.

Illinois HOLC's own state counsel and trustee, Samuel K. Markman, saw Donne as ineffective, a "stuffed shirt." Boysen told Hair that some considered Donne the real victim in all this – him being a politician rather than a mortgage man – and that Markman was "a double-crossing ----- -----." Following these revelations, Hair commissioned men he believed clever and reliable to audit 59 appraisals the Chicago HOLC had approved. Of these, 6 were good, 16 were fair, 8 were undesirable, and 29 were over-appraised. "The scientific – so much talked about $15.00 appraisal certainly did not stop excessive loans," Hair declared. "My conclusion is that the Board should <u>immediately</u> stop all closing in the Chicago area <u>until</u> reappraised."[33]

Hair then found out that 15 trust deeds were recorded from the same two blocks in just 10 days. "Such a coincidence is utterly impossible unless they are handling in bulk for the benefit of some mortgagee." Hair interviewed LaSalle Street attorney Austin L. Wyman who informed Hair of suspicions that some parties had received payment to expedite out-of-turn loans, moving them through "like greased lightning" – an illegal practice according to the HOLC Act. Wyman, like Boysen and many others, defended Donne as a person, stating he was high-strung and a victim of political maneuvering.[34]

Donne had appeared before the FHLBB once before, back in July 1933, and they had unanimously approved his recommendations for the set-up of the Chicago office, including his suggestions for the placement of district offices and his own requested salary of $7,500 – the

[33] Al Chase, "Mortgage Men See U.S. Taking Over Business: Private Funds Can't Compete, Boysen," May 26, 1933, *Chicago Tribune*, 34; Report from Daniel C. Hair to the HOLC Board of Directors, December 13, 1933, Home Owners' Loan Corporation, GACC, Roll 113, censoring and emphasis in the original.

[34] Report from Daniel C. Hair to the HOLC Board of Directors, December 13, 1933, GACC, Roll 113.

highest compensation in the Chicago office by $4,300. In November 1933, Donne's continued resistance to follow instructions regarding appraisal fees moved the board to rule that the Chicago Real Estate Board would handle all appraisals for the Chicago HOLC at $7.50 apiece, replacing Donne's brother-in-law's company which had charged $15. Still, the board approved Donne's requests for hiring dozens of employees for the Chicago office right up until mid-December, when his misdeeds unraveled completely and Fahey called him to testify before the board.[35]

The Chicago machine tried to protect Donne. According to reporting from the *Chicago Tribune*, a high-ranking post office official – part of the Illinois Democratic organization – called the HOLC headquarters in D.C. to ask that no action be taken against Donne until Fahey completed a planned a trip to Europe, but Fahey himself denied the request. The board minutes for the hearing on December 15 include very few details, apart from noting Donne made excuses for his decisions. He resigned the next day, under pressure according to internal memos. Fahey's official papers – archived at President Roosevelt's Presidential Library in Hyde Park, New York – include detailed summaries of state manager performances. The extensive entry on Donne summarizes his administration in damning fashion: "The original set-up in Illinois was so unsatisfactory that, under Mr. Donne, the state made the poorest record of any on loans closed, and wasted the most money in the operations of the business, the average cost per loan closed being about two and a half times the United States average." The board made HOLC special

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[35] Minutes of the 15th Meeting of the Home Owners' Loan Corporation, July 14, 1933, page 5; Minutes of the 105th Meeting, November 21, 1933, page 3; Minutes of the 110th Meeting, November 27, 1933, page 5, Minutes ("Resolutions") of the Home Owners' Loan Corporation, 1933-1942, Record Group 195, Records of the Federal Home Loan Bank System, Box 1, National Archives at College Park, MD.

representative William H. McNeal acting manager; McNeal had been deeply involved in investigating Donne's misconduct, and he stayed on to help in Chicago for many months.[36]

The corruption and incompetence of the Chicago HOLC office unfortunately did not set it far apart from the agency nationally. The national headquarters' investigation division fielded allegations of fraud and favoritism from all over the country, particularly in appraisals and loan processing. The HOLC removed no fewer than twenty-three state managers for either committing serious policy violations or neglecting to correct them. These cases occurred in every region of the nation in states of all sizes and urban-rural divides. The extent of this bad behavior shows how many unscrupulous men saw the program as a means of enriching themselves and their allies at the cost of American taxpayers and homeowners. Conversely, the staggering number of removals demonstrates the willingness and ability of the HOLC leadership in Washington, D.C., to investigate and purge such conspiracies.[37]

On December 19, 1933, the FHLBB selected Henry G. Zander, Jr., former president of the Chicago Real Estate Board, as Donne's official replacement. Zander, born 1897, had grown up around real estate dealings. His father, German immigrant Henry G. Zander Sr., had served as president of the Chicago Real Estate Board, the National Association of Real Estate Boards, and the Civic Federation of Chicago in addition to terms directing the Chicago Crime Commission, sitting on the Chicago Plan Commission, and chairing the Federal Home Loan Bank of Chicago.

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[36]"Fate of Donne to be Announced in Capital Today," *Chicago Daily Tribune,* Dec 18, 1933, 4; "The Record: Illinois State Office, Home Owners' Loan Corporation", October 24, 1936, Home Owners' Corporation Record of State Managers, Box 7, John H. Fahey Papers, Franklin Roosevelt Presidential Library, Hyde Park, New York; Report from Daniel C. Hair to the HOLC Board of Directors, December 13, 1933, GACC, Roll 113.

[37] "Record of State Managers of H.O.L.C. Who Were Removed for Cause," December 15, 1936, Home Owners' Corporation Record of State Managers, Box 7, John H. Fahey Papers.

The younger Zander began attending the University of Wisconsin, but dropped out before graduating to serve in the U.S. Army during World War I. Upon returning, he worked in real estate sales, eventually partnering with his father and brother to form their own firm, Henry G. Zander & Company.[38]

Several people considered Zander a good replacement for Donne. Daniel Hair had even asked Zander during the investigation if he would consider taking over. Zander replied he would under certain conditions and with reluctance. Upon being appointed, Zander told the press he enjoyed full authority from the White House to reform the Chicago HOLC and purge it of favoritism and political machine control. "It's the desire of the President to clean up this local situation. I've been appointed without any political ties of any sort and with carte blanche from the White House to go as far as I like… I'm interested only in expediting efficiently the making of loans to home owners. There'll be no favoritism shown in any affairs of the office." Zander told the press that Fahey made clear to him that the president fully supported reforming the office even against the will of the Democratic political machine. "The only people we want in the HOLC offices," Zander paraphrased Fahey, "are those who are in sympathy with what Roosevelt wants to do. And we all know how the President wants the HOLC to function for the benefit of the home owner." Some now complained that Republicans had taken over the office. While the membership of the Chicago Real Estate Board did disproportionately lean Republican, Zander

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[38] Henry G. Zander, Jr. *1920*; Census Place: *Chicago Ward 27, Cook (Chicago), Illinois*; Roll: *T625_338*; Page: *14A*; Enumeration District: *1616; Henry G. Zender. 1930*; Census Place: *New Trier, Cook, Illinois*; Page: *46A*; Enumeration District: *2218*; FHL microfilm: *2340238; Marriage announcement for Mr. Henry G. Zander, Jr, The Pantagraph, January 7, 1924,* URL: *https://www.newspapers.com/image/69381074/?article=3e8d3005-9c89-4984-9f51-d6c51907b637&focus=0.033018075,0.09287332,0.16943428,0.32965913&xid=3398.*

himself had always voted Democrat. He had not held any political positions himself aside from serving as village trustee for Kenilworth where he lived. Apart from his wartime service, he had operated in various aspects of the real estate business his whole adult life. He claimed he had not asked for the role.[39]

Three HOLC officials flew in from Washington, D.C., to begin retraining staff before Zander even took office, including special agent William McNeal who had served briefly as acting manager and HOLC associate general counsel Daniel McNamara – both of whom had taken leading roles in the investigations. Donne – saying goodbye to his staff the day they arrived – offered to stick around and help McNeal and McNamara with the transition. They declined the offer, announcing an end to his policies of favoritism. McNeal immediately issued two bulletins to the Illinois HOLC. The first affirmed that borrowers could keep their own insurance or pick a new policy as they saw fit so long as the policy met general HOLC standards. The second bulletin recognized the home owners' similar independence in picking who made repairs on their homes even as the repair cost came out of the loan. Donne's team had required borrowers to use approved contractors only, a situation rife with favoritism and inefficiency. Under the new rules, the HOLC appraiser could only specify what repairs were needed – not make statements as to the repair cost or who the borrower should contract for them. The

[39] Al Chase, "Zander Named HOLC Manager to Clean House: Real Estate Man Chosen," *Chicago Daily Tribune,* Dec 20, 1933, 7.

borrower then needed to submit at least two bids for the work – although the borrower could also perform the work themselves, counting the cost of the materials against the loan.[40]

Remarkably, the HOLC never began criminal proceedings against William G. Donne or any of his associates despite clear evidence of corruption. In fact, HOLC leaders did not address the details of the scandal to the public at all. On October 4, 1934, John Fahey gave a speech to the Mortgage Bankers Association in Chicago that only referenced the situation vaguely.

> Questions are frequently raised as to delays on the part of the Corporation dealing with applications. There are many reasons for this difficulty which happily the Corporation has been able to overcome gradually as its organization improved. It should be remembered that the Corporation was tackling a task of such size as no mortgage lending institution ever before encountered. As soon as its offices were open they were overwhelmed with hundreds of thousands of applications. It was absolutely impossible to put to work fast enough persons of sufficient experience to meet the situation. [41]

HOLC leadership preferred letting Donne and company escape prosecution or greater disgrace over a public trial that would unveil the true extent of the corruption and disfunction. (Donne would not serve in such a prominent position again, although the city government must not have held onto hard feelings, as he served as county board secretary and tax committee clerk in the late 1950s.) The HOLC could little risk further erosion of their credibility to the public at large. If the full scope of the Chicago HOLC's initial chaos became general knowledge, many

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[40] Ibid.; Al Chase, "U.S. Takes Action to Speed Loans by Illinois HOLC: Moves to End Favoritism," *Chicago Daily Tribune*, Dec 22, 1933, 11.

[41] John H. Fahey, "Policy of the Federal Home Loan Bank Board Toward Private Home Financing," October 4, 1934, Speeches and Statements by John F. Fahey, 1933-1936, Speeches and Articles, 1932-1947 and Undated, Box 7, John H. Fahey Papers.

mortgagees may have refused to even accept HOLC bonds in exchange for mortgages in default.[42]

The HOLC leaders may also not have pursued charges for Donne and his associates because they worried some of the public would disagree with their reasons for replacing the Kelly-Nash appointments. Spoils systems politics still made sense to lots of people across the country. Many believed Democrats rightfully deserved jobs at the HOLC and other New Deal programs – even if those Democrats lacked the *bona fides* of a qualified Republican or independent. The president of the Democratic Club of Pomona, California – one Mr. J. E. Pettit – wrote to Democratic National Committee Chairman James Farley to criticize the appointment of a Republican as a HOLC appraiser for Orange County, an act Pettit believed undermined party loyalty to the administration: “There are many very competent Democrats praying for work; anything from a few hours per month for the County to a day or so a week in a grocery store or mowing lawns. Many of these men are as well qualified for this work as Appraiser as anyone in the entire state but because they are not graduates of a school of Appraising they are denied work.” Pettit refered to the case of a California Democrat he admired who had worked in real estate and fruit growing for 25 years, but found no success gaining employment at the HOLC. Pettit assured Farley that appointing this man would not only “reflect distinct credit” to the HOLC, but also “would mean much to the cause of Democracy in this District” – by which he meant helping them elect “a real Democrat” in the upcoming election. Democratic voters with

[42] Charles B. Johnson, *Growth of Cook County, Vol. I*” (Chicago: Northwestern Printing House, 1960), 109.

such partisan definitions of "democracy" might praise rather than condemn Donne hiring staff in Chicago based on the will of the political machine rather than accreditation.[43]

Many Chicagoans apparently believed the expulsion of the Democratic political hires represented a witch hunt of sorts. In August 1934, the Executive Committee of the Cook County Building and Loan Groups sent President Roosevelt a telegram, claiming that the Chicago HOLC had discharged "very efficient employees" simply because of their party. The committee boasted that these Democrats had been "preaching and spreading" the policies of the Roosevelt Administration for three years. They bemoaned one dismissed employee in particular, whom they said "served the Chicago office faithfully, was very efficient and understood the work thoroughly," even going so far as to say that home-owning members of affiliated organizations had complained about the employee's dismissal.[44]

Additionally, influential representatives who could have made things difficult for the HOLC believed strongly in partisan HOLC appointments even after the 1933 fiasco. U.S. Congressman Adolph J. Sabath, representing Chicago, lamented to HOLC agent Mr. Loomis of the lack of jobs for Democrats specifically: "In the Home loan in Chicago, the regional office, a democrat has no chance to be appointed or if by chance one is appointed when they found out he is a democrat he is fired. That has been going on for four or five years. The hue and cry is such that something has to be done to appease the people of Chicago." He went on to claim (incorrectly) that only Republican firms received loan closing and property management

[43] Letter from J. E. Pettit to James A. Farley, November 20, 1933, Home Owners Loan Corp, Box 7, John H. Fahey Papers.

[44] Telegram from Sidney J. Keclik to President Franklin Roosevelt, August 10, 1934, GACC, Roll 110.

contracts. He said that in other parts of Illinois Democrats seemed "fairly satisfied" as the original appointments stayed, but he expressed chagrin at the shake-up following the removal of Donne, whose name, ironically or not, Sabath could not seem to remember:

> Unfortunately, in Chicago the original man was put in over my protest, man by name of Connell – something like that. I opposed him but finally to have peace within the party I yielded to Senator Dietrich and to Mayor Kelly and said all right. Well within two or three months, this fellow – a Democrat – got in bad… That was followed by Zander, a Republican, whom the Republican real estate board recommended. From that time on no Democrat had a chance of an appointment.[45]

Sabath complained that he had referred "two or three girls and some men" to Charles W. Collins, a regional manager at the Chicago office, but "they are told nothing is for them." Sabath's frustration even caused him to threaten investigations. He particularly resented Collins, demanding, "I want to know where in the hell this fellow Collins is getting his people from… I think this fellow ought to be fired... send some fellow out to Chicago with horse sense." Sabath did not stand alone among representatives who believed in patronage hiring. Even while Representative Everett Dirksen presented evidence of nepotism and graft to Congress, his Democratic colleagues struck down an amendment to the Home Owners Loan Act that would have replaced patronage hiring with a merit-based system – even though President Roosevelt himself had suggested the reform.[46]

The Chicago HOLC had also taken center stage for opposition to the New Deal generally. Freshman U.S. Representative Everett Dirksen frequently excoriated the branch on the floor of

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[45] "Telephone conversation between Cong. Sabath and Mr. Loomis," August 22, 1939, Box 1, John H. Fahey Papers.

[46] Ibid; "HOLC in Illinois is Target for New Attack in House," *Chicago Daily Tribune,* Apr 6, 1934, 6.

Congress. Dirksen, a World War I veteran and baker-turned-GOP congressman from northwest Illinois, declared the situation in the Chicago HOLC office the "foulest blot on the escutcheon of Illinois," drawing national attention to its inefficiency and patronage hiring. "What are the fruits of victory?" he posed to the House in April 1934. "Why in this case, they are melons in fees, plums in patronage, and applesauce in results for the distressed home owner." His agricultural-themed jeremiad included shocking statistics: after over nine months of operation, the Illinois HOLC had received 63,877 applications but only processed 1,048 loans. At the time of Dirksen's speech, even Donne's replacement had not much improved the situation; Zander's office had only completed 596 loans between January and April 1934. In February 1934, the Illinois HOLC had employed 442 salaried field employees but only closed 181 loans, a stark display of inefficiency that played right into the hands of the New Deal's critics. Congressman Stephen Young of Ohio painted HOLC managers as parasitic bureaucrats with extravagant tastes:

> Ornate offices in magnificent buildings such as are in vogue in New York and Illinois should be eliminated… Democratic politicians with feet cocked on mahogany desks and reclining on luxurious davenports should be fired. Taxpayers should be considered. Distressed home owners should receive the relief we in Congress intended.

Despite this pressure and poor press, the Washington headquarters denied rumors that Zander also faced dismissal. They knew it would take time for Zander to rebuild the Chicago agency from the ground floor.[47]

Even after removing Donne's corrupt staff and political hires, Zander and McNeal faced months of fixing the local system and cleaning up from the mistakes already made. Summaries of legal conferences show HOLC leadership discussing the need to perform character reports on

[47] "HOLC in Illinois is Target for New Attack in House," *Chicago Daily Tribune;* Apr 6, 1934, 6.

each and every Illinois loan and to reevaluate all the insurance policies Donne's office had issued. Donne had even contracted various private law firms to close five hundred HOLC loans, so HOLC General Counsel Horace Russell started an investigation into the quality of that work. Internal documents show that the scandals in Illinois greatly alarmed HOLC leadership, putting them on watch for political corruption and self-dealing nationally. William McNeal went on to serve as general manager of the entire corporation and began sharing regular bulletins with state managers and their staffs, laying out proper procedure and warning against unseemly distractions.

> To make the HOLC the pride of the President and of the administration sponsoring it will require our united and untiring efforts, but it can and must be done. No greater calamity could come to us as individuals, as a group or as backers of the administration than to allow other considerations, ambitions, or rewards to interfere with the definite and timely fruition of the purposes of the Home Owners' Loan Act.[48]

For several months, complaints about the slow progress of the Illinois HOLC continued, with many fearing the new administration proved no better than the last. However, the delays now appeared to stem less from incompetence and more from the fact that Zander spent three months simply undoing the mess Donne made in six months. He fired or forced resignations from more than 100 employees who proved corrupt or unqualified, including State Counsel Samuel Markman, State Appraiser Patrick W. Barrett, Assistant General Manager Victor Schlaeger, and Office Manager Hasel Brown. Most of these had been approved or hand-picked by the Chicago political machine; Schlaeger, for example, was a politician from the 10th ward.

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[48] Summary of Legal Conference, December 27, 1933, Federal Home Loan Bank Board: Reports, Box 7, John H. Fahey Papers; Letter from William H. McNeal to HOLC State Managers and Staff, February 12, 1934, Federal Home Loan Bank Board: Reports, Box 7, John H. Fahey Papers.

Refilling so many positions – this time by carefully assessing the applicants' actual merits – took weeks. Additionally, Zander had to take care of matters downstate that went unattended. The HOLC appointed a New York attorney to investigate the qualifications of all the Illinois HOLC's lawyers that examined and cleared titles outside Chicago. They also standardized the title examination fees which under Donne's management had – as with the appraisal fees – cost homeowners far more than the national HOLC had approved. According to the *Tribune*, "During the Donne regime attorneys charged what they thought they could get." The Zander reforms set the maximum rate for title clearance at $5. The HOLC further appointed a state supervisor to survey district offices in the state and take steps to increase productivity and efficiency in loan processing. The first state supervisor, former president of the Illinois Bankers Association Walter B. Crawford, had long worked in Chicago but hailed from southern Illinois; perhaps his appointment represented a bridge between metropolitan and downstate interests.[49]

In addition to time-consuming reforms, non-qualifying applicants continued to slow the agency's progress just as they had since the opening of the Chicago office. McNeal lamented that people with homes valued greater than the $20,000 threshold were still applying, asking for a reduced appraisal so they could receive a loan. McNeal had to remind homeowners and appraisers alike that thus falsifying appraisal reports broke the law and would result in criminal prosecution. Additionally, since only mortgages at risk of foreclosure qualified for the HOLC program, some homeowners deliberately fell behind on payments despite the ability to pay, a

[49] "HOLC Announces Resignations of 3 More Officials," *Chicago Daily Tribune,* Mar 2, 1934, 9; "HOLC Appoints Lawyer to Quiz Title Attorneys," *Chicago Daily Tribune,* Jan 7, 1934, 5; "W. B. Crawford is Appointed State HOLC Supervisor", *Chicago Daily Tribune,* Jan 12, 1934, 3.

fraud that McNeal warned placed the applicants “in a serious position… When it is found that such home owner has so acted, his application will be rejected and he will then perhaps find that he is not financially able to redeem his credit with his former mortgage.” He declared that these non-qualifying applicants “hampered… efforts to alleviate real distress… Our waiting rooms and lobbies are so jammed with people and the time of our clerks is so taken with answering questions that we are almost unable to do any constructive work.” Of course, many applicants with non-qualifying mortgages applied because they honestly did not understand the eligibility requirements. The *Chicago Tribune* published multiple letters-to-the-editor from people uncertain if they qualified and several articles explaining the program ran as late as July 10, 1934, nearly a year after the program began.[50]

Although the Chicago HOLC performed much better under Zander’s leadership, his tenure did not lack controversy. Zander and McNeal decided early on to create bulk handling stations throughout the state where institutions with large amounts of mortgages at risk of foreclosure could process loans efficiently using their own staff and attorneys doing the clerical work with a HOLC official only needed to review and sign off on the work. Some of the companies that benefited from this program included Prudential Life Insurance, Sears Roebuck, and the Chicago City Bank and Trust. While he had not received direct permission from the FHLBB for this plan, Zander travelled to Ohio to study their bulk handling system and believed it effective,

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[50] Al Chase, “Useless Queries Hampering Work of HOLC Office: Loan Applicants Warned,” *Chicago Daily Tribune,* Jan 1, 1934, 22; “Home Owners’ Friend: Worried About His Mortgage,” *Chicago Daily Tribune,* Feb 18, 1934, A10; “Home Owners’ Friend: Partners Face Foreclosure,” *Chicago Daily Tribune,* Jan 14, 1934, 20; “9757 Illinois Repair Loans Asked of HOLC: U.S. Officials Urge Speedy Filing,” *Chicago Daily Tribune,* Jul 10, 1934, 22.

proceeding enthusiastically in setting up eight stations in Illinois. However, the HOLC did not extend the convenience and attention of these bulk handling stations to smaller institutions like local building and loan organizations, perhaps because they feared such institutions would not have the staff necessary to complete the processing themselves.[51]

Complaints poured in from smaller mortgage holders immediately. Albert Niedbalski, president of the Illinois Building and Loan League, telegraphed President Roosevelt protesting that the HOLC did not extent bulk handling to "real people's institutions." "Although bulk stations are being operated for the benefit of the First National Bank, Sears Roebuck Company, and others," Niedbalksi charged, "our borrowers are exactly the type for which this relief legislation was intended and unquestioned discrimination has been used in this decision."[52] Roosevelt received a similar telegram from Louis E. Mulac, secretary of the Hawthorne Club Savings Building and Loan in Cicero, Illinois. Mulac reminded the president that the building and loans had done as he asked them in 1933, avoiding foreclosing on distressed borrowers and instead applying for HOLC bonds. The Hawthorne Club had only foreclosed on three properties during the entire crisis and was waiting on the HOLC to address their applications since August 1933, nine months before. Mulac declared his company was thrilled with Donne's replacement in December and had expressed enthusiasm when McNeal and Zander announced the new bulk stations. They were shocked, however, to find their type of business could not use the bulk handling service. They believed the separate, expedited processing of mortgages for large

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[51] Al Chase, "HOLC Here to Set Pace by May 1, Zander Believes: State's Reorganization," *Chicago Daily Tribune*, Feb 22, 1934, 28.

[52] Telegraph from Albert Niedbalski to President Franklin Roosevelt. April 9, 1934, GACC, Roll 110.

institutions represented government favoritism for big corporations and a betrayal of the spirit of the New Deal generally and the Home Owners Loan Act specifically.[53]

The board instructed Illinois, and indeed all states, to cease using the bulk stations on April 4, 1934 – apart from finishing loans which had reached the preliminary appraisal stage. However, Roosevelt still received complaints about this policy from those who felt preference might have been appropriate going the other way. “We have over one hundred applications for HOLC loans pending, many of these since last August,” complained the People’s Savings and Loan Association of Michigan Avenue. “We have not yet seen the color of HOLC bonds.” They argued that the local bulk handling stations had been making a dent in the backlog and should have continued. “If discrimination occurs in favor of large banks and large corporations, why not eliminate those stations only.” The HOLC – like many large agencies serving a wide variety of patrons – found it difficult to make policies that left everyone happy.[54]

Despite the delays necessitated by reform and a few minor controversies like the bulk handling stations, by summer 1934 Zander had completely turned around Illinois’ numbers. In June they closed 3,300 loans, with 5,000 more in July. Often they processed a million dollars’ worth of mortgages in a single day. Partly the improvement came from Zander closing loans authorized at 3 percent bonds before the HOLC policy changed to 2.75 percent bonds that appealed less to mortgage holders. However, most of the credit for the change undoubtedly goes to improved management and an agency culture centered around serving the public interest as

[53] Telegraph from the Louis E Mulac to President Franklin Roosevelt, April 11, 1934, GACC, Roll 110.

[54] Telegraph from Peoples Savings and Loan Association, Charles Brandt and Co to President Franklin Roosevelt, April 9, 1934, GACC, Roll 110.

intended by the Home Owners Loan Act rather than around political patronage and graft. This does not mean that the HOLC's policy was, in fact, as progressive as it should have been; later chapters will show the Chicago HOLC initiated foreclosure proceedings against elderly, impoverished, and disabled borrowers in the name of protecting the corporations interests much as a private lending institutions would have, albeit with more leniency – a difference in scale, not kind. However, one cannot seriously dispute the fact that the agency served working-class and middle-class Illinoisan home owners far better under the oversight of a national policy than it had when driven by the local political machine.[55]

The HOLC ended its lending operations on June 13, 1936, as planned. Despite its initial six-month management disaster, by the time Zander approved the final loan in Illinois the state matched the national average cost for closing loans. The Illinois HOLC had received 127,169 applications and made 69,988 loans, 45,951 in Cook County alone. The HOLC eventually foreclosed on 9,057 accounts, but 60,931 borrowers managed to pay off their loans and keep their homes. Following this, HOLC operations changed considerably. Staffs shrank with those remaining managing properties. In 1936, the FHLBB tasked HOLC field agents with creating neighborhood appraisal maps and city surveys to inform future mortgage lending and residential development projects financed by the FHA and other government agencies.[56]

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[55] Al Chase, "HOLC Loans Here Set Record; Five Million in Week: Weekly Average ½," *Chicago Daily Tribune,* Jul 28, 1934, 19.

[56] *Final Report to the Congress of the United States Relating to the Home Owners' Loan Corporation, 1933-1951*, (Washington, D.C.: Federal Home Loan Bank Board, 1952), Schedule 7; "Data Related to HOLC Loans and Properties," Records Relating to the City Survey File, 1935-1940, Home Owners' Loan Corporation, Record Group 195, Records of the Federal Home Loan Bank Board, Box 135, National Archives in College Park, Maryland.

The Home Owners' Loan Corporation changed the nature of mortgages in the United States forever, particularly by popularizing the 15-year term mortgage. "This was the longest term for which such loans had ever been made in the United States," Fahey reported to Congress in 1944, "and it resulted in a general change in lending practices throughout the country in favor of longer term, amortized loans." The interest rates – never more than 5 percent - also represented the lowest in the nation's history, setting a new standard. Many leading mortgage executives in 1933 had prophesied the HOLC would operate at a massive loss to the government, perhaps as much as a billion dollars, due to the fact that they literally only made mortgages to fiscally at-risk borrowers whose homes averaged 15-years old. However, in 1944 Fahey reported that the HOLC's losses amounted to less than two percent of the government's initial investment. All told, the HOLC made 1,017,821 loans totaling $3,093,451,021 in mortgages and $390,596,585 in advances for expenses like taxes, insurance, and repairs. Fahey viewed the HOLC as "a conspicuous success of an extraordinary lending adventure," and credited the success of the HOLC to the soundness of the initial legislation passed by Congress and their responsiveness to new issues with appropriate amendments. He further praised the "gratitude of self-respecting American citizens, who recognize their obligations to their Government and willingly make sacrifices to discharge them and to save their homes." Rather than becoming lazy about paying off mortgages with good terms, the vast majority of borrowers made interest payments regularly and began whittling down the principal as soon as they found their financial footing. Finally, Fahey warmly acknowledged the HOLC's loyal staff, "who realized the responsibilities the public service imposed upon them and, regardless of hours and inadequate compensation, worked indefatigably, have also contributed in a very large way to the results secured." While these workers undoubtedly deserve such praise, one should also remember those who cared little for the scruples of responsible public service and whose loyalty bent more towards patronage for the Nash-Kelly machine than towards the ideals of the New Deal.[57]

The administrative history of the Chicago HOLC serves as a sobering cautionary tale for policymakers and students of governance. Administrators hired bureaucrats based on political alignment or machine recommendation, and so productivity suffered and scandals multiplied. If state party leaders encouraged a culture of such patronage, local leaders felt free to ignore national policies and even stoop to nepotism while genuinely feeling they did nothing wrong. Such a culture additionally invited other forms of graft and even fraud from lawyers willing to shake-down desperate homeowners. Local and state level scandals brought distrust to the entire national apparatus of the agency and even to the presidential administration overseeing it. The months Donne led the Chicago HOLC hobbled the agency and stained its reputation for years in the media, public opinion, and floors of Congress.

The Chicago HOLC's administrative turnaround, however, also offers lessons for would-be reformers. Regular and thorough oversight from both the citizenry and the federal government improve the health of local and state bureaucracies. While a decentralized organizational structure may facilitate prompt and tailored responses to local needs, a lack of oversight can result in catastrophic waste and corruption. The overseers should not only keep tabs on internal correspondence and output, but should also seriously listen to the public regarding local administrations. The investigations that led to Zander replacing Donne followed months of

[57] John H. Fahey, "A Report to the Congress of the United States by the Home Owners' Loan Corporation", (United States Government Printing Office: Washington, 1944), 4-5.

correspondence, telegrams, and letters-to-the-editor by frustrated Illinoisians angry about delays and poor service. The administrative history of the Chicago HOLC during its lending period serves as an example both of how deeply political machines and unscrupulous officers can sink an agency and also of how thorough oversight and aggressive personnel shake-ups can turn even the most dysfunctional agency around.

CHAPTER 2

COMMITTEES OF ONE: LETTERS TO THE PRESIDENT

Introduction

In January 1935, more than five years into the worst depression in American history, President Franklin Roosevelt received a letter from Michael Cabaj, a worried and beleaguered man. Born in Rendziny, Poland in 1899, Cabaj had only achieved a fourth-grade education before setting his sights on opportunity abroad. He immigrated to the United States aboard the *SS Princess Matoika*, arriving in New York City in 1920. He soon met Lelian who had herself departed Poland four years before. They married and bought a house on Chicago's Southeast Side, a neighborhood built up over decades by immigrants working in the city's famed steel industry. Cabaj earned a wage at the mills while his spouse Lelian tended the home for their rapidly growing family; soon, five American-born children filled their wooden house on 81st and Coles Street. They did not possess much – not even a radio – but they felt pride in their home. The Cabajes planned to finish the citizenship process as soon as they had saved some money.[1]

[1] Bernice Cabaj to President Franklin Roosevelt, January 7, 1935, and Bernice Cabaj to HOLC, September 18, 1934, Box 1, Sample of General Loan Correspondence, 1933-1936, Federal Home Loan Bank System, Home Owners' Loan System, Record Group 195, National Archives at College Park, Maryland (hereafter abbreviated as "General Loan Correspondence"); Michael Cabaj. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *17B*; Enumeration District: *0316*; FHL microfilm: *2340161; Michael Cabaj.* National Archives at Chicago; Chicago, Illinois; ARC Title: *Petitions for Naturalization, 1906-1991*; Record Group Title: *Records of District Courts of the United States, 1685-2009*; Record Group Number: *RG 21; Lillian Cabaj.* Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *17B*; Enumeration District: *0316*; FHL microfilm: *2340161. Frequently, the names on the letters do not match the spelling of the person's name in the US Census. I have, however, confirmed these are the same people using other data points, most commonly by matching the addresses from the letters to the addresses on the census.*

Sadly, the letter informed the president, hardship had stricken the young family fiercely and rapidly. In 1927, Lelian went blind. Then the Depression came, and Michael faced three years of unemployment. By 1934 he had managed to find part-time work with the Illinois Steel Company, but he could not earn enough to keep away the hounding creditors. The family fell deeply behind on mortgage payments, and the mortgage holder threatened to foreclose. However, the struggling couple saw a chance for rescue in the newly created Home Owners' Loan Corporation. The Cabajes talked it over with their mortgage holder, who agreed to accept HOLC bonds in exchange for the mortgage. The HOLC would then – they had learned – restructure the mortgage with a longer term and easier payments. Hoping for this much-needed relief, they gathered their property documents and photographs of the home and mailed them to the Chicago HOLC along with an application for a loan. To their joy, the HOLC accepted their plea, saying Michael and Lelian simply needed to come in and sign the papers. The couple, undoubtedly feeling a relief unknown by them for months, made the trip north to the LaSalle Street offices of the Chicago HOLC. However, when they arrived, they learned the agents had approved their application in error; the HOLC would not provide the family a loan because Michael and Lelian Cabaj lacked citizenship.[2]

The letter pleaded for Roosevelt to reverse this decision: "Dear Mr. President, I have difficult in getting a Home Owners Loan to save my little home. I made application for citizen papers six months ago and expect to be a citizen of this country… All my children were born here and we all be stay here. We all beg you Dear Roosevelt, so we won't loose our little

[2] Bernice Cabaj to President Franklin Roosevelt, January 7, 1935, and Bernice Cabaj to HOLC, September 18, 1934, Box 1, General Loan Correspondence.

home…" Who read the letter remains unknown. President Roosevelt received 4,000 to 8,000 letters daily on average, occasionally receiving as many as 150,000. Twenty-two White House staffers opened the mail for him, sorting it by issue or related agency and providing the administration with a vast, reliable data set for the quantitative analysis of public opinion. While the staff worked to give every letter at least a sense of a personal response – avoiding form letters when possible - they could only pass along a tiny fraction of the messages to President Roosevelt. He requested that they send him a random sample every day, his own form of qualitative analysis to let him know how people were hurting, what they wanted, and how to frame policy language for his 127 million constituents to best understand. According to those around him, he preferred working-class letters, including those poorly scrawled in broken English without fancy letterheads, just like that of the Cabaj family.[3]

Whoever read the Cabaj's letter received a shock halfway through. The voice changed, and the reader learned the writer was not actually Michael, who still only wrote Polish. The letter, in both handwriting and composition, actually came from Bernice Cabaj, his eldest daughter. She had previously written to HOLC headquarters directly about their problem, and – having received a negative answer – turned her pen to directly appeal to the president. She felt the weight of the audience she sought. "Dear President Roosevelt, excuse me for writing because my mother would write it but she can't see on her eyes for 8 yrs. Please help us save our little home… Dear Roosevelt will you Answer us?" Bernice Cabaj was 12 years old.[4]

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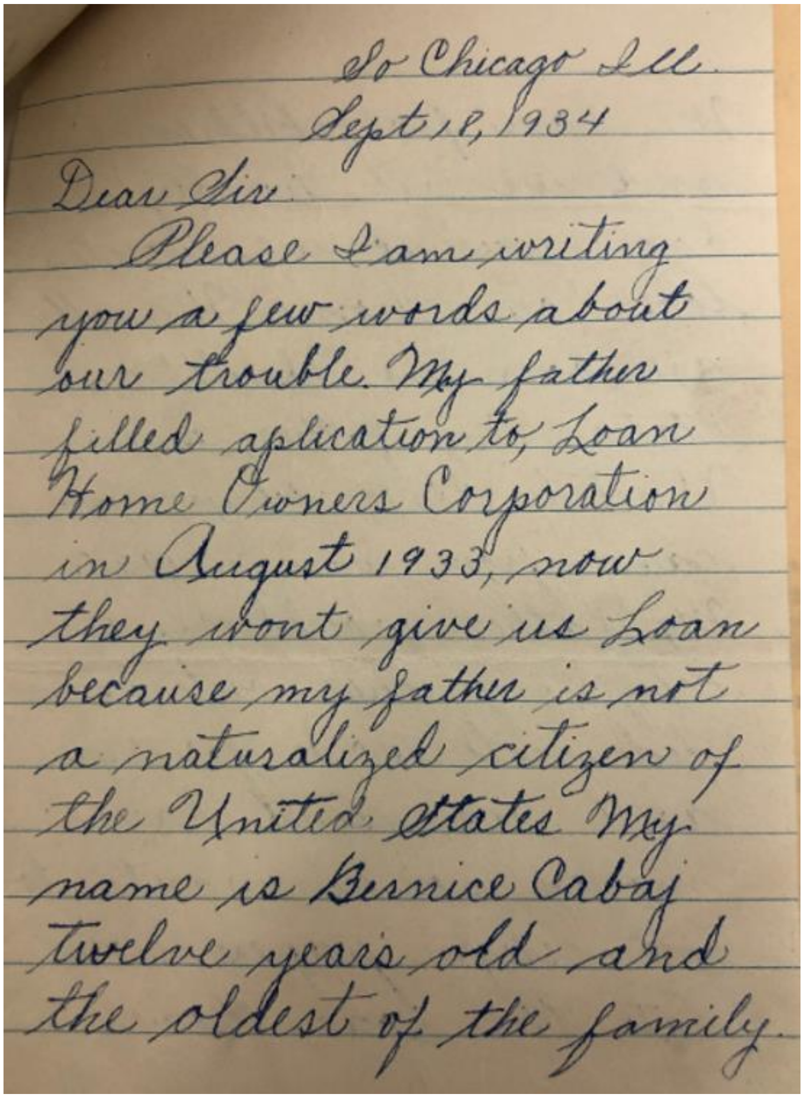
[3] Bernice Cabaj to President Franklin Roosevelt, January 7, 1935, Box 1, General Loan Correspondence; Leila A. Sussman, "FDR and the White House Mail," *The Public Opinion Quarterly*, Vol. 20, No. 1 (1956): 5-16. Accessed March 14, 2021. http://www.jstor.org/stable/2746548.

[4] Bernice Cabaj to President Franklin Roosevelt, January 7, 1935, Box 1, General Loan Correspondence.

During the Great Depression, thousands of Chicagoans like Bernice Cabaj wrote to President Roosevelt asking for advice or assistance related to the HOLC. Their stories show how New Deal agencies, however revolutionary or well-meaning when conceived, often let people fall through the cracks. An intersectional analysis of these letters, particularly those from suffering Americans rejected due to prejudices, technicalities, or limited liberal policies, offers lessons for policy makers crafting social and economic programs or responding to financial emergencies.



So Chicago Ill.
Sept 18, 1934
Dear Sir:
Please I am writing you a few words about our trouble. My father filled aplication to Loan Home Owners Corporation in August 1933, now they wont give us Loan because my father is not a naturalized citizen of the United States My name is Bernice Cabaj twelve years old and the oldest of the family.

Figure 2. Bernice Cabaj, age 12, wrote this letter to the National HOLC Headquarters in Washington, D.C., asking them to reverse the Chicago HOLC's decision to deny her family's home loan application because of her parents' lack of citizenship. When the National HOLC rejected her request, she wrote directly to President Franklin Roosevelt.[5]

[5] Letter from Bernice Cabaj to the Home Owners' Loan Corporation, September 18, 1934, Box 1, General Loan Correspondence.

Historiography

The scope of correspondence between citizens and the White House exploded during the Roosevelt Administration. The president received thousands of letters every day and tens or hundreds of thousands daily during major political moments. As a result of this and the committed efforts of archivists, scholars can access a truly staggering collection of letters – 15 million at Roosevelt's presidential library in Hyde Park, New York, and millions more in the National Archives. Despite this rich opportunity for studying the thoughts and opinions of average Americans during the Depression, only a handful of historians have examined these letters.[6]

Leila Aline Sussman's *Dear FDR: A Study of Political Letter-Writing* (1963) analyzes the rate of mail sent to American presidents up to Franklin Roosevelt. Between the administrations of Grover Cleveland and Herbert Hoover, the White House received on average about 400 messages a day. Presidents would read a sample of the mail but did little to systematically analyze it or employ it for political purposes. Woodrow Wilson pioneered using the radio to ask voters to write letters in support of his policies to their representatives, but these efforts paled in comparison to the later mail operations of Franklin Roosevelt. In his first seven days in office, Roosevelt received 450,000 letters, and while 1933-1934 saw the heaviest influx, he averaged thousands of letters per day through his entire presidency. The increased flow of citizen correspondence resulted from a variety of factors: increased literacy, rising political interest, calls for mail responses during radio broadcasts, the extremities of the Depression, and the

[6] For a general analysis of the populace's correspondence with President Franklin Roosevelt, see Lawrence and Cornelia Levine, *The People and the President: America's Conversation with FDR* (Boston: Beacon Press, 2002), ix.

generally more direct relationship between the federal government and individuals created by the New Deal. According to Sussman, "FDR's presidential mail marks the most important turning point in the history of correspondence between the electorate and the White House." Roosevelt – aided by his campaign manager Louis M. Howe – championed the use of political letter-writing, circulars, and response analysis in their political campaigns going back to Roosevelt's state senate run in 1912. His presidential administration continued and enhanced the systematic, wholesale analysis of correspondence, but he also made sure to read a daily bundle of the letters himself to stay in touch with the nation. The administration used other opinion research methods as well, but while polling could provide a sense of citizens' opinions numerically, Sussman writes, "the letters contained stories of how families were being helped, not by one, but by a whole battery of New Deal measures."[7]

Robert S. McElvaine's *Down & Out in the Great Depression* (1983) is an edited collection of 173 letters written to Franklin and Eleanor Roosevelt from a wide variety of archives of New Deal agencies and from collections of personal papers. McElvaine notes that – while Americans express more fascination with the Great Depression than with any other era save the Civil War – most scholarly works on the 1930s focus on "big man history," particularly that of President Roosevelt, his administration, politicians, union leaders, and nationally-recognized activists and reformers. Historians often ignore the voices of average, working-class people. Further, most early historians of the Depression lived through the event with some amount of privilege which colored their memories, impressions, and moral lessons. While acknowledging the power of

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[7] Leila Sussman, *Dear FDR: A Study in Political Letter-Writing* (Totowa: Bedminster Press, 1963), 6-7, 9-10, 13-15, 23, 60.

interviews – such as those collected by the Works Progress Administration or by Studs Terkel in his famous oral history of the Depression, *Hard Times* (1970) – McElvaine points out that these recordings took place decades after the troubled years. “Memories are notoriously fallible,” McElvaine explains. “This is especially true when unpleasant experiences are involved. The “bad old days” are more readily forgotten than the good.” Letters, conversely, give a window into peoples’ situations, thoughts, and feelings unfiltered by time. For these reasons, McElvaine argues that letters provide the most accurate account available of life during the Depression – particularly the letters to President Roosevelt as most writers genuinely saw Roosevelt as a friend trying his best to help them. Additionally, while many of the letters in his collection convey stories of privation and even despair, McElvaine sees the act of letter-writing itself as a sign of faith in the future: “The very act of writing for help showed that a person was not completely without hope, no matter how desperate his letter might be.”[8]

McElvaine received advice and encouragement from Lawrence and Cornelia Levine while researching for his book in the presidential library in Hyde Park, New York, where they also researched Roosevelt’s letters. Their anthology, *The People and the President* (2002), focuses specifically on letters written to Roosevelt in response to his famous radio addresses known as the Fireside Chats. The Levines describe Depression-Era letters as “our only direct, unmediated contemporary record of the consciousness of substantial numbers of people who lived through the crises of depression and war.” They found that, when people listened to FDR

[8] Robert S. McElvaine, *Down & Out in the Great Depression: Letters from the Forgotten Man* (Chapel Hill: University of North Carolina Press, 1983), xv, 3-7, 157.

over the radio, many truly believed he spoke directly to them and saw their letters to him as the other half of a genuine conversation – one the Levines urge historians to eavesdrop.

> Their letters allow us to approach FDR and the New Deal through the eyes of contemporaries who viewed what was transpiring in Washington from outside the centers of power, to be sure, but who felt its effects at first hand and who responded to their President with gratitude and censure, criticism and advice.

The Levines also noted how the Roosevelt Administration attempted to give at least the impression of a personal response to the majority of the deluge of mail they received, both endearing the base to the president and impressing upon most Americans for the first time the validity and possibility of writing to political representatives.[9]

When mail arrived at the White House, staffers would have sorted letters regarding the HOLC out from ones addressing other agencies and then forwarded them to the national HOLC headquarters. Sometimes – if the Washington, D.C., office deemed the problem clearly intractable – they would write the citizen directly, usually employing one of several form letters stating how the corporation could not aid the homeowner because of a legal limitation. Frequently, however, the HOLC agents in Washington, D.C. could not make such a determination for lack of information. They then sent the letters to the state office headquarters in Chicago which housed the original application and title documents, asking them to reassess the applicant's situation or at least provide a more thorough explanation for the denial. Sometimes the local offices would again find the borrower ineligible for one of the aforementioned common reasons and mail out a denial form letter similar to the one the national office used. Occasionally, however, the office came up with a possibly more satisfying solution

[9] Levine, 5, 8-9.

to the applicant's problem and invited them to the office to discuss matters or ask for additional information. Writing to the president over the head of the local HOLC presented no guarantee of assistance, but success happened often enough to render letter-writing a far from hopeless remedy.

Attitudes towards President Roosevelt

Some writers – perhaps surprised at themselves for writing a head of state – reminded President Roosevelt that he had invited them to do so. "As per your radio suggestion," wrote Agnes Chapman of Niles Center, Illinois, "I am appointing myself a committee of one to present my grievance against the HOLC of Chicago, believing that it will not be in vain." Several writers expressed sympathy for Roosevelt receiving all these complaints and requests despite themselves being in the direst of straits. "I know you must be half crazy, listening to every one talk of woes," wrote Raymond Cavanaugh, age 40, an unemployed handyman in the southside neighborhood of Canaryville. Cavanaugh sought a home improvement loan so he could repair the aging frame cottage his family lived in, and he hoped that the government could give out some of the lumber collected from condemned houses in blighted areas. "If this little shack takes a notion to cave in, I will have to live like the Indians in a tent. I am serious my dear President, it's tough to see your only place of shelter tumbling down, and just can't help yourself… Never thought I would have to beg. But here I am." Mrs. Ralph Langan of the Irving Park neighborhood likewise feared her letter an imposition on the president: "Far be it from me to add another burden to your shoulders. I am not trying to write a 'sob story.'" Many writers vacillated in tone between timidity or apology to desperation or even anger. They faced a novel difficulty: navigating an era of unrivaled national suffering combined with an unprecedented level of federal engagement. How should one petition a government big enough to help but too massive and centralized to see those slipping through the cracks?[10]

Presumably, most citizens understood that their letters went through a system and that the president himself might not directly read their message. One R. J. Branson of Centralia, Illinois even began his letter acknowledging the situation: "I am writing you this letter knowing that it will be referred to the proper authorities or Department, as I well know you personally can not take care of all of the detailed matter and complaints of this kind." Branson's presumption of Roosevelt not seeing his letter is all the more remarkable given that Branson served as an Illinois State Representative. (Perhaps he thought he might receive less attention given he served as a Republican.) Some supplicants, like Harry and Mary Chasen of North Lawndale, recognized the desperate odds of their letter reaching Roosevelt, but hoped against hope anyway: "You are the only person left to whom I can appeal for help. You, no doubt, receive many letters of this type, and I realize that you try your best to help the people of the U.S. But please, Mr. Roosevelt, give this letter some <u>extra</u> thought." Knowing their letters represented mere drops in an ocean of correspondence, some wrote with urgent desperation. Margaret Coash of Brookfield, Illinois, began her letter, "Sir, Please don't throw this in the waste basket until you have read it through." This awareness of the process and scale of White House correspondence shows letter writers possessed hope – but not naivety[11]

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[10] Agnes Chapman to President Franklin Roosevelt, January 12, 1936, box 25, General Loan Correspondence; Raymond Cavanaugh to President Franklin Roosevelt, March 18, 1935, box 21, General Loan Correspondence; Raymond A. Cavanaugh. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *3A*; Enumeration District: *0220*; FHL microfilm: *2340158*; Mrs. Ralph Langan to President Franklin Roosevelt, April 4, 1935, box 66, General Loan Correspondence.

[11] R. J. Branson to President Franklin Roosevelt, January 12, 1934. General Administrative Correspondence, Chicago Region, Home Owners' Loan Corporation, T-945 Roll 111, Federal Home Loan Bank System, Home Owners' Loan System, Record Group 195, National Archives at College Park, Maryland (hereafter "GACC, Roll

Many writers took a familiar, even entitled tone with the president, while others apologized for inconveniencing Roosevelt with their requests, acknowledging the many demands on the president's time and attention. "I know the burden you have to carry is terrific," wrote Charles Telega, secretary of the Small Home and Land Owners Federation, "and therefore it seems to be unreasonable to pester you." Some, like Gust Chalos of Gary, Indiana, voiced deep appreciation for getting to contact the president at all: "May I not, in my humbleness, express my thankfulness for the privilege which you, Mr. President, so graciously accorded to everybody to write to you in time of distress."[12]

Most letter writers expressed respect and admiration for the Roosevelt Administration, yet a few made known their displeasure for the president and his New Deal. None berated more caustically than Charles L. Carter of Wilmette, Illinois. Charles, age 25, had moved to the area with his parents from Indiana. After gaining a 4th grade education, Charles made truck deliveries for a grocery store, saving enough to move out on his own. His father suffered from paralysis, leaving Charles' mother, Tillie, to manage their apartment business and keep up payments on the house. The Depression hit their finances deeply, and they had to let out apartments that normally rented for $45 a month for a mere $17. Then Charles' brother fell into unemployment for seven years and his family had to take up one of their parents' apartments rent-free.[13]

#")**;** Harry and Mary Chasen to President Franklin Roosevelt, August 3, 1936, box 27, General Loan Correspondence, emphasis in the original; Margaret Coash to President Franklin Roosevelt, July 1, 1935, Box 39, General Loan Correspondence.

[12] Charles Telega to President Franklin Roosevelt, April 11, 1934, GACC, Roll 110; Gust Chalos to President Franklin Roosevelt, December 8, 1934, box 23, General Loan Correspondence.

[13] Charles L. Carter to President Franklin L. Roosevelt, March 22, 1936, box 1, General Loan Correspondence; Charles L. Carter. Year: *1930*; Census Place: *New Trier, Cook, Illinois*; Page: *21A*; Enumeration District: *2210*; FHL microfilm: *2340238.*

Threatened with foreclosure, Tillie applied for and received a HOLC loan in 1934, with the low payment of $32 a month. However, her interest-only grace period only lasted two years, and in March 1936 the local HOLC office called her in to tell her she needed to increase her payment to $62 a month. “They might as well have said $62,000,” Charles wrote with evident exasperation. Tillie, age 62, only made $840 a year, and these payments combined with taxes and insurance would total $1,034. “Of course you know that she doesn’t need anything to eat or wear and no fuel in the cellar for the winter,” he added sarcastically. He angrily related how – when Tillie tried to explain her family situation – the HOLC agents had instructed her to get on relief. Charles exploded: “Well there was another government who told their people ‘let them eat cake’ and you as well as I know what happened to the big shots.” He also found their suggestion quixotically incompetent. “Also wouldn’t it be a brilliant piece of government to take all her money and then she turns right around and gets it all back through the relief agency? Is that another brain trust idea?” If the written expressions of trust and affection from approving citizens demonstrate Americans’ new familiarity with the administration, perhaps the frank criticisms – even veiled threats – from writers like Charles Carter reflect a likewise remarkable oppositional familiarity. Charles continued writing in about his mother’s case, not seeming to think his caustic political statements would damage her chances for the aid due her as a citizen.[14]

Attitudes towards the Chicago HOLC

Most writers upset with the Chicago HOLC, however, do not appear to have blamed Roosevelt himself for the corporation’s shortcomings. They did advise him nevertheless that these failures reflected poorly on his administration. Samuel Jaffe, age 60, had immigrated from

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[14] Ibid.

Russia as a very young child. Working in Chicago Heights in the real estate industry, Samuel heard regularly of applicants in clear distress being denied relief. The HOLC rejected some due to their unemployment, assuming they could not regularly make payments. Others, however, received denials because the HOLC considered them too employed to truly experience the economic distress necessary to qualify for a loan. “Then who is eligible for a loan on Real Estate in the opinion of the Chicago H.O.L.C. officials?” Samuel asked incredulously. He then warned Roosevelt that these rejections threatened the administration’s image to voters.

> I am greatly interest [sic] in the continued success of the Democratic party and dislike to see anything that will give its opponents cause to throw brick bats at one or more of the projects of your administration to relieve distress and hardships of many people… To say that these people whom I refer to are disappointed, disheartened, is putting it mildly. In their distress and despair they do not only blame the local (or Chicago) branch of HOLC but your administration for allowing such misinterpretation of well intended and splendidly functioning policy to continue in this part of the country.[15]

John Matthews, a 65-year old Irish immigrant in the North Austin neighborhood, similarly criticized the Chicago HOLC while defending “My Dear Friend Mr. Roosevelt.” He began by expressing undying loyalty: “I will take my coat off and fight any man that says anything against you, and should you never do another good turn the rest of your life, I am 100% with you for life.” However, John, writing on behalf of others in the summer of 1934, complained that the HOLC in Illinois barely operated at all. “I have failed to meet a single one who obtained a Home Loan,” he wrote. “It makes my heart ache to see so many poor people who put their faith in the H.O.L.C. losing their savings of a lifetime through no fault of their own.” He even wished that General Hugh S. Johnson, a member of Roosevelt’s brain trust and

[15] Samuel Jaffe to President Franklin Roosevel, September 26, 1934, GACC, Roll 110; Samuel Jaffe. Year: *1930*; Census Place: *Chicago Heights, Cook, Illinois*; Page: *7A*; Enumeration District: *2015*; FHL microfilm: *2340149.*

controversial administrator of the National Recovery Administration, led the HOLC. Roosevelt would soon fire the beleaguered Johnson who received condemnation for praising Mussolini and advocating for corporate fascism. John Matthew's letter serves as an example of the attitude among many in the 1930s that centralized, government-corporate solutions might serve the people better than the liberal status quo did.[16]

Roosevelt received a similar letter in April 1934 complaining about local HOLC operations from Dr. F. Wroblewski from Chicago's Humbolt Park neighborhood. "There is some delay somewhere," he told Roosevelt, "and because of that thousands are losing their hard earned homes." He particularly expressed worry for his parents, whose home was in foreclosure. He asked the president to investigate the situation, adding, "We the people of Illinois know you will not fail us." Both Matthews and Wroblewski wrote their letters mere months after the Chicago HOLC got back on its feet after expelling state manager William G. Donne and his political hires; while the new management under Henry Zander and William McNeal had removed much of the corruption from the system and had made inroads into the backlog of applications, it took several months for these improvements to become well known.[17]

Some Chicagoans wrote Roosevelt to complain about the reforms themselves. Sidney Keclik, son of Czech immigrants living in in Berwyn, Illinois, served as secretary for the Executive Committee of the Cook County Building and Loan Groups. Keclik, age 38, viewed the

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[16] John Matthews to President Franklin Roosevelt, August 25, 1934. GACC, Roll 110; John J. Matthews. Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-00994*; Page: *11B*; Enumeration District: *103-2257;* James Q. Whitman, "Of Corporatism, Fascism, and the First New Deal." *The American Journal of Comparative Law,* 39, no. 4 (1991): 747–778.

[17] F. Wroblewski to President Franklin Roosevelt, April 17, 1934, GACC, Roll 110**.** For more on the rocky early days of the Chicago HOLC, including the corruption of Illinois state HOLC manager William G. Donne and his staff, see Chapter One.

recent firings as political in nature. "We understand that the "HOLC" Chicago Office division has been discharging very efficient employees for no valid cause whatsoever and the reason for their discharge was because they were Democrats in the accord with the policies of this Administration…" He advocated for one discharged employee in particular, saying that many distressed home owners – members of associations affiliated with his organization – protested his dismissal. The new Chicago HOLC leadership, in possession of proof of the previous regime's corruption, responded that they would investigate the firing but must have found these broad partisan complaints comically misinformed.[18]

Homeowners also expressed concern for their privacy. One borrower, writing to President Roosevelt anonymously, expressed frustration at how, unlike with private mortgages, HOLC applicants' names became public knowledge. "At every news stand (in Chicago anyway) one can buy a Real Estate paper listing all the applicants for loans thru the HOLC." The borrower further complained that this leaking of names led to unwanted direct advertisement, particularly for those seeking additional modernization funds: "If one asks for assistance to repair his home, a flood of literature is immediately received offering to sell anything from bath tubs to refrigerators." While the borrower assured the president he appreciated the financial help, he strongly opposed this breach of confidentiality. "If one loses his money," he reminded Roosevelt, "he does not necessarily lose his pride or privacy."[19]

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[18] Sidney Keclik to President Franklin Roosevelt, August 10, 1934; Paul J. Frizzell to Sidney Keclik, October 1, 1934, GACC, Roll 110; Sidney Keclik. Year: *1930*; Census Place: *Berwyn, Cook, Illinois*; Page: *24A*; Enumeration District: *1995*; FHL microfilm: *2340148*.

[19] Letter from "A Borrower" to President Franklin Roosevelt, date uncertain, GACC, Roll 110.

Partisan Political Loyalty and HOLC Aid

Many of those seeking Roosevelt's help appeared to believed that loyal political participation with the Democratic Party earned them the aid they sought. Some, like Samuel Jaffe, itemized their party activity in their letters. "I am a Democrat, have voted the Democratic ticket, and contributed to the campaign funds in the interest of the Democratic party very liberally." Joseph Cercone of Chicago Lawn, threatened with foreclosure after falling behind on his HOLC payments, told Roosevelt, "I have done all [in] my power for our party your Excellency." He not only included his ward and precinct information, but also dropped the name of his ward committeeman. He even tried convincing the administration that saving his home was good for electoral politics: "There are seven votes for Roosevelt in my family," he informed the president, "but if the H.O.L.C. is going to throw us out changing our location our votes would not be eligible." Lefere Champayne, a repairman from Chicago Lawn, also included details of his political work. "Would like to hear from you as I am a hard worker in the 22nd Prect. 13 Ward." He even boasted how the local alderman visited their home to play Bunco with other voters: "[The alderman] was glad to see the large crowd who turned out for the success…why do they [the HOLC] keep putting us off, when others who do not care about Election get it…[?]"[20]

Some writers referenced their loyal support of the New Deal when asking for help. Fred Cooley, a 52 year-old military veteran living in the West Loop, had ran a wire and metal parts manufacturing business prior to the Depression. The economic downturn forced him to sell his

[20] Samuel Jaffe to President Franklin Roosevelt, September 26, 1934, GACC, Roll 110; Joseph Cercone to President Franklin Roosevelt, June 30, 1936, box 21, General Loan Correspondence; Champayne Lefere to President Franklin Roosevelt, March 27, 1936, box 24, General Loan Correspondence.

business, but he found work making repairs for the Civil Works Administration. As the government paid him per task, he purchased his own supplies for jobs, and he followed National Recovery Administration guidelines (including only buying from policy-compliant suppliers who flew the blue eagle of the NRA in their windows) despite the increased costs cutting into his profit margin on the jobs.

> I have a blue eagle in my window, am proud of it and I will be loyal as long as it is there. That is purchase only from merchants who have a blew eagle or do without. But up to date by buying from such stores and doing without I find that I am going further in debt each day. For a while I thought perhaps its all my own ignorance, therefore I would welcom an N.R.A. bugget that would fit a C.W.A. laborers salary.[sic]

Although he does not say it in so many words, Cooley gives one the impression he feels the Roosevelt Administration owes him the HOLC aid he requests given his commitment to and sacrifices for the White House's policies.[21]

Desperation

Several letter writers declared that, if the president failed them, disaster would follow. John Cayle, struggling to make payments on his HOLC loan, put the consequences particularly bluntly: "I am writing to implore you to at least get or secure for me an extension as I know if I loose [sic] this property it will kill my dear mother and probably send me to an institution!" Occasionally, Roosevelt received letters raising the alarm about insidious financial forces at work. Mrs. C. Cerveny of Berwyn, Illinois wrote Roosevelt about how the local HOLC was forcing them to list their home for sale after they could not keep up payments on their HOLC mortgage. (The corporation sometimes did this instead of simply foreclosing, as it allowed the borrower to recoup some of their equity.) The HOLC further warned that, if the family could not

[21] Fred Cooley to President Franklin Roosevelt, March 1934, box 55, General Loan Correspondence.

sell it, they would take over in finding a buyer. "Now that we are pressed to sell it at short notice," Mrs. Cerveny stressed, "we will become victims of speculators who buy homes cheaply, hold them and sell them for great profit." She said she saw evidence of rising real estate prices, but feared the HOLC's rush would push them to sell at a steep loss. For many, losing their equity represented as worrying an outcome as losing the property itself did.[22]

Some women told Roosevelt that the lack of housing security threatened their family's very structure. During the Depression, men unable to cope with the pressure or their failure to economically provide for their loves ones not infrequently abandoned their families, sometimes to find work on the road, occasionally to disappear forever. Novelist John Steinbeck typified this trend in the character of Connie Rivers who abandoned his wife Rosasharn Joad when California did not solve the Okies' problems in *The Grapes of Wrath* (1939). A similar reversal befell Ethel Cohen of West Englewood. When she and her husband first applied for a HOLC loan, their mortgagor refused to accept the agency's offer. The family barely managed to scrape by for over a year until the mortgagor changed their mind, but by that time the HOLC had begun winding down their lending operation and had rescinded the offer, prompting the lender to proceed with foreclosure. Ethel told Roosevelt that her husband, once a successful shoemaker with employees, completely lost hope. "My husband on hearing the news that the building he has worked so hard for no longer belongs to us… became disgusted 3 wks ago and left me with $4.90 and with 5 children.. So I told [them] that their father had just gone for a visit, but I know better than that, but I didn't want to worry them." Ethel seemed to believe that if Roosevelt convinced the HOLC

[22] John H. Cayle to President Franklin Roosevelt, December 2, 1935, box 21, General Loan Correspondence; C. Cerveny to President Franklin Roosevelt, November 11, 1935, box 21, General Loan Correspondence.

to help them her husband would return, a hope that appeared to have spread to her children. "My little girl whom is 4 years old listens to the news each day to see how the Home Loan turns out… If you answer I will advertise for my husband in the Jewish paper for the children want their papa." She received a short reply from the HOLC reaffirming their decision to rescind the loan offer.[23]

Writing for Others

Many Chicagoans wrote on behalf of other individuals and families, acting not only as good neighbors but also as alert citizens concerned about the shortcomings and limits of the HOLC. Miss Mildred Charles of Graceland West exemplified this group well. The 22-year-old daughter of English immigrants, Mildred began her letter to the president succinctly: "The outline of the following case for your attention and comment is prompted by a desire to know what the Government could or might do to relieve a situation of the particular character involved, my interest being not a financial one, but merely that of a curious nature." Mildred had worked as a typist at an insurance company prior to the economic downturn. This company declared bankruptcy and fired many of its workers, including a man who had a mortgage held by the self-same insurance company. The company restructured, continuing to collect on the loan of the man they had just fired; they had offered him his job back, but at a drastically reduced income he could not accept. Mildred assured the president that she had witnessed the restructured company's "contemptuous attitude" towards her coworker. He had applied for a HOLC loan, but received a denial due to insufficient distress, a determination Mildred clearly disagreed with. She

[23] Lois Rita Helmbold, "Beyond the Family Economy: Black and White Working-Class Women during the Great Depression," *Feminist Studies* 13, no. 3 (1987): 644. https://doi.org/10.2307/3177885; Ethel Cohen to President Franklin Roosevelt, January 25, 1935, box 42, General Loan Correspondence.

expressed her genuine respect for her coworker and especially for his military service to the country: “Finally, this man of whom I speak, when his country needed him, left his home and family, enlisting in the United States army, and saw two years of active service in France. He, in common of course with thousands of others, was willing to give his life for his Country. The question now is, what will his country do for him when he needs it?” Letters like hers show how the Roosevelt administration’s public commitment to unprecedented accessibility gave citizens not only an outlet for their own grievances but also to advocate for others.[24]

Limited Funding for HOLC

Rejection due to a lack of HOLC funds appears frequently in the letters. Congress initially gave the HOLC $2 billion in government bonds. By November 1934, however, the corporation had loaned out two-thirds of its appropriation with eligible applications deemed likely to consume the remainder with none left over for new applicants. The HOLC abruptly announced it would not process any applications that had not passed the legal department phase. Unfortunately, this meant thousands of applicants – including many already assured of aid by local HOLC agents – received sudden rejections. At least eight of the 75 letters in this study come from applicants who fell into this gap, suggesting that hundreds from Chicago alone wrote asking the president to convince Congress to expand the funds and open a new application period. Federal Home Loan Bank Board Chairman John Fahey opposed this extension, believing the government should give the allegedly-improved private lending market a chance to address these cases. On New Year’s Eve 1934, however, President Roosevelt threw his support behind

[24] Mildred Charles to President Franklin Roosevelt, December 15, 1934, box 26, General Loan Correspondence; Mildred Charles. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *7A*; Enumeration District: *1773*; FHL microfilm: *2340225*.

additional relief, and in May 1935 Congress approved $1.75 billion in new funds and a one month window for new applications. Thousands of letters from struggling homeowners across the nation likely influenced Roosevelt to break with his trusted friend John Fahey on this policy issue.[25]

A few days before Roosevelt announced his decision to push Congress to expand the program, he received a letter from Harry Chawgo of Aurora, Illinois. “This letter is to acquaint you with the facts,” Chawgo wrote, “and as my case is only one of many to show you the necessity for continuing the H.O.L.C. program.” Like so many others, Chawgo had fallen behind on payments for his eight-year mortgage. Also delinquent on his taxes, he had tried private institutions but could not convince the local building and loan to refinance his mortgage. Chawgo applied for a HOLC loan in July of 1934, but the Aurora Subdistrict Office, much like the state headquarters in Chicago, had fallen behind in processing applications. He did not hear back until November. At first the HOLC indicated that they would approve the loan, but by the end of the month he received a letter saying they had exhausted all resources already. The frustrated Chawgo went in person to investigate and learned that “the only chance we have now is for Congress to appropriate more mony [sic] for this purpose.” Out of options, Chawgo wrote to President Roosevelt, “Trusting that you will use this information in your fight for the common people and try to induce Congress to make further appropriations…”[26]

[25] C. Lowell Harriss, *History and Policies of the Home Owners’ Loan Corporation* (Washington: Bureau of Economic Research, 1951), 18-20.

[26] Henry Chawgo to President Franklin Roosevelt, December 26, 1934, box 27, General Loan Correspondence.

Gust Chalos of Gary, Indiana also fell into the “insufficient funds” gap. His work as a coal dealer had allowed him to provide for his family, save money, and even purchase a house. However, the Depression threw a wrench into his financial situation when those he provided fuel to on credit during the winter of 1933-1934 could not pay in the spring. “Bad times have undone everything. Receiverships and forclosures have wiped out people whom I trusted with the winter coal, they couldn’t pay, I became insolvent. My homestead remained. I started again, I am healthy, willing to work and capable to create jobs for myself… even I managed to give employment to others.” Chalos appeared the ideal candidate for a HOLC loan, and his mortgage-holders agreed to accept HOLC bonds when his application became permanent in January 1934. In August the HOLC told Chalos he would receive the loan only to reverse their decision with the stoppage of loans in November. “Distress, Mr. President, “Chalos wrote, “may mean different things, all I know, the saying of no by HOLC means distress to me, my wife and my kids.”[27]

Elmer Crane of Arlington Heights, Illinois also received a denial due to the lack of funding. “Private agencies do not seem willing to make mortgage renewals in this locality and the only hope the home owner and taxpayer has is to appeal to the Federal authorities through their constituted agencies until the frozen credit of our local agencies can be stimulated and business resumed on a normal and more equitable basis,” he wrote. Those urging Roosevelt to increase funding to the HOLC program spoke with a unified voice: they had diligently tried to find other sources of funding, but the private market simply had not recovered yet. These earnest

[27] Gus Chalos to President Franklin Roosevelt, December 8, 1934; from L.B. Hayes to Gus Chalos, January 3, 1935, box 23, General Loan Correspondence.

missives successfully convinced Roosevelt to break with his advisors and expand the HOLC – for a few more months at least.[28]

The new funding, however, mostly just helped those who had already applied in 1934. Most new applicants still received denials; 11 letters from the sample came in 1935 or 1936 from those denied due to a lack of HOLC funds or because the lending period had ended – as the initial HOLC ACT mandated – on June 13, 1936. Often, these homeowners felt the limited policy punished them for trying to avoid taking government assistance as long as possible only to find themselves cut off from aid when they finally needed it. Dennis Creedon, a retired police officer and son of Irish immigrants, tried to keep up with payments on his bungalow in the northwest neighborhood of Belmont Cragin despite being disabled and on a pension, only falling behind after he and his wife suffered expensive injuries in a car crash involving an uninsured driver. "You can see we tried are best to keep up the payments [sic]," he wrote with chagrin. "Now I am told that is the reason we could not get the Home Loan." Others expressed frustration that delays in processing had cost them a chance for help. Fillippa Castelli, a widowed Italian immigrant living in Smith Park on the west side, faced imminent foreclosure in January 1935. "I have been trying to get a home loan from the government," she wrote, "and they tell me they are out of funds. I have been trying to get this loan since last May and it seems as though I have failed." These letters – and the government's rejections stapled to them – demonstrate how Congress only intended the HOLC to temporarily fill in for private mortgage companies. In fact, the HOLC only ended up spending about $3 billion of the $4.75 billion in bonds authorized by Congress. The bureaucrats who informed applicants about denials voiced confidence that

[28] Elmer W. Crane to President Franklin Roosevelt, December 31, 1934, box 69, General Loan Correspondence.

homeowners could now find assistance with local lenders, but their assurances often proved premature. Many struggling Chicagoans simply fell through the gaps left by the slow economic recovery and the intentional limits of the HOLC program.[29]

Family Issues

The increased bureaucracy of the New Deal left many bewildered and confused, among them elderly HOLC applicants. Olivo Cesarotti, a 74-year-old Italian immigrant living in the Near West Side neighborhood, wrote the president hoping to get an exception to a policy. His wife's brother held his mortgage, and when the brother died, his four heirs demanded Olivo pay off the mortgage in full or they would foreclose on him. He gathered his documents and filled out an application for a HOLC mortgage, only to learn the government denied him solely because his brother-in-law held the mortgage. "Surely, Mr. President," Cesarotti implored, "with due consideration, an exception could be made in an extremely urgent case as this." The national HOLC forwarded the letter to the state office, who replied that they had already explained to the retired plumber that they could help him around the issue; they needed an affidavit and other information from him, the assistant to Henry Zander wrote, "but have practically no cooperation from the home owner in solving this problem." Either Cesarotti had not understood the

[29] Dennis Creedon to President Franklin Roosevelt, March 3, 1935, box 70, General Loan Correspondence; Dennis Creedon. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *3A*; Enumeration District: *1395*; FHL microfilm: *2340210;* Fillippa Castelli to President Franklin Roosevelt, January 19, 1935, box 19, General Loan Correspondence; Fillippa Costelli. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *15A*; Enumeration District: *0957*; FHL microfilm: *2340193*; Price V. Fishback, Jonathan Rose, and Kenneth Snowden, *Well Worth Saving: How the New Deal Safeguarded Home Ownership* (Chicago: University of Chicago Press, 2013), 82-83.

explanation he had received, or he believed simply writing the president for a breakthrough would prove more feasible.[30]

Mortgager Issues

HOLC loans involved three parties: the agency itself, the homeowner, and the institution or individual holding the mortgage in question. When a homeowner applied for assistance, the HOLC would appraise the home and – if the property and borrower qualified for the program – offer to purchase the mortgage from the holder using HOLC bonds. Most mortgage holders happily accepted the offered bonds in exchange for the underwater mortgages, as gaining liquid government bonds appealed to them much more than foreclosing on properties in a market with little lending capital and few prosperous buyers. Like many New Deal programs that typified the administration's middle path between socialism and *laissez-faire*, however, the HOLC involved volunteerism: mortgage holders – whether institutions or private individuals – could refuse the HOLC's offer. Perhaps they felt the HOLC's offer too small, or maybe they wanted to repossess the home for personal reasons. HOLC agents tried to make the government's offer as appealing as possible – prioritizing investment recouping for lenders over debt reduction for borrowers – but if the mortgage holder refused the HOLC's offer, the borrower had no recourse.[31]

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[30] Olivo Cesarotti to President Franklin Roosevelt, April 12, 1935, and L.B. Hayes to A. John Berge, April 12, 1935, box 21, General Loan Correspondence: Oliver Cesarotti. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *1A*; Enumeration District: *0890*; FHL microfilm: *2340190*.

[31] Fishback et al., 91-97. For a more thorough explanation of how the HOLC subsidized lenders at borrowers expense, see the discussion of *Well Worth Saving* in the Introduction.

The HOLC program also confused some lenders: at least one private mortgage holder in Chicago incorrectly thought they could foreclose on the borrower and receive the HOLC funding themselves. Hattie Cooper to President Franklin Roosevelt, June 20, 1935, box 57, General Loan Correspondence.

Caroline Cobb, age 43, faced just such a roadblock when she wrote President Roosevelt in March 1935. She and her husband Roland, both native, White Illinoisians, had married as teenagers and began saving for a home. After many years, they finally purchased a house in the southside Avalon Park neighborhood. She kept the home, tending their two children, while Roland worked as the general manager of a tire equipment company. In 1931, Roland lost his job, and despite him taking on what odd jobs he could, they fell behind on payments. They applied to the HOLC for a loan, and the agency approved them, but the mortgage company refused the offer. They had shown some level of grace to the family – allowing them to stay for 15 months just making rent payments – but the HOLC based its bond offer on a valuation of the house which the mortgage holder considered too low. In response, Caroline expressed frustration that a private party could block them from receiving the relief so many others had enjoyed.

> Now, Mr. Roosevelt isn't there some possible way of making these mortgage holders come to terms with the H.O.L.C.? … You said to write to you, personally, if we had any trouble, and I know it must be awful to bother you with our troubles but you seem like an angel of mercy sent to us homeowners, and we have such faith in you, that is staunch as the rock of Gibraltar…

In asking the government to essentially force the mortgage holder to facilitate the loan, Caroline emphasized her family's work ethic.

> …we would work our fingers off to the bone, to keep this home, which represents our savings of 10 years, and we lost all our other money… My husband is working now at a salary of $15 a week and my oldest daughter is getting a few hours work at Sears, Roebuck, as she has just finished high school… We have kept this home up very lovely, doing all our own work and improving…

Sadly, the HOLC affirmed the denial with finality in their response. "Since the valuation placed upon your property does not permit a loan in the amount you ask, I do not see that there is any further action we can take in the matter." While forcing mortgage holders to accept HOLC bond offers – essentially applying eminent domain to support citizen homeownership – would have violated free market and private property principles, the Cobb's case does demonstrate the limits of relief programs based in volunteerism.[32]

Commercial Use of Property

In 1900, Anna and Isaac Cohen decided to bring their small family from Russia to the United States, possibly to escape the rising anti-Semitism that often broke out in waves of pogroms in the Eurasian empire. Isaac left immediately, beginning to build the family shoe repair business, and Anna and their three children, David, Bertha, and Hyman, followed in 1905. They maintained their heritage, teaching Yiddish to their American-born daughter, Fannie, but they also fully committed to their adopted country, learning English and quickly completing the naturalization process. Both David and Hyman served in the military during World War I. In 1918, after years of renting, Isaac and Anna took out a mortgage on a building in Ukrainian Village, living upstairs and operating their shoe repair business in the shop below.[33]

Sadly, however, Isaac died in 1928 at the early age of 56, leaving no insurance and $8,000 remaining on the mortgage. Anna, widowed and dealing simultaneously with chronic illness and the Depression, rented out the shop to another craftsman. When that income failed to stave off foreclosure, Anna applied to the HOLC for aid. Initially the agency found her application promising and assured her of a quick approval, but they reversed their decision when

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[32] Caroline Cobb to President Franklin Roosevelt, March 11, 1935, and L. B. Hayes to Caroline Cobb, March 18, 1935, box 40, General Loan Correspondence; Caroline Cobb. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *22A*; Enumeration District: *0371*; FHL microfilm: *2340164*.

[33] Anna Cohen to President Franklin Roosevelt, November 5, 1934, box 42, General Loan Correspondence; Isaac Cohen. Year: *1920*; Census Place: *Chicago Ward 15, Cook (Chicago), Illinois*; Roll: *T625_325*; Page: *7B*; Enumeration District: *885*.

they found out the city zoned her property as commercial. Distraught, she wrote to President Roosevelt, pleading for him to make the HOLC reconsider.

> I am sick for several years and I am supporting myself on the income of the property and with the aid of my children. My husband and I worked all our lives and the only thing which is left is this property. If I should lose this piece of property…I will be left without any means of support, a woman of 57 years…

Along with many other letter writers, Anna viewed President Roosevelt as a sort of *deus ex machina*, a benevolent failsafe who could step in when bureaucratic or legislative minutiae prevented agencies from assisting with worthy cases. "I hope you will take an interest in a poor widow and advise the Home Owner's Loan Corp. to put the loan through for me, and I assure you that I will always pray for you and your family." As they did with all letters related to the HOLC (apart from the rare missive the president read at random), the White House staff sent Anna's message directly to the agency's Washington headquarters who sent her a standard reply:

> Your letter of November 5, addressed to the President of the United States, has been referred to this office for attention. I am sorry that it is not possible for the [HOLC] to help you in your present situation, but we are bound by certain restrictions placed upon us by law. Unless you can comply with the requirements of the Corporation, I do not see that there is any further action we can take in the matter.[34]

Following this rejection, Anna reached out to her representative, Congressman Adolph J. Sabath, relating how her letter to the president had actually backfired: "His reply instead of helping me has hindered because the First National Bank have foreclosed, telling me that if the Home Loan have refused "how can you expect us to do anything?"" Sabath wrote directly to FHLBB Chairman Fahey, asking him to revisit her case, adding that other constituents had brought him similar cases regarding HOLC loans on semi-commercial properties. Sabath also

[34] Anna Cohen to President Franklin Roosevelt, November 5, 1934, and L.B. Hayes to Anna Cohen, November 22, 1934, box 42, General Loan Correspondence.

noted recent changes to the HOLC legislation; initially, confusion and inconsistency had clouded the HOLC's policies regarding such properties, but Congress then clarified that some semi-commercial properties could qualify as long as the resident actually lived there. However, as indicated by Chairman Fahey's response to Sabath regarding Anna's case, this applied very narrowly:

> It is the judgement of our Chicago Office that the property is ineligible within the law as recently amended. The district in which the applicant lives is primarily commercial rather than residential and is so zoned. It appears that the use of the property is chiefly business and that the property, if the Corporation were compelled to take it over, could be disposed of only as business property.

In addition to showing how the federal government often did not consider houses with shops as homes of the kind they wanted to protect, Anna's case also exemplifies the limits of Americans' new epistolary connection to Washington. If their needs went against policy, citizens could not rely on anyone – their representative, an agency head, or even the president himself – to intervene for their situation.[35]

Immigrants and Their Children

The children of immigrants sometimes wrote to President Roosevelt regarding the HOLC on behalf of their families. Three letters from the study sample came from authors under 20 years of age, suggesting the president may have received hundreds of such messages from Chicagoan teenagers. Letters from young people to President and Mrs. Roosevelt offer a window into their lives during the Depression. Children wrote candidly, often voicing feelings of shame regarding their poverty that they chose not to share with their parents who felt badly enough already. While

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[35] Anna Cohen to Congressman Adolph J. Sabath, May 28, 1935, box 42, HOLC GLC NACPM; Congressman Adolph J. Sabath to John H. Fahey, May 31, 1935, and John H. Fahey to Congressman Adolph J. Sabath, July 2, 1935, box 42, General Loan Correspondence.

most youth who wrote these letters expressed fondness and admiration for the Roosevelts, many expressed resentment for the wide economic chasm between the affluent – including the First Family – and those in their own impoverished class. Working-class children and teenagers communicated their social and economic struggles with surprising eloquence and a fair level of understanding regarding politics and policy. These letters challenge the widely-held idea notion that poor children disrespected their parents for not providing for them, showing rather that children understood the external forces driving their poverty despite their family's best efforts. These sources also undermine the oft-repeated idea that children of the Depression did not see themselves as poor because of the shared poverty around them; the letters show, rather, that many children realized with shame the economic privations they faced relative to both Americans nationally and their local peers. While these children may have been powerless, they were not passive, for the very act of writing a letter represents a form of protest. The letters from Bernice Cabaj, age 12, Lillian Cassello, age 15, and Claudia Cozzi, age 19, all demonstrate how children of immigrants understood their families' economic situation and its relationship to federal policy, and they boldly took responsibility to make their needs known to the president.[36]

Lillian Cassello, age 15, lived in Auburn Park with her parents Michael and Mary who had immigrated from Italy. Michael worked as a driver for an ice company, and Mary, who had been blind for 25 years, kept house for the large family. When Michael lost his job, the family fell behind and took out a HOLC loan. However, as Michael's unemployment dragged on past three years, they could not make payments, so the HOLC threatened to foreclose on the large

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[36] Robert Cohen, *Dear Mrs. Roosevelt: Letters from Children of the Great Depression* (Chapel Hill: University of North Carolina Press, 2002), 9, 13, 17-18, 21, 25, 30.

family. Lillian wrote to Roosevelt for help, specifically asking for him to find a job for her father. The distressed teenager did not hesitate to remind the president he owed her family considerably. "For a long time my father has went to political meetings and also has voted for you. When you were in Chicago last week he went to see and hear you speak… We have at least 50 voters with relatives. We think we're entitled to something… I also forgot to tell you that he marched for you the day you were in Chicago." The White House team forwarded the letter to the HOLC headquarters, who simply sent Cassello their standard response to most who wrote the president about their trouble making payments.

> Naturally, we are most sympathetic with your problem, yet I know that you must realize that in the refinancing of approximately a million homes throughout the country by the use of Government credit, which in turn is backed by the taxpayers of the country, it is necessary that no effort be spared to secure prompt and regular repayment of the loans which have been made in order to protect the Corporation's obligation to the taxpaying citizens.

The letter concludes by telling the Cassellos to contact a member of the Service Department at the Chicago office "in order that their problems may be discussed and some mutually satisfactory arrangements made for repayment." Sadly, it appears no such arrangement transpired, as the 1940 Census shows the Cassellos at a new address, renting. Michael did work at a government job by then, however, so perhaps they referred him for one at Lillian's request.[37]

Claudia Cozzi, age 19, lived with her parents and siblings in Chicago's West Side. Her mother, Mary, had emigrated from Italy in 1914. She met Angelo Cozzi, who had likewise left Italy in 1909. They married and settled down, renting a home in the Austin neighborhood. In

[37] Lillian Cassello to President Franklin Roosevelt, October 25, 1936, and Carey Winston to Lillian Cassello, November 3, 1936, box 19, General Loan Correspondence; Lillian Casselo. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *16A*; Enumeration District: *0703*; FHL microfilm: *2340181; Michael Cesselo.* Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-00956*; Page: *3B*; Enumeration District: *103-1173*.

1916 they welcomed their firstborn, Claudia. Five more children soon followed. While Mary tended the children and kept the home, Angelo brought in an income as a railroad laborer. Angelo and Mary gained their citizenship and sent their children to school, an opportunity they had both lacked. While Angelo and Mary could speak some English, they preferred to speak Italian at home. After renting for many years, they managed to purchase their home sometime in the 1920s and took out a small mortgage on it. Mortgages before the HOLC featured much shorter terms, and the mortgage came due in 1931. They negotiated a three-year extension, but they continued falling behind on payments as well as property taxes. When the mortgage came due again in November 1934, the Cozzi family applied for the HOLC to refinance their $2000 mortgage. A HOLC agent appraised the home and made the mortgage holder an offer, but the holder refused to accept that amount. (The HOLC naturally made mortgagees offers lower than the face value of the underwater property. While mortgagees usually accepted the offers – which exceeded what they could recoup in the depressed real estate market - some, like the Cozzis' mortgagee, refused.)[38]

On the edge of disaster, Claudia wrote to Roosevelt. Mary could not write, and though Angelo had learned to write, his English likely lagged behind his daughter's. Many writers opened their letters with words of admiration or even praise for the president, and Claudia took a thoroughly starstruck tone: "It is with great pleasure that I sit down to write a letter to the greatest President that our country has ever had. My one regret is the fact that I am forced to ask you for help and advice. Because you are as just and kind as you are honorable, I shall not shrink

[38] Claudia Cozzi to President Franklin Roosevelt, February 1, 1935, box 21, General Loan Correspondence; Claudia Cozzi. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *1A*; Enumeration District: *0916*; FHL microfilm: *2340191*.

from putting my story before you." Claudia laid out the details of their case. She regretted how she – the oldest child – had not yet found a way to financially aid her family. She warned that they would have nowhere to go if foreclosed on, and she lamented how all her father's hard work would come to nothing. "Every cent he put on our home was earned by the sweat of his brow. Is it all to evaporate now?" She asked if the government could not do something to persuade the mortgagee, supplicating in almost Biblical terms: "O! kind father of our country, to you I come in my desolation." Sadly, the HOLC responded with a sympathetic denial, saying they had to follow the restrictions of the law. "Since the valuation placed upon your property does not permit a loan in the amount you ask, I do not see that there is any further action we can take in the matter," wrote L.B. Hayes, the HOLC assistant secretary. However, Angelo and Mary still lived at – and owned – the property in 1940, so they must have found a way without the HOLC.[39]

Despite her plaintive letter to Roosevelt, the precocious Bernice Cabaj from the chapter opening also received a fresh denial from the HOLC due to her parents' lack of citizenship. However, the family remained at their address at least until 1940; the census records them as owners, with Bernice listed as a skirt finisher, the only income earner in the home apart from her father. The record also notes she only finished half of high school. It would seem that, when the government failed her, she curtailed her education and took on work to support her family herself. She would later marry a fellow second-generation Polish immigrant, remaining a part of the Chicago Polish community until her death in 1996. Her letters exemplify how the young daughters of immigrant parents bravely and ably took it upon themselves to contact the president

[39] Ibid., and L.B. Hayes to Claudia Cozzi, February 15, 1935, box 21, General Loan Correspondence; Angelo Cozzi. Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-00961*; Page: *4A*; Enumeration District: *103-1330.*

and attempt to navigate the bureaucracy to aid their struggling families. The denials show that immigrant families often fell through the cracks and had to work out their own salvation.[40]

Widows and the Elderly

The elderly – including veterans, widows, and the disabled – frequently found themselves underserved by the HOLC program. Often, neighbors took the lead in appealing to the president for aging Chicagoans. Mrs. Ralph Langan of Irving Park wrote Roosevelt on behalf of such a senior neighbor. "This Mr. Joseph W. Cox has a $2500.00 mortgage on his home and is totally disabled which is on record with the Veterans' Administration… The application went through but when they found that he was a disabled veteran and his pension did not guarantee his payments and since he could get no cosigner, the loan was stopped." Friends and relatives, Mrs. Langan explained, had done all they could to help Cox and his wife, both nearly 80, stay in their home during their final years, but they had not successfully staved off foreclosure. "It will be a pitiful sight the day they are put out of their home… These old peoples' days are numbered so why not let them be happy ones, and you, Mr. President, seem to be the only one left who can make them so…"[41]

Esther Winters of the Hyde Park neighborhood similarly supplicated in May 1935 for elderly friends who lived in the suburb of Villa Park. They had received an HOLC loan after the Depression ruined their egg business, but a year later remained unable to keep up payments. They did not even ask to keep their home, but hoped to stay through the fall so they could

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[40] Bernice Cabaj. Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-00936*; Page: *62B*; Enumeration District: *103-494; Obituary for Bernice Leja, Chicago Tribune, February 15, 2002, 9.*

[41] Mrs. Ralph Langan to President Franklin Roosevelt, April 4, 1935, box 66, General Loan Correspondence.

harvest their garden one last time. "They do not expect or wish to stay indeffinately in their home at the taxpayer's expense, but a few more months more time surely would harm nobody, and mean much to them… [sic]" Based on the formulaic reply Esther received from the HOLC the next month, the agency seemed unwilling to wait on foreclosure even until the fall. Although denial responses usually included expressions of sympathy, the bureaucracy tended to balk at making exceptions to the rules, even for senior citizens.[42]

Some widows found themselves cut off from HOLC aid on what must have felt like Byzantine technicalities. Applicants only qualified for loans if the property in question served as their main residence at the time Congress passed the HOLC Act in 1933. The administration likely put this "homestead" restriction in place to prevent people from buying property they could not afford in anticipation of receiving a HOLC loan. However, when applied rigidly, this rule ended up depriving some whom the act initially intended to help. Carolina Cereghino, age 73, had emigrated from Italy in her mid-thirties and raised three children in Chicago. Widowed in 1928, Carolina kept ownership of her home in the neighborhood of Portage Park, but she moved in with her daughter who lived next door in 1930. She likely needed help with day-to-day care due to her age, but she still wanted retain the home she had shared with her husband. Her children helped her apply for a HOLC loan in 1934, all signing documents demonstrating they would keep up the payments for her, but the Chicago office denied the application because Carolina did not live on the property. The national office reaffirmed that rejection twice when her children appealed the decision. To HOLC bureaucrats, following the letter of the legislation

[42] Esther M. Winters to President Franklin Roosevelt, May 3, 1936, and Carey Winston to Esther M. Winters, June 2, 1936, box 66, General Loan Correspondence.

appears to have mattered more than letting an old widow keep possession of her home despite the comparatively low-risk nature of the application.[43]

The threat of foreclosure particularly impacted widows, and many wrote to Roosevelt for aid. "Before my husband died I was doing very nicely," wrote Fillippa Castelli, an Italian immigrant in the Ukrainian Village neighborhood with a teenage daughter still at home. "Now that I am a widow I would not like to lose the roof I have over my head!" Like many recently widowed during the Depression, she had been a homemaker and thus faced the double challenge of finding new ways to make income when even those with work history found staying employed difficult. Roosevelt also received messages from concerned citizens about their widowed neighbors, such as with the letter from an anonymous author for Laura Chavoen of the Oak Park suburb: "This letter is being written for an elderly widow, who has a little cottage of her own… The party holding the mortgage is threatening foreclosure which would leave them practically destitute. We wanted to know if it is possible for us to get a HOLC loan on this house. If it could be done we all be [sic] eternally grateful to you."[44]

Even middle-aged homeowners could find their age a liability in Chicago's depressed job market. Lithuanian Jewish immigrant Harry Chasen, age 48, had invested in his two-flat home in North Lawndale for sixteen years, working as a salesman of school supplies. Like so many others, he fell behind on payments and had to take out a HOLC loan. However, the agency's

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[43] Emil Craghin to President Franklin Roosevelt, January 20, 1936, and L. A. Bullard to Caroline Cereghino, January 22, 1936, box 21, General Loan Correspondence; Carilina Cereghino. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *20B*; Enumeration District: *1516*; FHL microfilm: *2340216*.

[44] Fillippa Castelli to President Franklin Roosevelt, January 19, 1935, box 19, and unnamed writer to President Franklin Roosevelt, March 12, 1935, box 27, General Loan Correspondence; Fillippa Costelli. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *15A*; Enumeration District: *0957*; FHL microfilm: *2340193*.

appraisal valued his home more than he had anticipated, leading to a larger-than-expected loan. "The amount I was instructed to pay was so large that eventually I got so far behind on them that they appointed a Receiver to take it over." As the Chicago HOLC proceeded with foreclosure, Harry saw his financial nightmare coming true: "If I loose [sic] my home it means that I won't get a cent out of all the money I put into it. On second thought, I'll probably have to be put on the relief because I simply won't be able to pay rent, gas, lights, etc." He rented out one of the flats, using the income to care for his family living in the other. He tried selling the home to recoup at least some of his equity, but – according to the HOLC agents – he asked more than the market would accept. The HOLC gave him time to secure employment that could help him make payments, but he failed to find it. "I'm a salesman, have been for the last 25 years, and although I'd like to get a job with a straight salary, there just aren't any to be found. After all, I'm almost 50 years old, and they want young men, not old." The HOLC actually allowed him to renegotiate his payments, but after he failed to make these reduced payments, they finalized the foreclosure and the 1940 census lists the Chasens as renting a single block from their old home.[45]

Disability

At least 10 writers of the letters in my sample set either suffered from a chronic illness or disability or took care of someone who did. This means the HOLC probably failed to assist hundreds of Chicagoans and tens of thousands of Americans who struggled with physical ailments of some kind. These homeowners hoped that sharing their stories with the president

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[45] Harry and Mary Chasen to President Franklin Roosevelt, August 3, 1936, and J. C. Baker to Carey Winston, August 25, 1936, box 27, General Loan Correspondence; Harry Chason. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *15A*; Enumeration District: *0997*; FHL microfilm: *2340195*; Harry Chason. Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-00980*; Page: *3B*; Enumeration District: *103-1859.*

could lead to the agency giving their accounts a second look. Unfortunately, their efforts usually fell short.

Agnes Chapman had lived in the Chicago area her whole life. Born Agnes Balkmill to Canadian and Norwegian immigrants, she inherited her parents' working-class resourcefulness and resilience. In her 20s, while working as a telephone operator, she developed debilitating arthritis, spending nearly a year in a hospital and then needing to use a wheelchair for the rest of her life. Undaunted, Agnes borrowed a $1,000 to open her own millinery and lingerie store which she developed into a successful business that worked around her disabilities. At age 35, she married longtime friend and furniture delivery man Asa Chapman. They could not find a home that suited her medical needs, so they built one in the north Chicago suburb Niles Center (now Skokie). "The house was especially planned to meet my physical requirements: extra wide doors – to accommodate my wheel chair; plumbing all within my reach; porches level with the flooring in the house; no threshholds; in short – the house was built FOR ME!"[46]

Unfortunately, the Depression slammed the Chapmans as it had so many others. Asa lost his job and remained unemployed for three years and worked for a reduced salary after that. Friends helped them keep up on interest and taxes for the house, and the mortgage holder even showed lenience for a good while after the mortgage came due in November of 1933. Eventually, however, the mortgage holder could not put off settling the account. He offered to discount the final amount if the Chapmans could get a loan, but six places denied them, including the HOLC. The agency had determined that the Chapmans did not demonstrate real financial distress, partly because they had successfully kept up with their taxes. Agnes, frustrated that

[46] Agnes Chapman to President Franklin Roosevelt, January 12, 1936, box 25, General Loan Correspondence.

sacrificing to pay taxes had literally cut her off from government aid, wrote an impassioned plea to the president. "It seems to me these men of the HOLC are machines rather than persons considering humane needs. I NEED MY HOME, and I have worked hard under a severe handicap to earn it… Is keeping up one's taxes at a tremendous sacrifice a detriment to getting a loan? I have sacrificed medical care for three years to do this."[47]

The president's mail team sent Agnes' letter to the HOLC headquarters, which referred it – with apparent sympathy and interest – to the Illinois headquarters for clarification. However, H. S. Colomb, manager of the Rejected Application Department, confirmed the rejection on a technicality; according to his records, the Agnes' mortgage did not come due until September 1935. (The discrepancy between this and Agnes' claim that the mortgage expired in November 1933 likely originates with the mortgage holder renegotiating the terms until the Chapmans could get a loan.) Given that the HOLC did not recognize the Chapmans as suffering from sufficient financial distress before June 27, 1935 – the cut-off date set by Congress in the HOLC Act – they continued to deny them assistance. Thankfully, according to the 1940 Census, Agnes and Asa still owned the property; however, the census lists Agnes as making no income, so she may have had to sell her business to keep her home.[48]

Henry Chapman of Evergreen Park, Illinois wrote to Roosevelt in 1936. Chapman served in the world war before becoming a church sexton. He lost that job during the depression, and his family – including his wife and two sons – risked losing their home due to a combination of

[47] Ibid.

[48] Carey Winston to Agnes Chapman, January 20, 1936, box 25, General Loan Correspondence; Agnes Chapman. Year: *1940*; Census Place: *Niles, Cook, Illinois*; Roll: *m-t0627-00784*; Page: *26A*; Enumeration District: *16-336.*

unemployment and illness. “They are going to foreclose if I don’t pay up. Have been sick for two years with arthritis in knees. Doctors say I will always be a cripple. My boys had diphtheria and scarlet fever, quarantined three months. That’s why we are behind on our loan.” Chapman asked Roosevelt for a job that could help him save his home or – failing that – “a small five or ten acre farm where I could make a living for my family.” Such requests for employment appear frequently in these letters, as even families facing medical issues tried not to seem like charity cases. [49]

Some writers fell behind on taxes and mortgage payments because of their dependents’ medical needs. Anna Dechambre immigrated to the United States from Luxembourg at the age of 10. She met Theodore Conrad, a farmer by trade and son of a German immigrant mother. They married in 1917 and bought a home in Glenview, a rural northwest suburb. Tragedy dogged the young family: nine of their 13 children died at birth, and the youngest surviving daughter, Margaret, suffered a terrible injury involving machinery which caused a brain hemorrhage and left her unable to walk, speak, or sit up straight. “We have tried almost all the doctors in Chicago,” she wrote Roosevelt, “and spent every cent to get her well. The doctor and hospital bills have run us over four thousand dollars and still she is no better.” In the midst of these tribulations, Theodore lost his job, and remained out of work for two years. “We raise vegetables in the summer,” she clarified, “but the last four years have brought us just enough to live on.” In the red $1800 between taxes, assessments, and mortgage payments, the Conrads faced foreclosure unless they received outside help.

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[49] Henry Chapman to President Franklin Roosevelt, April 27, 1936, box 25, General Loan Correspondence; Henry Chapman. Year: *1930*; Census Place: *Worth, Cook, Illinois*; Page: *13A*; Enumeration District: *2373*; FHL microfilm: *2340243*.

> We tried to loan money from different concerns but none could help. Then we tried the H.O.L.C. in September and in November we got a letter saying they could give no more and that we should wait until after the new year[. A]s yet we have not heard from them. They also told us to see our Congressman, but he left for Washington and would not be back till the end of this month.

Like so many others, she made certain her family did not seem lazy: "My husband and I have worked hard ever since we were married… If my husband had a job it would be allright but one day of a week is needed to live on. [sic]" Despite the family's dire situation – which took a toll on Anna's health as well – the HOLC denied their request. They had asked for help late in 1934, so their application had not passed the legal department by the time the HOLC's lending phase ended. The agency would not bend policy – even for a family with clear extenuating circumstances arising from medical necessity.[50]

Military Veterans

At least seven of the 75 letters involved military veterans struggling to receive aid or keep up with HOLC payments. Many who returned from World War I had found jobs or started businesses in the 1920s only to lose them during the Depression. Veterans of older wars faced the same struggles as the elderly population generally. Several came back from their respective conflicts with injuries and disabilities which further complicated their economic situation. Some seemed to approach their situation with stoicism, regretting they had to bother the president. Other veterans – or the family members or neighbors writing in for them - felt that the government owed them housing aid for the services and sacrifices they had rendered the country.

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[50] Anna Conrad to President Franklin Roosevelt, January 16, 1935, box 51, General Loan Correspondence; Anna Conrad. Year: *1930*; Census Place: *Niles, Cook, Illinois*; Page: *22A*; Enumeration District: *2232*; FHL microfilm: *2340239*

Some veterans emphasized their time in the military by placing mentions prominently in their letters. Leo Crockett – a Black postal worker in West Woodlawn – had received rejections from private lenders due to his neighborhood's racial makeup and from the HOLC on account of his building's size; he opened his letter, "Sir, I am a world war veteran, and a U.S. Postal employee (Carrier) with fourteen and a half years service." William Clayton of Morris, Illinois – a southwest exurb – included detailed dates of his period of military service along with information about his unit and its encampment. However, while these former soldiers may have hoped to gain Roosevelt's attention with their war records, they did not want their letters misunderstood as cowardly or self-centered. Fred Cooley – who shared that he had served two years in the Philippine-American War – put this plainly talking about soldiers worried for their families: "Please don't misunderstand me when I say they are afraid. I don't mean afraid for themselves because they are not that type. The ones I am referring to are the boys who really went over the top, and as I understand anyone that successfully experiences such hasn't any fear left in him for himself."[51]

The expectation of aid for veterans extended to their families as well. Anna Cohen, a sick widow denied HOLC aid because she lived in a semi-commercial home, referenced her sons' military service. "My children served in the recent World's War, to make our United States a safe place to live in and protect our homes. Now, I am seeking protection on my home, thru the Home Owners Loan Corp." For Margaret Coash of the southwest Brookfield suburb, her family's mortgage situation nearly represented an extension of the world war. Not only did she

[51] Leo Crockett to President Franklin Roosevelt, February 15, 1935, box 72; William Clayton to President Roosevelt, December 19, 1934, box 36; and Fred Cooley to President Franklin Roosevelt, March 1934, box 55, General Loan Correspondence.

argue her husband's service entitled him to aid, but she felt their scheming mortgage holder's nationality should factor in as well. "I think my husband has this little bit coming," she wrote. "We are not asking for money, but justice. He is an old soldier, and this man [the mortgage holder] is a German from there and brags about it." (Mrs. Coash's nationalistic prejudice seems incongruous given her parents had emigrated from Germany, but perhaps she felt differently about German Americans depending on if they came before or after the war.)[52]

Conclusion

Thousands of Chicagoans wrote to President Roosevelt to request assistance with their HOLC applications or the management of their loans. They expressed pride in their homes and viewed keeping them as the key to preserving or restoring their families. Many voiced deep respect and affection for the president and the New Deal, although some expressed rage at the confusing bureaucracy and its seemingly detached response to their suffering. The petitioners often tried to prove their worthiness for aid by relating how hard they had worked for their homes, how faithfully they had supported the Democratic Party, or how much their families had served in the military. One also finds community spirit in the letters, with Illinoisians writing for their neighbors, young adults writing for the elderly, and immigrant children writing for their parents. The writers seemingly believed that writing their government would do some good, and, in fact, their missives likely influenced Roosevelt to push Congress to increase HOLC funding and extend the lending period into 1935.

[52] Anna Cohen to President Franklin Roosevelt, November 5, 1934, box 42, and Margaret Coash to President Franklin Roosevelt, July 1, 1935, box 39, General Loan Correspondence; Margaret Coash. Year: *1930*; Census Place: *Brookfield, Cook, Illinois*; Page: *53B*; Enumeration District: *2166*; FHL microfilm: *2340237*.

Most of the requests for aid, however, received rejections. The HOLC agents denied application requestions for many reasons. Some reasons involved the agency's definition of who qualified for a loan, such as lack of citizenship, insufficient distress, or the use of a home for commercial purposes. Other causes for denial revolved around the nature of the program itself, specifically its terminal lending period, limited funding, and inability to compel mortgagors to exchange loans for government bonds. Congress designed the HOLC program to pay for itself in the long run, a goal it accomplished remarkably well, but one wonders if the government could have saved thousands, maybe hundreds of thousands, more homes by expanding the scope of the agency and perhaps caring a little less about breaking even. The lending institutions which exchanged their mortgages for government bonds received guaranteed principal and interest on their investments, while homeowners – many still struggling to find reliable, gainful employment as the Depression dragged on – received a reprieve and better terms but might still face foreclosure due to economic forces beyond their control.

The letters, therefore, reveal the kind of borrower that fell through the cracks of the HOLC program. The elderly – who often found retaining employment difficult – faced eviction from the homes where they had hoped to live out their golden years. Widows were especially vulnerable, as they had lost their partners and sources of income while their adult children struggled to find jobs sufficient to care for their own children, let along their parents. Veterans, who had risked their lives and health for the nation, now received application rejections or foreclosure notices from the government of that nation. Borrowers either living with or caring for those with disabilities had to choose between medical care or making mortgage payments. Non-citizens, including those who had planned on completing the naturalization process once their financial situations were secured, found themselves and their American-born children cut off from HOLC aid in the country they desperately worked to make their home. These letters provide an evocative, often dark record of life in Chicago during the Depression and a reminder that the New Deal, variously praised or condemned for its largesse, did not always prove as generous as commonly portrayed.

CHAPTER 3

WHITE MINDSETS AND CHICAGO REAL ESTATE, 1919-1940

The Chicago Home Owners' Loan Corporation did not create policy upon a blank slate. The 1919 Race Riot left deep emotional and social scars on the city. Racial tensions further increased with the Great Migration of African Americans from the South along with an influx of White Southerners and their own prejudices. The city's real estate professionals wielded both local and national influence over mortgage banking and home sales practices due to the institutions headquartered in the city, including the National Association of Realtors (NAR), American Institute of Real Estate Appraisers (AIREA), and prominent sociology and economics departments like those at the University of Chicago and Northwestern University. These urban studies experts and real estate leaders strongly endorsed redlining and racially restrictive covenants in their writings, speeches, and institutional policies. These discriminatory stances filtered down to influence many - but not all - mortgage bankers, realtors, property holders, and business owners in Chicago. The HOLC - frequently led by the same men who directed the associations and taught at the universities – eagerly sought the advice of prejudiced local bankers and embraced openly racist attitudes in their internal documents, government publications, and neighborhood security maps.This chapter analyzes the racist real estate attitudes that influenced the Chicago HOLC through five lenses. First, statements, petitions, and letters-to-the-editors in Chicago newspapers following the 1919 Race Riot demonstrate that many Chicagoans saw legal segregation through racial zoning as a viable and acceptable option for addressing racial conflict. Second, a sampling of nationally-influential real estate writers during the 1920s and 1930s reveals the professionally-approved tendency to endorse segregation, promote racially-restrictive covenants, and undervalue integrated neighborhoods. Third, the University of Chicago's Sociology Department, led by such famous scholars as Robert Park, Ernest Burgess, and Harvey Zorbaugh, promoted theories of urban development that ascribed the poverty of Black and immigrant communities as much to their alleged lack of cultural evolution as to the obvious local forces of ethnic prejudice and wealth inequality. Fourth, investigative reporting by Zita Louise Baker for the *Chicago Defender* in 1928 demonstrates how most of the city's White realtors, mortgage bankers, and hotel managers embraced segregationist policies - sometimes through explicitly-stated policies but more often through unwritten rules of exclusion. Baker's reports, however, also reveal a complicated picture: some fair-minded White bankers and business leaders rejected these regressive attitudes and served Black customers to their own financial profit, undermining the supposedly-rational, bigoted maxims of leading real estate experts. Finally, HOLC interviews of real estate professionals in 1940 show the racial and ethnic prejudices among Chicago's banks and property managers that directly influenced the agency's infamous neighborhood security maps and surveys.

Attitudes Towards Segregation in the Wake of the 1919 Race Riot

Eugene Williams, age 17, trekked with his friends to Lake Michigan on July 27, 1919. They planned to work on the raft they had started constructing, a common pastime for boys seeking relief from the sweltering heat. The Georgia-born Chicagoan and his comrades entered the water around 29th street, the unofficial but generally agreed upon dividing line between White and Black swimming areas. While Williams swam alongside a railroad tie meant for his raft, Black and White bathers on the beach began arguing over which group would use the stretch of sand that day. The parties soon went from throwing words to slinging stones. Williams tried to return to shore, but a volley of rocks from George Stauber, the son of a Bavarian immigrant, drove him back. As terror and fatigue overwhelmed Williams, his strength gave out. According to the coroner's report, Williams, "a peaceable citizen" and "an athlete and expert swimmer" drowned because the White mob threw stones to prevent his escape from the deep waters. The Black crowd reported the murder to the police, but the responding officer, Irish immigrant Daniel Callaghan - an unapologetically prejudiced man - refused to arrest Stauber. This brazen miscarriage of justice sparked a race riot that consumed large portions of the city for a week. The cycle of Black outrage and White reaction caused 38 deaths, more than 500 injuries, and traumatic social memories that have marked the city for a century.[1]

Today, most Chicagoans even marginally-informed on their city's history know some version of this tragic story. Historians have long studied the 1919 Race Riot as it relates to Chicago's immigrant communities, athletic club gangs, African American veterans, and the blighted and overcrowded Black Belt created by the city's *de facto* segregation. However, few today realize how many contemporaries saw the race riot as proof that Chicago needed *de jure*

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[1] Robert Loerrzel, "Searching for Eugene Williams," Chicago Magazine (Tribune Publishing, August 1, 2019), https://www.chicagomag.com/city-life/August-2019/Searching-for-Eugene-Williams/. For contemporary reporting on the riot, see Carl Sandburg, *The Chicago Race Riots, July, 1919*, (New York: Harcourt, Brace and Howe, 1919). For a history of the riot, see William M. Tuttle, Jr., *Race Riot: Chicago in the Red Summer of 1919* (New York: Atheneum, 1970).

segregation, enforced through racial zoning, virtually indistinguishable from Jim Crow policies in Southern cities. Such statements appeared frequently in the *Chicago Daily News* - particularly in the letters-to-the-editor section - during and after the riot. Despite a general public consensus regarding the basic facts of Eugene Williams' murder, some White readers blamed him and his friends for the riot's instigation, as seen in this letter from a Michigan resident:

> There is a place at most beaches assigned to colored bathers, but, instead of confining himself to that portion of the lake, the colored man endeavors to mingle with the whites. The sooner the negro realizes that the two races cannot enjoy the same privileges together the better it will be for all concerned. The only solution [to] the colored question in this city and all other cities where [Black people] are in large numbers is segregation.[2]

Many White Chicagoans also blamed the riot on racial mixing, some in terms that even strict Southern segregationists may have found extreme. "I believe the greatest misfortune that afflicts our country is the presence in it of 12,000,000 of the unassimilable negro race," one D. Davidson wrote, dividing African Americans into two groups. He commends the "pure-blooded negroes, mostly still in the south, improvident and good natured and having no ambition to be rated equal to the white man and to whom the color line is not an offense." Davidson considered these the majority, contrasting them favorably with those he considers the real problem:

> Then there is the other class, the highbrow class, active, energetic, educated, who have taken earnestly the lying political flattery of the whites. Their dearest desire and aim in life is to be rated with the best of the whites… It is the ambition of this class of colored people to equal or exceed the whites that causes the trouble, because the whites are determined that they shall not.

Davidson mocked Illinois' civil rights laws that forbade official segregation – "hastily enacted legislation founded on the principles of equality and democracy" – and pointed to the riot as proof such liberal notions had and would continue to fail. Davidson admitted that Whites before

[2] "Views on Many Topics by Readers: On Race Segregation," *Chicago Daily News*, August 2, 1919, 9.

the American Civil War felt differently towards their Black fellow citizens. “We called him our dark skinned brother and stood with open arms to receive him. Now that we have him we find we do not like him.”[3]

Davidson concluded by listing three potential solutions to racial tensions. The races could amalgamate through intermarriage, but “Every white man would rather see the nation destroyed than adopt this method.” The country could deport Blacks back to Africa, but he acknowledges most Americans would not want this, especially Southern Whites who “find the negro of economic value.” Davidson rather endorsed a third solution: strict segregation. “Make two entirely distinct and separate castes, closely related economically but on two planes.” He predicted that no Whites and few Blacks would oppose this plan apart from “the highbrow negroes who live chiefly in the north.” He states matter-of-factly that Whites no longer threatened with social equality would actually care more about ending vigilante crimes against African Americans by poorer quality Whites. “In other words,” he concludes, “the negro would fare better as a ward of the white man than as his competitor.” While one cannot definitively know how much Davidson’s views represented those of White Chicagoans generally - the *Daily News* may well have printed his letter for its shock value - one also cannot assume few shared his perspective. During the national revival of the Ku Klux Klan in the early 1920s, Chicago claimed some 50,000 members, more than any other metropolis in the nation. Moreover, several other

[3] D. Davidson, “Views on Many Topics from Readers of The Chicago Daily News: Solving the Race Problem,” *Chicago Daily News,* August 6, 1919, 9

letters from Whites to the *Daily News*, although more politely worded, also called for legislators to enact or at least consider government-enforced racial segregation.[4]

One letter-writer, using the pseudonym "Cyrus," called for a state constitutional convention where "wise statesmen" would lay the groundwork for cities and counties to create racial zones. This Chicagoan laid primary blame for the actual riots on violent Whites, "a dozen times worse than the negroes who engage in rioting, for the whites are of the stronger and better prepared race." However, he saw the lack of firm segregation as the long-term cause of tensions. "Without casting any contumaly on the negro race it is still a fact that two races do not live peaceably when intermingled and such confusion should not be attempted… Where only a few negroes live among the whites, usually no trouble occurs, but as soon as large numbers come in there is trouble."[5]

Another writer, one W. R. Betham, from Chicago, claimed to have heard such concepts from Black people themselves, quoting "a noted colored educator" as telling him that, since African Americans lived as a minority in a representative democracy - a minority with "the benefit of less than 100 years of civilization" - "it stands to reason that the white man will not accept the negro as an equal, and that, the sooner the colored race fully realizes this and governs itself accordingly, the quicker it will secure all the rights and protection it is entitled to." Betham claimed to have asked his acquaintance why Black educators failed to teach this principle to the Black population, to which the alleged person replied, "I always do, except in certain northern

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[4]Ibid.: Kenneth Jackson, *The Ku Klux Klan in the City* (1967; reis., Chicago: Ivan R. Dee, 1992), 103.

[5] Cyrus, "Views on Many Topics by Readers of The Daily News: Zoning System for Chicago," *Chicago Daily News,* August 4, 1919, 5.

cities where unscrupulous politicians, with deceit and glittering promises of rights and privileges, secure the colored vote to promote their nefarious schemes." Whether this interracial dialogue actually occurred or if Betham accurately represented the exchange or not, the letter exemplifies an attitude among many White Chicagoans that integration was folly promoted by Black politicians more interested in abstract rights than material security for their race. If this "noted colored educator" did exist and actually expressed such views, the letter followed the common trend of segregationist Whites referencing socially-conservative Black thinkers who appeared to agree with their restrictive views, often using cherry-picked quotes and sentimental syntax: "This colored philosopher thinks deep, and with every thought his heart beats for the future welfare of his race," Betham concluded. "I am sure that every decent white man wishes him God's blessing."[6]

One might feel tempted to ascribe this pro-segregationist feeling to a cartoonishly-malicious element of Whites, those who blindly hated non-Whites or resented entirely the presence of Blacks in Chicago. However, many influential Whites who condemned White rioters, expressed empathy towards the Black population, and called for meaningful rehabilitation of the Black Belt still considered racial separation the natural and desirable state of race relations in Chicago. The *Daily News* reported the instructions given by Judge Robert Crowe to a grand jury indicting those arrested for violence during the riot. Crowe urged the jury to act impartially but firmly against the rioters, whom he compared to the anarchists of the Haymarket Square bombing of 1886. He also inserted his view that lack of opportunity for Black

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[6]W. R. Bentham, "Views on Many Topics from Readers of The Chicago Daily News: Politicians and the Negro," *Chicago Daily News,* August 5, 1919, 9.

Chicagoans created the conditions that led to the riot. Despite this, he still saw *de facto* segregation as the natural and most desirable policy:

> I am firmly convicted… that prejudice and hate will be lessened and the problem more nearly solved by the establishment of an equality of opportunity. This does not mean the indiscriminate mixing of whites and negroes in residential neighborhoods will result. In fact the very opposite will occur. 'Racial separateness,' as I think it should be correctly termed, will work itself out spontaneously if the opportunity is given it.[7]

Alderman Terence F. Moran introduced a resolution calling for a commission to both investigate the riot and consider racial zoning as a solution. His resolution claimed, "the city council believes that many of the causes of friction can be removed by an intelligent and equitable separation of the races." Moran believed such a commission should determine "if it is possible to equitably fix a zone or zones which shall be created for the purpose of limiting within its borders the resident of only colored or white persons within the limits of said zone or zones." Moran proposed a multi-racial commission, and so appeared to presume significant Black support for the project. Although Black aldermen blocked his resolution in the city council on procedural grounds (Moran presented it during a special session meant for other business), his suggestion was not considered strange or extreme to many Chicagoans, White or Black. In 1925, the *Chicago Broad Ax* – a radical Black newspaper, endorsed Moran during a successful reelection campaign, describing him as "ready and willing to do anything that he can to favor the colored people residing in his ward." While Moran's segregation proposal failed to gain support, it does not appear to have cost him Black votes later.[8]

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[7] "Hang Rioters, Judge Urges Grand Jury," *Chicago Daily News,* August 4, 1919, 1.

[8] "Color Line Up in Council," *Chicago Daily News*, August 5, 1; "Segregation to Prevent Race Riots is Urged," *Chicago Tribune*, August 6, 1919, 3; "Hon. Terence F. Moran, One of the Good Friends of the Colored People Will Be Re-Elected to the City Council from the 16th Ward, Tuesday, February 24," *The Broad Ax*, February 14, 1925, 1.

Moran's suggestion of racial zoning likely would not have survived a formal legal challenge. In 1910, the city council of Baltimore, Maryland, enacted the nation's first racial zoning law, forbidding Blacks from moving into majority-White areas and likewise barring Whites from moving into majority-Black neighborhoods. Cities across the South quickly passed similar ordinances. In 1917, however, the Supreme Court declared such explicit racial zoning unconstitutional in *Buchanan v. Warley*, not concerned as much for Black citizens' civil liberties as for property owners' right to freely make contracts. Southern White city leaders ignored or sought loopholes to this decision throughout the 20th century, arguing – like Moran – that racial zoning was necessary to prevent racial violence. Perhaps Moran assumed Chicago could find a workaround to the decision as many Southern cities had.[9]

Whites advocating segregation in the days following the riot often claimed that Black leaders supported separation, likely drawing from newspaper reports of a meeting at Olivet Baptist Church towards the end of the riot. At this meeting, religious, professional, and military leaders presented to Mayor William Thompson their own request for Governor Lowden to open a commission on the riot composed of 25 Black and 25 White members. Many of them - perhaps to assuage the fears of Whites – emphasized in their speeches that Chicago's Black community generally did not seek to join Whites socially. "All we want is equality of opportunity," said Dr. G. R. Bryant of the South Park M. E. Church. "We will naturally live together, have our own churches, clubs and societies, and do it voluntarily and with the utmost good feeling… As

[9] Richard Rothstein, *The Color of Law: a Forgotten History of How Our Government Segregated America* (New York: Liveright Publishing Corporation, 2017), 44-47; for more on Baltimore's history of racial zoning and segregation, see Antero Pietila, *Not in My Neighborhood: How Bigotry Shaped a Great American City* (Chicago: Ivan R. Dee, 2010).

ministers and leaders we are urging this 'racial separateness' upon our people and encouraging them in the practice of it." Dr. Lacy K. Williams, pastor of Mount Olivet Church, also made remarks that many segregationists may have applauded:

> All the Negro wants is an equal economic and industrial chance with other races… No self-respecting Negro wants what is commonly known as 'social equality.' The sensible Negroes never make an attempt to 'mix' socially with white people, and don't want white people to 'mix' with them… The colored people are not seeking social contact with the whites. Very few, if any of them want it.

Those who claimed these men supported racial zoning, however, ignored their full remarks. Williams warned in the same speech, "Putting laws on the statute books and drawing the color line officially will only intensify antagonism and make matters worse. Racial consciousness thereby will be only intensified among both the white and the colored races and the feeling of bitterness increase." He suggested more harmony would come from relations like those between his family and the two White families that lived on either side of them. "I attend to my business. They attend to theirs. I have never been in their houses. They have never been in mine. And yet I don't believe I have better friends than they are, and I believe they know I would do anything for them." To men like Bryant and Williams, racial groups could socially self-segregate while enjoying legal and economic equality in physical proximity to one another.[10]

Whites who claimed Black empathy for segregation may have had other supporters in mind. According to the *Defender*, some African Americans promoted racial zoning, not from a principled belief in segregation but rather out of their own self-interest.

> We as a race of people are burdened down with leaders, some of whom are honest in their intent and purpose, while others are ghouls who seek only to profit by their leadership… Their main object is to live without doing legitimate work, hence they appoint themselves

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[10] "Leaders Hold Meeting," *Chicago Defender*, August 9, 1919, 9; "Negroes Urge Ending of Race Antagonism," *Chicago Daily News*, August 4, 1919, 1.

> to a position of race leadership. If it helps their purpose to clamor for segregation they are usually found on the side of segregation. If it helps them to ask for racial restrictions they are found on that side with what they consider a legitimate argument to propagate their schemes.

According to the *Defender's* editorial, these same "leaders" had conducted a charity fraud, pocketing funds they collected in the name of aiding those harmed by the riot. However, White segregationists seeking moral cover from Black voices for their exclusionary proposals neglected to discern which voices truly represented the Black community as a whole. Black Chicagoans as a rule rejected calls for legal segregation strenuously. One Walter Ellis wrote the *Daily News* to condemn the idea of a constitutional amendment to create racial zoning, comparing Blacks who supported such notions to those during slavery who had worked as butlers at the "big house" and used their comparative privilege to lord over the field hands. "And the 'hands' don't like some of the things that are being said," Ellis warned. "They think there are several "white men in the woodpile" with their faces Blackened, who have carpet bags filled with separate schools for the "hands" children, separate cars for the "hands" and even segregated neighborhoods." He assured the editor that people like him would vigilantly guard against any segregation amendments to the state constitution.[11]

The riot and ensuing discourse regarding racial zoning inevitably drew in homeowners' associations and real estate groups, including many responsible for racial violence and *de facto* segregation in the first place. The Kenwood and Hyde Park Property Owners' Association – whose members the police suspected of bombing the homes of Black neighbors and White realtors who sold to Blacks - sent their own petition to Mayor William Thompson within days of

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[11] "Slick, Race Leaders, Beware!" *Chicago Defender*, August 30, 1919, 17; Walter A. Ellis, "Views on Many Topics by Readers of The Chicago Daily News: Race Segregation? No!" *Chicago Daily News*, August 4, 1919, 5.

the riot. Penned by association president Charles Fox, the petition blamed the recent bloodbath on Blacks who had sought social equality by moving into White areas:

> One of the principal causes that led up to the recent outburst of feeling can be attributed to the promiscuous scattering of negroes throughout the white residential sections of our city. This was not brought about by an acute shortage of housing accommodations but, to the contrary, was part of the program conducted by the vicious element to assert their constitutional rights. The white residents of every neighborhood resent the incursion of negroes, not only because of the social side of things, but because of the depreciation in property values which follows in the wake of a negro owner or tenant.

The association members - either lying or naive in denying the housing shortages in the Black Belt - saw race riots not as unfortunate birth pangs of incremental integration but rather as immutable consequences of opposing “the natural order of things” that would only increase in frequency as the Black population continued to spill into White areas adjoining the Black Belt. The association further viewed legal segregation as a permanent solution, “settling once and for all time the question of race feeling and race riots, which had led to so much violence and bloodshed during the past ten days.” Much as later Alabama Governor George Wallace would opine in his 1963 “Segregation Forever” speech, many homeowners’ associations of Chicago in 1919 viewed racial zoning not as a stepping stone or necessary evil but as a positive solution for all.[12]

The language of the association’s letter betrays the illiberal contradictions inherent in mainstream American segregationist thinking. Most White property owners on the South Side would have readily endorsed patriotic, republican abstractions such as fair-dealing and constitutional rights, but they failed to see the irony in them blaming Black citizens for asserting their own rights under the law. “Of late there has been a movement by the vicious element of

[12] “Race Commission to Be Selected at Once,” *Chicago Daily News*, August 6, 1919, 4.

negroes to harangue about constitutional rights," the petition complains, co-opting the tragedy of the moment to draw attention to their own legal battles against integration. As per custom in segregationist diatribes, Fox assured the mayor and any Black readers that race activists hid selfish motives while White homeowners had the true best interests of African Americans at heart.

> In many cases this same vicious element became involved in shady real estate transactions and have used the constitutional rights and [the] harangue about discrimination to attain their own selfish aim and purpose to the detriment of their own people. The thinking negro will do well to question the motive of some of these self-appointed leaders who are constantly talking about constitutional rights.

The petitioners recognized Black Chicagoans as some form of American, to be sure, but circumscribed their inalienable rights as only including "the right of opportunity," alluding to pro-incrementalism Black leaders to defend this distinction. Fox argued that

> The prudent leaders of the negroes of Chicago make no claim for social equality, but content themselves with asking for the right of opportunity, which right should be accorded them. There should be no mistake about this. It should not be camouflaged in terms or in English that it might be misconstrued for social equality. The right of opportunity is one thing - social equality is another.[13]

Property owners' associations in South Chicago often promoted this vague "right of opportunity" when calling on the city to provide decent-but-segregated schools and zoned-off houses for Black workers, as they nearly always did in public addresses defending segregation. The petition to the mayor proclaimed, "To the respectable colored law-abiding citizens of Chicago we should accord every opportunity for self-betterment. We should employ him at honest labor, pay him a living wage, help him improve his home conditions and surroundings and furnish the means of education." Their patronizing use of the first-person plural here

[13] Ibid.

suggests these homeowners regarded a functioning social structure as something Whites collectively gave to Blacks, despite the fact that these associations did not especially include major employers of Black laborers nor did their call for expensive rehabilitation of the Black Belt deter their attempts to reduce their own property taxes. Despising above all liberal intellectuals and race activists, the petitioners insisted that the work of improving Black lives "should not be delegated to theorists, philosophers or selfish politicians," but rather to "practical men" - specifically "responsible business men capable of considering all angles to the question."[14]

The association likely viewed the official commission Governor Lowden assigned to investigate the race riot as a gaggle of the intellectuals and politicians they loathed. Black sociologist and journalist Charles Spurgeon Johnson wrote the commission's massive report, *The Negro in Chicago,* which identified many causes for the riot itself but admitted that no easy solutions – no "quick means of assuring harmony between the races" – presented itself.

> Careful consideration of the facts set forth in this report shows that no such suggestion is possible. No one, white or Negro, is wholly free from an inheritance of prejudice in feeling and in thinking as to these questions. Mutual understanding and sympathy between the races will be followed by harmony and co-operation. But these can come completely only after the disappearance of prejudice. Thus the remedy is necessarily slow.[15]

The commission urged the police and courts to respond to riots, bombings, and "other depredations calculated to arouse race antagonism" with impartial justice. They drew attention to the preponderance of crowded, unsafe buildings in predominantly-Black districts, recommending

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[14] Ibid.

[15] Chicago Commission on Race Relations, *The Negro in Chicago: A Study of Race Relations and a Race Riot* (Chicago: University of Chicago Press, 1919), 642-645.

the condemnation and razing of such structures. They called for an investment in schools for Black children, and generally promoted diversity education in churches, unions, and other organizations with cultural influence. The commission came out fairly strongly against segregation, judging it illegal, impractical, and likely to worsen racial tensions. The commission saw gradual adjustment of Whites and Blacks to living in proximity as the only sustainable solution. They condemned "associations or organizations ostensibly founded or conducted for purposes of patriotism or local improvements" who contributed to "race antagonism," an indirect censure of the Ku Klux Klan and the Hyde Park and Kenwood Property Owners' Association.[16]

The "practical men" the homeowners' associations wanted to solve the problem probably included the members of the Chicago Real Estate Board and Chicago Association of Commerce. These groups met a week after the riot to discuss their grand plan to rehabilitate the city's blighted districts, particularly the Black Belt. "Whole blocks of those wooden, ramshackle fire-traps will be torn out and replaced with modern, fire resisting tenements and flat buildings," realtor Ivan Ackley told the *Daily News*. "It will be a responsible, respectable community." While the board saw the riot as proving the need for their project, Ackley told the *Daily News* that they had been studying the issue of race and housing for two years. Wealthy Chicagoans would form a syndicate, guided by the real estate board and with the commerce association putting up half the proposed $2 billion capitalization. Ackley viewed the project as an ideal marriage of good policy and the private market which would enjoy widespread support from Chicagoans of all races.

> It is not a philanthropic move. It will be an organization for profit but the result will be a housing section for colored people that cannot be equaled in any part of the country. This

[16] Ibid.

> is the first time in the history of the country that serious effort has been made to correct the matter of housing for colored people. Leaders in the colored race want to co-operate with us and we are certain of success.[17]

Ackley told a historian the following year that his own race-restricted neighborhood appeared attractive to homeowners because "Woodlawn is essentially an American community. We have no foreign nor other undesirable element." If Ackley believed immigrant neighbors made a neighborhood less attractive, he likely considered mixed-race developments a risk to this "for profit" initiative. The Chicago Real Estate Board certainly viewed the proposed developments as segregated. They even planned both high-class and working-class sections, likely to create an alternative area for upper- and middle-class Black families with the means to try moving into White neighborhoods. This project enjoyed local connections, such as the presidents of the Hyde Park State Bank and the Mortgage Bankers' Association of Chicago, as well as with government bureaucrats like Charles Bixby of the USDA Housing Bureau.[18]

Neither a policy of racial zoning nor the plan to rehabilitate the Black Belt came to fruition following the 1919 Race Riot. The public concern of the moment gave way to general apathy and the inertia of the status quo. Despite many bleak prophecies, the 1920s came and went without another major race riot in Chicago, but the Black Belt grew even more crowded and blighted. Meanwhile the "practical men" at the Chicago Real Estate Board gained in influence and power over the next decade, informed by new experts in sociology, urban studies, and real estate economics, many based at universities and institutions in Chicago.

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[17] "Rebuild 'Black Belt,' Realty Men's Plan," *Chicago Daily News*, August 7, 1919, 17;

[18] Ibid.; John C. Spray, *The Book of Woodlawn*, 1920, 30-31, Woodlawn Community Collection, Box 1, Folder 54, Special Collections, Chicago Public Library.

Racial Divisions and the Chicago School of Sociology

Sociology emerged in the 1890s as a controversial addition to academia, viewed by many as a snobby and disorganized field which threatened to siphon resources from the other social sciences which it had cannibalized for methodologies. The University of Chicago's Sociology Department – otherwise known as "the Chicago School" – grew far faster than that of any other American university, emphasizing data collection and inductive reasoning while other institutions languished under abstract theorizing. The Chicago School led the way in research, professionalization, and publication, particularly through its publication, the *American Journal of Sociology*. Sociologists elsewhere painted in broad, macroevolutionary strokes across entire societies, but the Chicago School focused its lens on urban ecology, using neighborhoods as units of analysis with a particular interest in the inhabitants' social psychology. The PhD's produced by the Chicago School then founded or expanded sociology departments across the nation, spreading their methods and sensibilities. The Chicago School left a complicated, mixed legacy. To its credit, the department provided a generation of Black scholars the data repositories and methods necessary for them to craft important works on Black life in America, such as *Black Metropolis: A Study of Negro Life in a Northern City* by Chicago School sociologists St. Clair Drake and Horace R. Cayton, Jr. Regrettably, however, the Chicago School also promoted fatalistic models of urban decay and racially discriminatory theories on land value which linked non-White communities to poor investment risk. Through their teachings, writings, and consultations, the Chicago School wielded a ubiquitous influence on real estate practice, mortgage banking, and government policy.[19]

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[19] Jonathan H. Turner, "The Mixed Legacy of the Chicago School of Sociology," *Sociological Perspectives*, Vol. 31 No. 3, (July 1988), 325-338; Davarian L. Baldwin, "Black Belts and Ivory Towers: The Place of Race in U.S. Social

No Chicago School name looms larger than that of Robert E. Park (1864-1944), the "father" of urban sociology and a key pioneer in the study of race relations. Park studied under John Dewey as an undergraduate before earning a PhD in Germany where sociology had advanced much further as a field. As a journalist in the 1910s, Park worked for four years reporting on Belgian King Leopold II's crimes against humanity in the Congo Free State and helping organize American support for intervention. Through this work he met famed Black educator Booker T. Washington who offered Park a position as the Tuskegee Institute's publicist. At Tuskegee, Park encouraged donations by raising awareness of the institution's accomplishments, all the while studying the Southern Black community. This work influenced the attitudes he brought to the University of Chicago in 1914. Park opposed viewing racial conflict and inequality through the lens of Social Darwinism based on immutable genetic differences, a perspective which had previously guided the University of Chicago's first sociology department chair, Albion Small, founder of the *American Journal of Sociology*. Instead, Park, influenced by the new chair, William I. Thomas, saw racial groups as biologically equal in terms of potential but existing temporally in different phases of cultural evolution based on their socio-historical conditions. Black America, due to wide variations in its experiences, seemed to Park an especially ripe field for studying these phases of cultural evolution:

> The study of the Negro in America, representing, as he does, every type of man from the primitive barbarian to the latest and most finished product of civilization, offers an opportunity to study… the historic social process by which modern society has developed. The Negro in his American environment is a social laboratory.

Thought, 1892-1948," *Critical Sociology*, Vol. 30 No. 2, (2004), 397-450; St. Clair Drake and Horace R. Cayton, *Black Metropolis: A Study of Negro Life in a Northern City*, (New York: Harcourt, Brace, and Co., 1945).

He credited the period of slavery, for all its ills, with domesticating the allegedly-primitive Africans and making them more assimilable to American society, and likewise attributed the advance of Black people to moral instruction from Christian teachers. While Park blamed prejudiced Whites for holding back Black assimilation by isolating them, he focused more on the consciousness of separateness in Blacks themselves. He regarded mixed-race individuals as intellectually and temperamentally superior, suggesting that their leadership could help other Blacks assimilate and progress.[20]

Park worked with fellow Chicago School sociologist Ernest Burgess to produce *The City* (1925), a highly influential early text on urban studies. Just as Park assigned racial groups to varying stages of cultural evolution, so too did Burgess regard cities zones as naturally progressing from one socio-economic stage to another, with nice residential neighborhoods on the outskirts giving way to the encroaching slums, which in turn retreated from the factory and light business zones emanating from the downtown business district at a city's center. Burgess and Park did not connect the deliberate actions and inactions of those with access to political and economic power to the creation and exacerbation of slums like the over-crowded and artificially hemmed-in Black Belt. Rather, they figured the slum reflected the cultural evolution of the inhabitants. In this way, they underplayed the role of exploitation and imprinted the associations of the slums onto the ethnic groups who populated them.[21]

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[20] Winifred Raushenbush, *Robert E. Park: Biography of a Sociologist*, (Durham: Duke University Press, 1979), 50; Baldwin, 400, 406, 408, 409, 417.

[21] Baldwin, 415; Robert Park, Ernest Burgess, and Roderick D. McKenzie, *The City* (Chicago: University of Chicago Press, 1925).

Harvey Zorbaugh, one of Park's students at the Chicago School, applied these principles to his extensive study of Chicago's Near North Side, *The Gold Coast and the Slum,* in 1929. Through interviews and ethnographic studies, Zorbaugh contrasted the affluent community of social climbers in the Gold Coast neighborhood with the denizens of the slums nearby which included Little Italy and the smaller of the city's Black belts. In Park's introduction to Zorbaugh's book, he regards ethnic distinctions as a prime reason for the lack of neighborhood cohesion:

> Every great city has its bohemias and its hobohemias; its gold coast and little Sicilies; its rooming-house areas and its slums. In Chicago, and on the Lower North Side, they are in close physical proximity to one another. This gives one an interesting illustration of the situation in which the physical distances and the social distances do not coincide; a situation in which people who live side by side are not, and – because of the divergence of their interests and their heritages – cannot, even with the best of good will, become neighbors.

The Gold Coast and the Slum provides a fascinating and useful description of life in the Near North Side, and Zorbaugh imbues the text with compassion for those struggling in the slums. He also, however, seems to approach his subjects with an imperialistic detachment. He refers to ethnic enclaves as "colonies" and his descriptions of demographic shifts sound like the maneuvers of campaigning armies: "As the Irish, Swedish, and Germans had left the west district when the Sicilian came in, so now the Sicilian is beginning to give before the pressure of the Negro invasion." Just like Park and Burgess, Zorbaugh sees the segregation of racial groups as an unavoidable byproduct of their internal cultural evolution. "The tendency to the segregation of a population on the basis of race, nationality, and economic status… is an inevitable accompaniment of the growth of the city."[22]

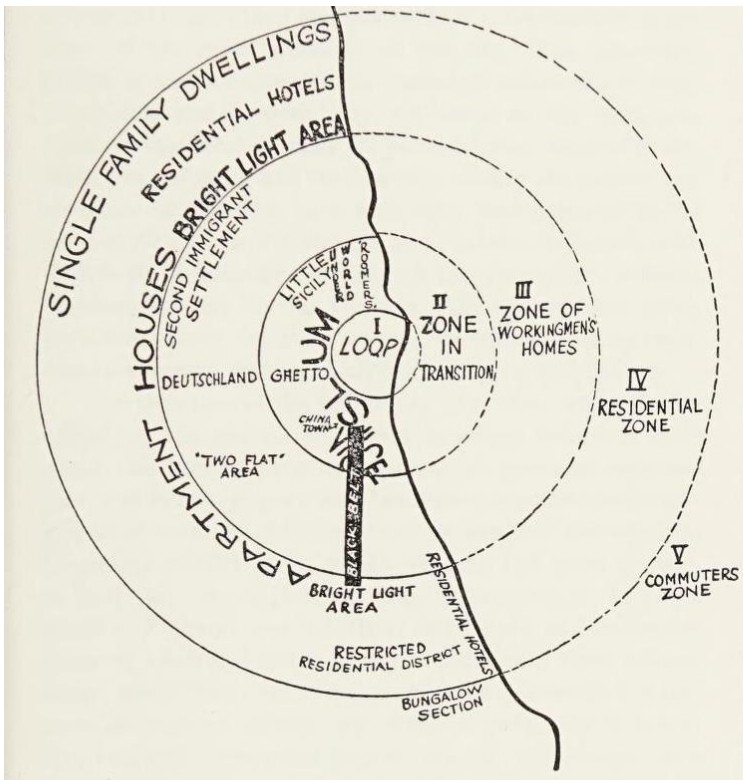

Figure 3. Harvey Zorbaugh's diagram of Chicago's urban zones.[23]

Zorbaugh does, at times, acknowledge the role of the market in creating segregated slums:

> The city, as it grows, creates about its central business district a belt of bleak, barren, soot-begrimed, physically deteriorated neighborhoods. And in these neighborhoods the undesirable, and those of low economic status, are segregated by the unremitting competition of the economic process in which land values, rentals, and wages are fixed.

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[22] Harvey Zorbaugh, *The Gold Coast and the Slum: A Sociological Study of Chicago's Near North Side,* introduction by Robert Park, (Chicago: University of Chicago Press, 1929), ix, 12, 20, 38, 114.

[23] Zorbaugh, 230-231; to compare to Burgess's chart of the process of urban expansion, see Robert E. Park, Ernest W. Burgess, and Roderick D. McKenzie, *The City,* (Chicago: University of Chicago Press, 1925), 50-53

Zorbaugh sees the invisible fences created by the stratified Chicago housing market as natural barriers akin to bodies of water or topographical features. Rather than blame city governments for the policies which created the slums, Zorbaugh argues "that zoning ordinances tend merely to add a legal definition to pre-existing natural areas." Zorbaugh seems disinclined to blame segregation or the slums on the greed of the rich or bigotry of property owners based on his open expressions of disdain for labor organizers and communists.[24]

Zorbaugh sometimes acknowledges how ethnic groups using violence to try to keep out others, primarily focusing on the schoolyard battles between boys in gangs. "The play parks were the scenes of many a "battle," he wrote about the era when Sicilians moved into a previously Irish and Swedish neighborhood, "when the Irish boys would attempt to run out the Italian, and alley garbage cans were stripped of their covers which served as shields in these encounters." When Blacks began moving in, their children faced similar treatment: "The Sicilian has not retired before the Negro without a show of resistance. On the school and public playgrounds are re-enacted the scenes of a generation ago when the Sicilian was forcing out the Swede. The Negro child is often mistreated and ostracized." He also notes more official attempts by Sicilians to keep Blacks out, such as parents protesting to the schools and landlords cooperating to box out Black occupants. Zorbaugh downplays these attempts as "ineffective and sporadic," however, maintaining that the evolution of the urban zones was as irresistible as it was natural.[25]

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[24] Zorbaugh, 114, 230, 129.

[25] Zorbaugh, 35, 148-149.

Zorbaugh also describes Chicago's ethnic groups as self-segregated. "The Negro, part of the post-war migration from the South, an unskilled group of the lowest economic status, naturally crowded into the slum." He even opined that the confinement of Jews in medieval European ghettos "was the creation of the racial religion of the Jew himself… and not a product of Christian coercion," providing no sources for this outlandish claim before claiming Black belts, Chinatowns, and Little Italy's in America mostly followed the same pattern. "This does not mean that the immigrant necessarily seeks the slums," he admits, "or that he makes a slum of the area in which he lives." Rather, Zorbaugh clarifies, they move into areas they can afford and where they face the least resistance, only to find in the ghetto their natural home.

> In the colony he meets with sympathy, understanding, and encouragement. There he finds his fellow-countrymen who understand his habits and standards and share his life experience and viewpoint. In the colony he has status, plays a role in a group… In the colony he finds that he can live, be somebody, satisfy his wishes – all of which is impossible in the strange world outside.[26]

Zorbaugh goes into great detail describing the privileged lives of the largely-idle socialites of the Gold Coast, how they spend their time and resources jockeying for position on the viciously gatekept social ladder at teas, luncheons, and parties. Even their charitable work with benevolent societies served as a status symbol. This affluent behavior sharply contrasts with Zorbaugh's description of the material sufferings of the slum nearby, but he did not question the morality of this stark inequality. Rather, he saw the Gold Coast elites as the city's guiding lights.

> In spite of the fact that the average man… pictures the Gold Coast as ostentatious, snobbish, condescending, the existence of such an aristocracy, with its wealth, leisure, morale, and interest in the city, is in the long run a controlling factor in the city's destiny. No other group of citizens is competent to do what the Gold Coast is doing for the life of the city.

[26] Zorbaugh, 38, 140, 141.

He contends that the Gold Coast's social rituals and exclusionary cliques actually serve the necessary function of maintaining community solidarity so the rich can continue to effectively shepherd the city. A labor activist or communist might have charged Gold Coast residents with creating poverty by hoarding wealth and excluding outsiders, but Zorbaugh considers the exclusion a precondition for the leadership of the affluent whom he considered necessary to the city's future and not especially culpable for its problems.[27]

Segregation and Chicago's Real Estate Economists

Native New Yorker Richard T. Ely taught at Johns Hopkins and the University of Wisconsin before joining the faculty at Northwestern University in Evanston, a suburb north of Chicago, in 1925. Ely developed a large and influential school of followers through these academic positions and his Institute for Research in Land Economics (IRLE). Prior to the 20th century, American economists had largely overlooked real estate as a field for scientific study. Appraisal particularly relied more on subjective intuition than any standardized methodology. Ely worried that haphazard realty and urban development threatened homeowners and businesses. To study these concerns, Ely founded the Institute for Research in Land Development. He wanted to create textbooks and networks to professionalize the field and bring order to the chaotic real estate market. Other economists and realtors agreed, leading to a renaissance in professional real estate thinking. Chicago served as the hub of this intellectual movement after 1925 when it became home to the National Association of Real Estate Exchanges (later the National Association of Real Estate Boards, NAREB, and now the National Association of Realtors, NAR). NAREB aimed to share best practices, facilitate networking and

[27] Zorbaugh, 279.

accreditation, and generally provide regulations in an era of dangerous speculation. They chose Chicago due to its central location, booming growth, and a greater openness to new ideas than that of more established municipalities on the East Coast. In 1923, NAREB decided to fund Ely's IRLE in exchange for textbooks and manuals. Additionally, Ely's real estate education efforts gained financial support from institutions affiliated with trade groups and philanthropic foundations. Essentially, his school became the real estate industry think tank.[28]

Ely, although influential among Progressives, refused to involve himself in issues of racial justice, even declining an invitation to a 1909 conference that led to the formation of the NAACP. Not only did he believe his talents would best serve elsewhere, but he ascribed to the scientific racism of the era which sorted the races into hierarchies. He considered tenant farming the proper domain of African Americans until they demonstrated cultural development sufficient for regular homeownership - a development directed and assessed by Whites like himself and his followers. It should come as no surprise, then, that he vigorously encouraged racial segregation through mechanisms including racially-restrictive covenants. NAREB already appeared to agree with these stances by the time Ely joined. NAREB publications already promoted racist covenants and in 1924 it added a clause to its code of ethics forbidding members from introducing "members of any race or nationality" to a community in an manner that might harm property values.[29]

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[28] LaDale C. Winling and Todd M. Michney, "The Roots of Redlining: Academic, Governmental, and Professional Networks in the Making of the New Deal Lending Regime," *Journal of American History,* (June 2021): 47-49.

[29] Ibid., 46; Thomas Lee Philpott, *The Slum and the Ghetto: Neighborhood Deterioration and Middle-Class Reform, Chicago, 1880-1930*, (New York: Oxford University Press, 1978), 190-191.

NAREB created the American Institute of Real Estate Appraisers in 1932, using Ely's materials for professional development and appointing Philip W. Kniskern as its president. Kniskern would serve as president of NAREB in 1941, but before that he worked for the HOLC in 1933 and 1934, helping it develop its appraisal policies and appraiser-training programs. (In fact, FHLBB Chairman John Fahey made Kniskern's first task reforming the HOLC appraisals in Illinois after the mismanagement of the Donne administration became known.) Kniskern agreed with Ely that appraisers should use "scientific" and objective - in their minds - principles to assign value to properties, even if the resulting appraisals contradicted actual sales in a given area. "I do not agree wholly with the rather common expression that the value of a property is established when a buyer willing and able to buy meets a seller willing and able to sell," Kniskern wrote in 1931. "A sale does not create value. Value is created by economic and social conditions." For Kniskern, the class and racial makeup of a neighborhood represented two of the more important conditions for appraisers to consider. "A territory might be populated by a poorer class, or close to conditions, industrial or otherwise, so that the probable occupancy of the property will be of that same class. We must recognize the customs, habits, and characteristics of various strata of society and races of people."[30]

Kniskern's institute published *The Journal of the American Institute of Real Estate Appraisers*, and its contributors shared his and Ely's opinions regarding integration and real estate values. In 1933, the year the HOLC began operation, future National Association of Realtors president Charles B. Shattuck wrote an article for the journal titled "What Price The

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[30] "Home Loan Inquiry Sought by Fahey," *New York Times,* December 20, 1933, 37; Philip W. Kniskern, "What Constitutes Value in Real Estate," *Real Estate Appraisals: Discussions and Examples of Current Technique*. Edited by Henry A. Babcock. (Chicago: NAREB Appraisal Division, 1931), 15, 29.

American Home?" He argued that one cannot appraise home values without "vision (meaning common honesty, analytical ability, and sound judgement)." This 'vision' included noting "the local prejudices, racial characteristics, and customs of the people living within the neighborhood" which a good appraiser "must *uncover*." In discussing the issue of racial prejudice, Shattuck acknowledged a general American preference for open-mindedness. "To the layman, people are mostly just people and he gives little or no thought to the slight differences in the quality of the various classes of people." However, Shattuck urges his colleagues to look past this liberal thinking. "The appraiser on the other hand must constantly be on the lookout for such differences in the classes of people, for the market value of the single family home is greatly affected by the social aspects surrounding the home." Certainly, one might recognize that racial prejudice in a given region could impact the market value of homes in an integrated neighborhood, and Shattuck understandably instructs appraisers to study these factors.[31]

Shattuck, however made a jarring leap from merely discussing local quirks to making absolute statements regarding integration's effects on any residential neighborhoods, making no allowance for exceptions.

> As the social environment of a residential neighborhood is bettered, the market value of the homes therein will rise, and on the other hand, should even so much as one family of questionable racial characteristics or customs move into a neighborhood, the market value of such single family homes will react almost at once to this adverse influence.

If any of his readers doubted the need to fatalistically accept such judgements regarding race, they would have felt called out by his insistence that appraisal represented a science as much as an art. Disagreeing with his axioms on race essentially meant dismissing the empirical

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[31] Charles B. Shattuck, "What Price the American Home?" *The Journal of the American Institute of Real Estate Appraisers*, October 1933, Vol. 2, Issue 1, 34-41, emphasis in the original.

conclusions of the wise. “To estimate and judge the social environment of the neighborhoods,” Shattuck wrote, “is an accomplishment in the science of appraising far more to be desired than the mere ability to measure accurately the number of square feet in the houses. The appraiser who cannot judge human characteristics, prejudices, and customs will fail in the appraisal of the single family residence.” Shattuck insisted that appraisers should thoroughly understand the advantages and disadvantages of racially restrictive covenants, but he only spoke of them in positive - for him - terms, arguing that they “retard otherwise natural encroachments” of classes who might negatively affect the neighborhood. He concluded his section on covenants by dismissing those who ignore them: “How any appraiser could state an opinion of the market value of a home and not be thoroughly familiar with these important items of value is beyond my ability to comprehend.” Shattuck postulates that properties have an intrinsic value beyond the bids of speculators during the Depression, and that “the Rightful standard of living of the average American family” provided the “true measure of the fair market value of the American home.” Given that the depressed market values of some White neighborhoods could have facilitated an exodus of middle-class Blacks from the congested ghettos, Shattuck and the appraisal industry generally regarded segregated living as part of White people’s “rightful” standard of living that should trump commitments to free market principles.[32]

Ernest McKinley Fisher, one of Ely’s PhD students, enjoyed a long, impactful career, advising the FHA, overseeing education and research at NAREB, and directing the Institute for Urban Land Use at Columbia University. Fisher’s *Principles of Real Estate Practice*, which contained a preface by Ely, served as the textbook for a course designed jointly by NAREB and

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[32] Ibid.

the YMCA. Fisher detailed several elements contributing to the value of real estate, but placed one in particular at the top.

> The most important consideration in determining the value of residential property is the character of the community. Sections which possess all the natural advantages that make for valuable residential property are sometimes very cheap because of the character of their residents and improvements, while sometimes a relatively poor location may be so improved and so restricted as to greatly enhance its natural value. It is a matter of common observation that the purchase of property by certain racial types is very likely to diminish the value of other property in the section. In general people of similar social standing live near together.

Fisher also instructed readers that one of the purposes of city planning and zoning was "to stabilize land values by protecting desirable sections from invasion of factors that would render them undesirable."[33]

One sees the influence of Ely's school of thought on rank and file appraisers through a 1935 American Institute of Real Estate Appraisers textbook used for appraisal classes given at the University of Chicago. The text instructs appraisers to research adverse factors in the neighborhood environment including "infiltration of inharmonious racial groups." Similarly, aspiring appraisers needed to learn to collect "data regarding the city," including "types of population, their social and moral standards, nationality, modes of living, and purchasing power." Later in the program, students read about the special problems of older neighborhoods.

> The general tendency of such a neighborhood is to attract a different class of tenants and property owners with the accompanying lack of pride in the physical condition of the general surroundings. If not thoroughly restricted by deed, ordinance, or special agreement, there is a tendency for undesirable elements to enter. As such movement develops, it gains momentum and in a very short period of time the entire neighborhood is blighted.

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[33] Winling and Michney, 48; Ernest McKinley Fisher, *Principles of Real Estate Practice*, (New York: The MacMillan Company, 1925), 114-116.

The unknown textbook author admits that exceptions occur, but only for "certain types of people," specifically referencing "several generations of Germans" which had kept an "extremely old" neighborhood "fairly stable." Outside this example of Northern European descendants, the author takes a harsh outlook. "It is conspicuous that other racial types have particular characteristics which tend to make them attempt to imitate people in a higher social strata, evening moving to places where they are not wanted." This language echoed Cook County Judge Michael Feinberg's decision in 1939 condoning racially restrictive covenants in *Lee vs. Hansberry*, adding "I don't go where I'm not wanted." This statement enraged the Black community, including former Congressman Oscar DePriest and the editors at the *Chicago Defender*, who subjected his comments to public ire. Despite the public controversy, Judge Feinberg's flippant statement fairly summarized the attitude of the city's leading real estate minds, particularly as they regarded restrictive covenants which the textbook author describes as absolutely necessary: "To have the attributes of a good residential area, it is essential that protection be afforded against the infiltration of inharmonious racial groups and the encroachment of non-conforming property uses. Such protection can be provided by deed restrictions or private restrictions."[34]

This textbook was published in 1935, the same year the Chicago HOLC finished its initial lending period, although it would later make loans to those who purchased their foreclosure acquisitions. The HOLC did not require the properties to have racially restrictive covenants, but neither did the agency seek to undermine covenants that already existed. Rather,

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[34] Real Estate Appraisal Textbooks, American Institute of Real Estate Appraisers, 1935, Text No. 1, pages 7-8, and Text No. 7, 2-3, unprocessed collection, National Association of Realtors Archives, Chicago, Illinois.

according to the HOLC's official lending operations manual, they viewed restrictive covenants primarily according to their bearing on the government's investment risk. "Covenants, conditions and restrictions affecting the title to or use of the real property must be fully reported," the HOLC instructed its title examiners, "whether imposed by private contract or by public authority." The agency expressed primary concern over the possibility that it could make a loan in violation of a strong covenant and suffer the loss of the property. If a covenant's effects would likely invalidate the applicant's title to the land, the HOLC refused to make the loan. The HOLC also saw red flags "if the better class of first mortgage lenders in the locality do not lend upon the security of lands so encumbered," meaning the HOLC would not challenge racially restrictive covenants by making loans or selling foreclosure acquisitions to non-White borrowers unless local banks already did so.[35]

Admittedly, in the HOLC's manual for examining titles and closing loans, it allowed that the agency could openly violate a covenant under certain circumstances. "Forfeiture and defeasance clauses are void in many states as against public policy. In other states, they are held to be restrictions which can only be taken advantage of by an injunction suit or suit for damages. In many instances, the forfeiture clause has been waived by failure on the part of the creator of the forfeiture to restrain violations." If the regional HOLC officials found evidence that a given covenant would likely go unenforced, or if "the better class" of area lenders already risked approving applicants in violation of the covenant, the agency would make such loans. The

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[35] C. S. Shade, *The Blue Book : A Brief Account of the Lending Operation of Home Owners' Loan Corporation with Special Reference to the Examination of Land Titles and the Conduct and Closing of Real Estate Loans*, (Washington: Federal Home Loan Bank Board, 1936), 44.

HOLC policy came not from a preference for or against covenants but rather from a desire to protect its investments and harmonize with the neighborhoods where it worked.[36]

Prior to the 1920s, few American economists regarded real estate as a field needing universal, scientific methods. However, Richard Ely pioneered a new approach, emphasizing professionalization and standardization to combat the volatile trends of real estate speculation. His work led to a school of real estate thought that provided officers for nationwide real estate institutions, many based in Chicago; these actors also heavily influenced New Deal agencies like the FHLBB, HOLC, and FHA. Ely baked racist attitudes deeply into the philosophy carried on in teaching and policymaking by his students and colleagues. As a result, anyone seeking work and certification as a realtor, appraiser, or mortgage banker faced expectations from economists, institutions, and the government itself to conform to penalize home values in integrating neighborhoods and to refuse to approve home loans or sales to Black buyers in predominantly White communities. Given that the branches of this movement largely connected to a trunk of associations in Chicago, one could reasonably assume that real estate in that city operated according to its tenets. To confirm that assumption, one can follow a particularly savvy, street-level reporter for the "World's Greatest Weekly," the *Chicago Defender*.

Zita Louise Baker Investigates for *The Defender*

In July 1929, the *Defender* announced the start of a 10-article, front-page feature written by Zita Louise Baker, a 32-year-old, White newspaper writer. *Defender* editor Robert Abbott commissioned Baker to investigate what White Chicagoans thought about "the race question." "White people already know what you say and think about them," a large ad said, encouraging

[36] Ibid., 80.

readers to follow the series, "but you don't know what they say about you because, as a rule, they are very careful as to where they speak their opinions." Abbott encouraged Baker to interview Whites in business and positions of influence, calculating that they would speak more candidly to a curious young Caucasian woman than they would to a Black *Defender* reporter.[37]

In September 1897 in Charleston, Illinois, a couple hundred miles south of Chicago, Zeta Fisher Blankenbaker gave birth to her only child before passing away, likely from complications related to childbirth. The father, Felix Blankenbaker, named the child for her mother. Young Zeta changed her name to Zita Louise Baker while attending the teaching program at Eastern Illinois University, whether as a catchier penname or to distance herself from her family remains unknown. She moved to Chicago, wrote for a newspaper, and worked as a member of the bureau of information for the Chicago World's Fair before Abbott approached her about the feature series. In an era when *Defender* employees often risked violent attacks from segregationists, this assignment represented no small amount of personal risk for Baker who opened herself up to reprisals from angry Whites. Nevertheless, Baker interviewed and wrote bluntly, ready with hardball questions and unafraid to publicly shame her subjects.[38]

[37] "What White Chicago Thinks, Feels and Says About the Race Question," *Chicago Defender*, July 6, 1929,S pg. 12. For an excellent short history of the *Chicago Defender* during this period, see James R. Grossman's "Blowing the Trumpet: The 'Chicago Defender' and Black Migration during World War I," *Illinois Historical Journal* 78, no. 2 (1985): 82–96. http://www.jstor.org/stable/40191833.

[38] "Felix Blankenbaker" and "Zeta Blankenbaker", US Census, 1900, 1910, 1920. Felix Blankenbaker: *1900*; Census Place: *Charleston, Coles, Illinois*; Page: *14*; Enumeration District: *0022*; FHL microfilm: *1240244*; Felix Blankenbaker: 1910; Census Place: Charleston Ward 2, Coles, Illinois; Roll: T624_236; Page: 1B; Enumeration District: 0046; FHL microfilm: 1374249; Veta Blankenbaker: 1910; Census Place: Charleston Ward 2, Coles, Illinois; Roll: T624_236; Page: 1B; Enumeration District: 0046; FHL microfilm: 1374249; Eastern Illinois University, Alumni Register. United States: 1929, 10.

Baker had actually begun investigating White perceptions of race months before the *Defender* commissioned her, pushed by the bigoted statements of those around her. “I had heard lamentations from many sources on the decadence of certain sections of Chicago’s South side,” Baker wrote in the first article of the feature, “and some reports from those actively hostile to Colored citizens that would have made it seem the entire area from Madison Street to Pullman was fast going to rack and ruin.” Although disinclined to believe these remarks, she decided to visit the area and see conditions for herself. She attended a celebration at the Savoy Ballroom in her position as representative of the Chicago Centennial staff. She praised the ballroom, decorations, music, and dancers, but “far more interesting than the artistic hall were the people who made the celebration what it was – an occasion of joy, clean and wholesome.” During her visit, Baker cheered on the balloon grand march, attended a tasteful vaudeville program, and met men and women of “dignity, intelligence and refinement.” “And all this,” she wrote, “in the very heart of what had been described to me as “that deplorable south central district.” These experiences opened her eyes to the widespread and unfounded racial prejudices in the minds of Chicago’s middle- and upper-class Whites.[39]

Baker next followed rumors that some businesses in the Loop had let go of their Black employees, claiming clauses in their leases restricted the hiring of non-Whites. Curious, Baker met with two professionals, “men who have made a life study of real estate and for years have been actively engaged in it in Chicago.” They refused to go on record with their real names, so she referred to them as Mr. Smith and Mr. Brown. Both denied knowing of any such explicit

[39] Zita Louise Baker, “White Writer Sees New Side of Race Question in Chicago,” *Chicago Defender*, July 20, 1929, pg. 1.

anti-diversity policy laid down by the Chicago Real Estate Board itself. "However," said Mr. Smith, "clauses are frequently added to contracts issued by the Chicago Real Estate board to suit individuals. Any clause prohibiting Colored employees would be of this nature and would be a matter of private interest only." Mr. Smith further acknowledged that they worked to restrict Black Chicagoans to specific areas to preserve racial harmony, arguing that both races felt happier apart given both had characteristics objectionable to the other.

> "I do not mean," he went on, "that Colored people and white people cannot live in the same neighborhood and be happy. They can and do, but in a neighborhood where every other house belonged to a white person and the rest to Colored people, conditions would not be so good. The two races are in continual contact with each other, and this familiarity does not breed good will."

Mr. Smith added that Blacks needing restricting because Whites felt "antagonized" when previously all-White areas became mixed; the angered Whites then moved out "and the property in such a neighborhood is left to dirt and decay." Mr. Brown said the city needed to enforce residential segregation because Blacks did not naturally restrict themselves. He also accused Black residents of not keeping up their homes and moving continually rather than making improvements. "White people and Colored people both need to feel a greater civic responsibility," he pontificated, taking on a 'both sides' tone that appears interspersed between prejudiced statements throughout Baker's interviews, "and these restrictive measures will, we feel, tend to arouse and foster individual pride in the members of both races." Baker found these remarks, however isolated, telling. "Whether or not their opinions are representative of those held by a majority of Chicago real estate operators is difficult to say," she mused, "but they offer a viewpoint that at least deserves thoughtful considerations by both white and Colored groups."[40]

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[40] Ibid.

To further investigate attitudes on race among White businessmen, Baker sought out George M. Dixon, president of the Arthur Dixon Transfer Company. The enterprise was named for George's father, an Irish immigrant who had profited richly as a business pioneer in Chicago and had served several terms as alderman. George, then age 62, enthusiastically responded to Baker's questions about hiring African Americans. "Why, I always have employed them," he affirmed, nodding vigorously. "They work well for me and are loyal, and that is all anyone could ask." He claimed to have spent as much time with Black people as any White person outside the South: "All my life I've known them, and they're my friends." In some ways, his remarks echoed the patronizing praise of many White Southern apologists, recalling a domestic worker his family had hired: "…my wife had a Colored maid for years and years, and I never saw anyone finer than that girl. She took care of my wife in every way, and when she died Mrs. Dixon and I were both much grieved. We had loved her as one of the family." Like his father, Dixon worked actively in the Methodist community in Chicago, and saw Black and White citizens alike through that lens: "Colored people are essentially a religious race. They may wander away and get to be criminals and no-accounts, but I doubt if they do so any more than white people do, and always there is that spark in them that responds quickly to religious teaching." Despite some dated phrases and attitudes, George Dixon overall expressed an acute awareness of the systemic racism that prevented Black Chicagoans from enjoying the same standard of living as Whites, and he rejected biological difference entirely as an explanation for economic or intellectual gaps.

> Colored people have certain peculiarities, no doubt resulting from their long years of slavery, but I don't see that their color makes any difference. Naturally, when people have been kept in a state of ignorance for a long time they show it… When slavery was abolished, they continued to be kept back. Their former masters in the South had no

> intention of educating them, and the result today is that a large percentage of them have not been educated very far.

Dixon held liberal views on race, believing that if Black citizens received the same education as Whites, they could achieve the same accomplishments. He referenced friends of his, famous Black leaders, and high-scoring African Americans at West Point as examples of what African Americans could generally achieve if the country provided them with good schools. Baker left the interview keenly aware of the breadth of attitudes on race among White Chicagoans. “People are certainly queer, I decided (as I had done many times before). Some were broad-minded, some were bigoted in their opinions, some were inclined to look askance at anything or anybody not in the immediate circle of their every-day life.”[41]

Baker noted this link between prejudice and lack of proximity as she tackled the subject of racial segregation in real estate, particularly in the home loan industry. Some unsavory people, she noted, betray their poor character immediately through their words and mannerisms, adding that those who make real estate loans especially fall into this category. “There are so many crooks and turns involved in loaning money and collecting it again,” she commented, “that numerous unscrupulous men have found ways of making a most profitable livelihood from it.” When Baker learned that one Mr. Stutsman – a realtor – had sent an advertising postcard to mortgage banks that included the phrase “No Nigger Loans,” she sized him up as a petty bigot right away, but still decided to interview him to “see for myself exactly what a human being looked like who would use the word “nigger” in his advertising.” She caught him leaving his office with a colleague and asked him about the prejudicial ad. Mr. Stutsman (“short and stocky

[41] Zita Louise Baker, “Friends of Another Color,” *Chicago Defender*, July 27, 1929, 1.

and resembled a certain bull-necked type of gambler very closely") responded openly: "Yes, I said, 'No Nigger Loans' and I meant it. I won't have nigger loans because I can't sell 'em. Haven't any market for 'em an' therefore I won't make 'em." Real estate companies and local banks rarely held onto the mortgages they created. Rather, they sold the debt to larger banks that turned around and sold bundles of mortgages to even bigger financial institutions. Stutsman claimed to refuse to make loans to Black borrowers because banks would refuse to buy the debt from him. Baker pressed him for a reason banks would not want to buy loans on Black homes, and Stutsman claimed Black homeowners did not care for their properties. "Comes a cold day and they're as apt as not to tear off the baseboards and burn 'em up for fuel. When they move, they take everything with 'em." Dubious, Baker asked if Black borrowers actually proved more destructive or less reliable than White ones. Stutsman became impatient, and tried to push her questions off on his friend, who seemed embarrassed, appearing to agree with Stutsman but mumbling so Baker could not hear him. Finally, Stutsman admitted he could not prove that Blacks took worse care of their homes than Whites, but that he would not loan to them because "It don't pay."[42]

Baker wondered if brokers at larger institutions shared these prejudicial views. She visited W. L. Whitcomb of the First Union Trust and Savings. In stark contrast with Stutsman,

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[42] Zita Louise Baker, "A Man Who Says "Nigger"," *Chicago Defender*, August 3, 1929, 1. A couple weeks later, a *Defender* staff writer referenced this article, saying Baker should not have felt such a shock at a man in Chicago using the racist slur either in his speech or his advertisements. "After all, there are millions of persons in America who use the term "Nigger" in public and private, and most of them are YOUR RACE. The white man who says "Nigger" out loud, usually looks about him to see who is listening, that is, unless he happens to be in the "Cotton Belt," where most of them think "Nigger" is a proper noun. As a rule, the white man slips when he uses the term or he doesn't know any better." The writer went on to gently chide Black readers who used the term, but admitted that the word was only rising in usage throughout the culture, and "words happen to be one of those tools that are pretty hard to legislate out of the language." "The Week," *Chicago Defender*, August 17, 1929, 1.

"Whitcomb was very refined and pleasant and answered all I had to ask very obligingly." However, while avoiding voicing slurs and outlandish stereotypes, the bank officer admitted to the same policy against Black borrowers based on similar excuses. "No, we never make Colored loans," he stated frankly. "However, we have nothing against the Colored people – not at all. We don't make such loans for the reason that our customers are not interested in property owned by Colored people. Naturally, we have to cater to our customers' wishes. We couldn't afford to do otherwise."[43]

Baker asked at several other major banks in downtown Chicago, hearing the same rationalizations for refusing to make mortgages for Black families. One loan officer even told her that banks felt "embarrassed" when denying a loan to their prosperous Black depositors. "They think if they have their accounts with us," he told Baker," we should oblige them with loans, but we can't do it. Our other customers are not interested in purchasing loans made on Colored people's property." Baker found that, whether overtly prejudiced or tactful and apologetic, most White realtors and banks avoided making loans to Black Chicagoans, even their own depositors. This situation continued for decades: a 1940 analysis by the Chicago Mortgage Bankers Association found that only five of the 88 leading real estate companies in Chicago openly courted Black borrowers.[44]

Baker's interview at the John A. Schmidt Mortgage Bank – located in the Otis Building at Madison and LaSalle Streets – gave the lie to the racist realtors and their excuses. Baker spoke

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[43] Zita Louise Baker, "A Man Who Says "Nigger"," *Chicago Defender*, August 3, 1929, 1;

[44] Ibid.; Johnson, Charles S. and Herman H. Long, *People vs. Property: Race Restrictive Covenants in Housing*, (Nashville: Fisk University Press, 1947), 64.

with the owner's son, Bernard Schmidt, born 1896, a war veteran and graduate of Northwestern University's law school. He immediately affirmed that his family's firm made real estate loans to Black customers. "Ever since we started in business," he added proudly, "we have made it a policy to treat the Negro in business as we would a white man. We have found that it pays well to do so, and to my way of thinking it is the only fair way to run a business." His grandparents, Carl and Mina Schmidt, had emigrated from Prussia in the mid-19th century at a time when many Germans fled political oppression following failed liberal revolutions; perhaps they had instilled in their children and grandchildren egalitarian values and empathy for the downtrodden. Alternately, the family may have simply realized racial prejudice hindered good business.[45]

The younger Schmidt directly countered the excuse other Loop banks had given Baker that investors refused to buy mortgages on Black-owned homes: "We never find it hard to get a market for them. One reason may be that our customers trust my father implicitly. He has been in business here on La Salle St. for 44 years and is pretty well known to most of our clientele." Apparently, White investors and institutions often hesitated to purchase mortgages on Black homes due to rumors that Black people drove down home values and failed to maintain their properties – rumors that most White bankers left unchallenged and that some, like Mr. Stutsman, willingly spread. However, the Schmidts believed they would serve both borrowers and investors

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[45] Zita Louise Baker, "Equal, Black or White," *Chicago Defender*, August 10, 1929, 1; Bernard J. Schmidt. Year: *1920*; Census Place: *Naperville Ward 3, DuPage, Illinois*; Roll: *T625_366*; Page: *9B*; Enumeration District: *14*; Bernard J. Schmidt, "U.S., Army Transport Service Arriving and Departing Passenger Lists, 1910-1939," *Records of the Office of the Quartermaster General, 1774-1985*, Record Group Number: *92,* Roll or Box Number: *519,* National Archives at College Park, Maryland; Carl Schmidt. Year: *1870*; Census Place: *Leyden, Cook, Illinois*; Roll: *M593_213*; Page: *346A.*

best by dispelling the myths and promoting fair business practices. Bernard Schmidt told Baker that Black borrowers actually proved more reliable than Whites.

> There aren't so many unscrupulous ones, who try to cause trouble if they cannot make their payments and their property has to be sold. We find that negroes, when they have exhausted all their means, are willing for us to get judgment for what they owe us, while some of the whites and members of the Jewish race will do everything in their power to beat us out of our money. Colored people, too, are very prompt with their payments. We find that, if they are given half a chance, they are thrifty and honest. The trouble is that in many cases they are not given a chance at all, and this forces them into dire poverty.

Much like George Dixon had, Bernard Schmidt noted the systemic challenges Black borrowers faced, noting how educated Black men could often only find menial jobs, only to then face unemployment first when economic recessions necessitate downsizing. Schmidt noted that only five percent of Black borrowers defaulted on their loans, although he added that his father's company made loans very carefully and only in better graded areas with kept up homes; "We would not think of making loans on all Colored property any more than we would think of doing so on a white person's holdings." As Baker left the interview, she noted the bank's counters where White clerks waited on Black and White customers with equal curtesy. While she took this as a hopeful sign that the Golden Rule might yet prevail over "greed and "slick" methods," in hindsight men like George Dixon and Bernard Schmidt served rather as rare exceptions undermining the excuses of the majority. Realtors and mortgage bankers claimed that impersonal market forces prevented them from making loans to Black borrowers, perhaps not considering if they lacked the honesty, fairness, and initiative needed to disabuse investors of false, racist narratives.[46]

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[46] Zita Louise Baker, "Equal, Black or White," *Chicago Defender*, August 10, 1929, 1.

Baker next investigated the policies and attitudes towards Black employees and patrons at White-owned hotels. She found that most hotels barred Black customers and job applicants through the use of “unwritten laws” rather than explicitly posted rules. The owner’s secretary at the Morrison Hotel – the tallest in the city – denied that he knew of any enforced policy against non-White guests, but admitted they only hired Black applicants as maids, never waiters. The manager of the Congress Hotel declined the interview, but the hotel’s comptroller, one Mr. Holloway, spoke readily. Like the Morrison, the Congress Hotel also hire Black maids and laundry staff, but never Black waiters “as we prefer white ones.” He admitted the Black employees worked well and got along with their White coworkers. He knew of no policy against African Americans staying at the Congress, excusing the total lack of Black patrons with an explanation that strained credulity: “Here at the Congress we have no applicants for rooms who are Colored, and I do not remember that we ever have had.” Holloway recalled that the famous boxer Jack Johnson had once visited the lobby with some friends, but they never requested service. Baker asked how the Congress would have responded if Johnson had sat down in the hotel restaurant. “Well, I don’t know,” Holloway replied with a laugh. “They didn’t and that saved the day.” Baker persisted past the deflection, and Holloway reflected for a minute before replying. “What else could we do but serve them? Unless we cared to risk getting sued. People sue on almost any complaint nowadays, and anyone refused service in a hotel dining room for no particular reason, except color, might feel sufficiently slighted to bring suit against the management. However, I am thankful to say we are not troubled in that way.” While the Congress Hotel lacked an explicit segregation policy, Holloway’s remarks suggest they would have made one if not for the growing threat of lawsuits for racial discrimination. Although

Illinois banned discrimination in public businesses with the Civil Rights Act of 1885, enforcement of the statute flagged. However, the Congress Hotel's anxiety on the issue perhaps reflected a growing ability of Black Chicagoans to gain some judicial relief for such indignities.[47]

Baker received a similar account from Helen Greene, assistant to the manager of the northside Edgewater Beach Hotel. Greene, whom Baker described as tall, slender, and very charming, also claimed to never recall a Black person asking for a room or meal, nor know how the hotel would react if one did. The Edgewater had once hired Black waiters, she said, and had felt satisfied with the regular staff, but managers struggled to find qualified Black waiters to work temporarily for parties and large events. To solve this, they decided to simply let go of all the Black waiters and just hire Whites, not willing apparently to employ an integrated wait staff. This situation actually caused complaints at first from permanent residents who had grown attached to given employees. "Some of them wanted their old waiters back," Green recalled, "but we were forced to explain over and over again why the change was necessary, and now every one seems well satisfied with the white waiters." The Edgewater only hired White maids, but did employ some Black laundry staff. "We have nothing against Colored people at all," Greene assured Baker, even adding that they tried to help the Black waiters find new jobs. Despite such postscripts of civility, Baker summed up her report with evident disgust. "The well educated and refined Colored person arrives in town and desires to stop at a good hotel in the Loop. He tries each of them by turn and at length is informed that he can be a guest at none. Such is the present

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[47] Zita Louise Baker, "The Hotel and the Negro," *Chicago Defender*, August 17, 1929, 1.

situation… Sometimes it seems as if unwritten laws are more carefully obeyed than the written ones."[48]

Baker continued her series covering White opinions on several more topics, including integrated libraries, the legacy of slavery, and Black employment and patronage at White-owned businesses. Most White subjects openly shared their thoughts. Librarians affirmed a lack of racial tension in the city's library system despite controversies over shared public spaces. One prominent White reporter – William Hay Williamson of the *Herald and Examiner* – told Baker that slavery had benefited African Americans: "As yet a civilization has not developed among the Colored tribes of Africa, and these same people who have expressed so much intelligence would not have had the opportunity to do so for countless centuries, had it not been for the bondage which was forced upon them." Despite this ahistorical claim, Williamson spoke positively of the future of Black citizens, positing that nothing could hold them back now, and that Chicago offered them more opportunities and respect than they could find even in Eastern cities. Baker found similar contradictions in her interviews with White businesswomen; some avoided hiring Black staff, citing stereotypes of laziness and lack of initiative, while others actually preferred Black employees as White workers more often acted too good to listen to their bosses. One especially prejudiced interview subject – one Miss Hazel Braun who ran a stationary company – openly admitted the influence of her upbringing in Kentucky which taught her to

[48] Ibid.

presume Black inferiority. Now in the North, Braun praised Black business owners and her own domestic staff – although she still refused to hire them for business positions.[49]

Braun represented a larger phenomenon of White Southerners moving to Chicago and taking up positions of power and influence, bringing regressive and prejudiced views with them. When journalists and historians discuss the Great Migration, they usually refer to the exodus of Southern Blacks to northern industrial cities, but the early- to mid-twentieth century also saw an influx of White Southerners moving to cities like Chicago seeking better jobs but not racial integration. Some of these Whites held influence over the local real estate market. Baker spoke with Frank Johnston, a real estate investor who had left his business in Florida after a downturn and took over operations at a prominent Gold Coast apartment hotel. Johnston's wife – a northerner – also joined the conversation, but they held sharply different views on the issue of race. Mrs. Johnston argued Black citizens lived better in the North because it offered improved conditions and more opportunities for advancement. Her spouse strongly disagreed: "The only place for Colored people is the South… [I]t is folly for the Colored race to take up residence above the Mason-Dixon line. Most of them were born in the South, where their parents and ancestors lived before them. They were primarily brought up in the South and climate and every other condition there are the best for them." When Mrs. Johnston countered that Southern Blacks suffered repression and disenfranchisement, her husband doubled down: "Of course… and that is the only way for them to live. Colored people can never made a success, except perhaps a few unusual ones. They are like children and they are taken care of in that way through the South."

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[49] Zita Louise Baker, "Was Slavery a Curse or a Blessing?" *Chicago Defender*, September 7, 1929, 1; Zita Louise Baker, "Business Women Give Their Views," *Chicago Defender*, August 31, 1929, 1.

Baker – noting that Mr. Johnston's views clashed with otherwise kindly manner – affirmed that "his opinions are typical of those held by southerners…" With the influence of such prejudiced Southern Whites over real estate and hotels in Chicago, one should not wonder at the stark racial segregation in the city.[50]

Baker's frontpage series – still worth reading in its entirety – drew the interest of the *Defender's* readers according to at least one of their roving reporters; the racial attitudes of respectable Whites in Chicago had rarely suffered such unvarnished exposure. Baker's reporting revealed three broad categories of influential Whites. Some held and spread harshly prejudicial views in hopes of maintaining racial separation. Others shared similar bigotries but masked them with polite denials of antipathy and warm but empty expressions of hope for future success for Blacks – when they had earned it. A small number expressed fairly egalitarian and progressive views on race, even acknowledging the systemic forces that had repressed Black advancement during and since slavery, and they backed up their convictions by treating Black customers as equals. However, if Baker's subjects proportionately represented Chicago's Whites – particularly those with resources sufficient to shape policy – the openly prejudiced and their well-mannered enablers considerably outnumbered the positive influences.[51]

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[50] Zita Louise Baker, "Live North and Get Ahead," *Chicago Defender*, September 14, 1929, 1. For more on Southern White migration to Northern cities, see Chad Berry, *Southern Migrants: Northern Exiles,* (Urbana: University of Illinois Press, 2000).

[51] "Late State News," *Chicago Defender*, August 3, 1929, 10.

The HOLC Interviews Chicago Bankers

The Chicago HOLC finished its lending period in 1935, but the agency did not close entirely until 1951 as it still managed loans, collected payments, processed foreclosures, and resold any properties acquired. While the agency downsized during this period, the HOLC still employed a small army of experienced home mortgage professionals who enjoyed local banking connections. The Federal Home Loan Bank Board decided to make use of these human resources, commissioning reports on local real estate conditions. In addition to the redlined neighborhood security maps, the Chicago HOLC produced the *Metropolitan Chicago* report which it widely distributed to local banks, universities, and government offices. In preparation for creating the report and maps, HOLC agents interviewed executives at banks, insurance companies, and building & loans involved in Chicago-area real estate. These interviews reveal local professionals’ perspectives on racial and ethnic groups and their effects on the real estate market. Many expressed open prejudice towards not only non-Whites but also Whites of particular ethnicities. Antisemitism appears regularly in the interviews. Many openly admitted to refusing to loan to specific groups. Some, however, happily loaned without racial prejudice, and a few Polish interviewees even accused the HOLC of discriminating against them. Most of their advice accorded with the principle advanced by Richard Ely that mixed neighborhoods proved bad investments. This information contributed to the creation of the Chicago HOLC’s prejudiced neighborhood surveys and redlined security maps.

One HOLC interviewer visited the Chicago City Bank & Trust Company, speaking to Assistant Vice President Frank J. Burke and Assistant Cashier Edward J. Jasey. The company had existed under various names in the south Chicago neighborhood of Englewood since 1893.

Given that the neighborhood sat on the edge of the expanding Black Belt, the bank dealt at this time with a shifting, multi-racial clientele. Asked where the bank struggled to sell, Burke replied, "The colored, blighted districts," although he noted that sales had improved in 1940. They refused to make loans on buildings over 15 years old in these districts. Burke also seemed to resent Federal interventions in the market to prevent rent increases or provide housing, saying these actions deterred private investment. He specifically criticized the Ida B. Wells Project, which served families in the Black Belt. "I have heard, although I have no means of proving this statement, that the new Ida B. Wells Government Housing Project in this city condemned more units than it will accommodate; and I have also heard that these housing project house a class of people who do not really need relief." Burke does not mention any other racial groups in the interview apart from noting, "The only speculation we have noticed comes from the Jewish people, who will buy almost anything providing it can be bought at three times gross income. They are partial to colored properties."[52]

A. W. Coen and M. A. Culhane, property manager and assistant manager respectively at Prudential Insurance, also complained about government housing too good for the poor: "The present class of dwelling appears to be of somewhat better character than should be in the government housing program. It is felt that the class of people who need to be rehoused would be best served in living quarters that were more similar in character to army barracks." Coen and Culhane argued that the threat of racial invasion harmed investor's chances of good returns, as

[52] Gerald E. Sullivan, *The Story of Englewood, 1835-1923*, (Foster & McDonnell, 1924), 183-184; Interview with Frank J. Burke and Edward J. Jasey; Box No. 85; Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation, Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park (hereafter referred to as RRCSF).

the mortality of loans – when prepayment ended the collection of interest – increased, partly as downtown mortgage companies bought up loans so they could rent to members of ethnic groups willing to pay higher rents. "The areas of heaviest mortality are those in which population infiltration was of a different or less desirable character than originally lived in the neighborhood."[53]

The interviewer discussed "the colored situation" with one R. J. Jacobson of Penn Mutual Life Insurance. "The U.S. Immigration Laws have helped the negro in the crowded cities," Jacobson opined, "as these negroes do the work these foreigners used to do and which the native born American won't do." Jacobson highlighted the exorbitant property costs in Black neighborhoods. "A colored man had offered to buy a tenement in the colored district on the South Side for a price of $20,000, paying one-quarter cash, and not many blocks away for a similar tenement in the white district a bid of only $10,000 made by a white man – this was in the poor class of white district." Landlords in Black districts could afford to pay more for tenements as the overcrowding led to higher rents. The HOLC interviewer noted how Jacobson stereotyped rent collection according to racial group. "He has found that colored rents can be collected fairly satisfactorily if the agent is on the spot on pay days. He finds Jews to be the most difficult class to collect from – they knowing all the tricks to avoid payment."[54]

Warren Smith, Secretary for the A. J. Smith Savings and Loan Association, impressed the interviewer as an experienced home builder with "considerable ability" but also as "ultra-conservative" with narrow views based on his experiences with local clientele in neighborhoods

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[53] Interview with A. W. Coen and M. A. Culhane, RRCSF.

[54] Interview with R. J. Jacobson, RRCSF.

west of Lake Calumet, including Beverly and Morgan Park. Smith readily made comments on other areas, though, particularly as regarded racial makeups. “Building and Loan companies should stay away from neighborhoods rapidly declining. Nobody loans in the Pullman district now, as it is going Italian, - and this was formerly a model town.” Smith even ranked ethnic groups in terms of their attractiveness to his S&L. “As to rating risks among nationalities, we consider as poor risks in the order given, - Colored, Armenians, Polish and Italian – equal, and Irish – no luck. However, the native Armenians, Polish and Italians are good risks, but their Americanized offspring are not.” Smith’s remarkably specific ethnic hierarchy suggests he spent a good deal of time honing his prejudices. Some interviewees, such as the eponymous president of John C. Bowers Company, Realtors, flatly stated which ethnicities they conducted business with: “Around our neighborhood, we have mostly Swedes and mixed nationalities generally – nearly all employed… this district is still good… I am against Jewish and Italian tenants, as they have no regard for upkeep – they drive valuations down, and are continually complaining.”[55]

The interview with Joseph F. Novak, secretary at the Home Federal Savings & Loan of Chicago, shows that the Chicago HOLC had explained their neighborhood security map grading scale to the bankers and had asked for their assessments of specific districts. Novak noted areas he classed as first or second grade, particularly in the northern suburbs, as well as the area east of the canal, “a poor district generally,” where his S&L rarely made loans. Interviewees also volunteered information on the demographics of neighborhoods. Mr. Kay, who managed for Prudential Realty, broke down the ethnic makeup of his northside neighborhood, Edgewater.

> There is a good middle class of people around here. The neighborhood is only fifteen or sixteen years old, mostly composed of German, Swedish, and Luxembourg, all of a

[55] Interview with Warren Smith, and Interview with John C. Bowers, RRCSF.

> substantial character. From Damon to California east and west, and from Peterson to Pratt north and south – good homes and working-class people… There are many policemen, motormen, conductors, and mechanics residing here, who have been steadily receiving good pay throughout the depression. There are very few Jewish people here – Albany Park and Rogers Park contain most of this element.

Another interviewee, Mrs. Botts of A. B. Realty, explained this paucity of Jewish Chicagoans in Edgewater:

> Some Jews are coming into this district, but many of our clients refuse to rent to them. People around here are mixed German and Swedish. Before making any new leases to strangers coming in, we demand to see their last three or four month's rent receipts. It is quite interesting to see probably 100 or more rental cards, fully 50% of which clearly carried the words: "Will rent to no Jews or dogs."

Many interviewees noted the spread of the Black Belt into previously all-White areas, lamenting its effect on communities. Some, like Paul Abrahms of the City National Bank & Trust Company, did so subtly, in passing: "Here, for instance, is a small apartment house that we lent $17,500.00 on, fully occupied, in a fair neighborhood (altho the negroes are moving in that direction.)"[56]

If the HOLC took these interviews into consideration when making decisions on neighborhood ratings, particularly paying attention to where local banks provided financing, it would accord with the general New Deal policy of harmonizing with the established racial makeup of communities. Secretary of the Interior Harold Ickes directed the Public Works Administration, an agency created to combat the national housing shortage with public housing and new construction projects. Ickes, a White man who had served as president of the Chicago branch of the NAACP, helped ensure that Black citizens received access to public housing to a

[56] Interview with Paul Abrahms, and Interview with Mr. Kay, Interview with Joseph J. Novak, and Interview with Mrs. Botts, RRCSF. I should note the possibility that this parenthetical came from the HOLC interviewer, who occasionally used parentheses to indicate an aside from himself.

far greater extent than ever before. Ickes, however, also instructed the PWA to follow a "neighborhood composition rule" that prevented federal programs from changing the racial makeup of neighborhoods where they worked. This rule impacted federal policy regarding the mortgages they approved and developments they financed. It also influenced the Chicago Housing Authority which blocked public housing for Black families too close to White communities.[57]

Not all the interviewees expressed race-based reluctance to make certain mortgages. Paul L. Gerke worked as secretary and manager at the Concordia Building and Loan Association. Concordia operated in Englewood, serving mostly German and Polish clientele, but, Gerke added, "There is a colored district in our neighborhood of high-class negroes who are good credit risk – wouldn't hesitate making a home loan to them." Gerke noted that Concordia carefully investigated before making loans in the "Industrial District," "as these workers had lost everything and are just getting back to earning capacity," but that they did make 12-year mortgages for those "found honest and of good record." He bragged that Concordia had yet to take a deficiency judgement against a mortgagor, so their willingness to make loans to all ethnic groups had not cost them in the real estate market.[58]

Interviewees from the Polish American Building and Loan Association League of Illinois openly accused the HOLC of discrimination against Polish Chicagoans. League secretary John

[57] Arnold Hirsch, *Making the Second Ghetto: Race and Housing in Chicago, 1940-1960,* (Chicago: The University of Chicago Press, 1983) 15, 179; Rothstein, 20-21.

[58] Interview with Paul L. Gerke, RRCSF.

Grzenski, who had managed the Polish national team at the Los Angeles Olympics, laid out his complaints bluntly:

> I feel very antagonistic toward the HOLC office in Chicago. I believe that the Polish people as a whole were discriminated against when distress loans were being made. The Chicago branch never played fair with us. I don't believe that any money was advanced by the HOLC on any property east of Damon Street. Politics entered into these loans to a large extent. The HOLC was very kind to some people who had friends in the right places.

S. C. Mazankowski, one of the league's directors, charged, "The HOLC is ruining some of our institutions by prejudice against foreign people operating them." He charged that the loss of homes for so many elder Polish Americans during the Depression had discouraged the next generation from home ownership.

> The younger generation have emigrated or are emigrating to other districts or cities, having become disgusted with what they have seen happen to their elders, who have lost their savings, homes, and health, and realizing there was nothing here for them in a definitely declining district. These old Poles – who were deprived of owning land in their own country, when they landed here, discovered they could buy and own, found this an attractive proposition, and saved and worked hard towards this end. Now, this has turned out to be of no avail to them… in their old age. The young fellows, therefore, when they obtain employment, do not save, but spend their money on motor cars and, instead of endeavoring to buy a home, rent an apartment. The young Poles say – why save and give to the bankers to lose for us – we saw what happened to our parents.

Since Grzenski and Mazankowski believed the HOLC had avoided making fair loans to Polish borrowers, they considered the agency responsible for this discouraging trend against homeownership. The HOLC interviewer noted these men as respected leaders in the Polish community and as able, knowledgeable real estate men. However, the interviewer also describes then as "aggressive" and "somewhat radical and ultra-critical in their views." (These comments echo an incident seven years earlier when Illinois State Manager William Donne dismissed

Martin Powroznik, another Polish leader reporting HOLC prejudice against his community, as a "rabid communist.")[59]

A culture of racism among Chicago's White homeowners and real estate professionals laid the groundwork for the HOLC's infamously-racist redlining maps and reports years before the New Deal agency existed. Many reacted to the 1919 Race Riot by endorsing legal racial zoning, naively or dishonestly claiming that Black citizens could enjoy "equality of opportunity" despite being segregated into the overcrowded Black Belt. Some Whites attempted to cherry-pick Black voices to gain support for racial zoning, although most Black Chicagoans strongly denounced the notion. Meanwhile, the Chicago Real Estate Board endorsed lessening racial tensions by building better homes in the Black Belt, simultaneously providing some relief to Blacks living in the slum living and discouraging them from spilling over into White areas. This plan never materialized, but their attitudes soon evolved and became institutionalized by the predominant real estate school of thought led by Northwestern University economist Richard Ely. Ely insisted that racial integration necessarily harmed property values and demanded that appraisers reflect this "scientific" truth in their property valuations. The school encouraged segregation through racially-restrictive covenants, and Chicago-based real estate institutions like the National Association of Real Estate Brokers wholly embraced this policy. University of Chicago sociologists Robert Park, Ernest Burgess, and Harvey Zorbaugh provided academic

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[59] Interview with John Grzenski, and Interview with S. C. Mazankowski, RRCSF; Letter from Daniel Hair to Horace Russell, December 18, 1933, General Administrative Correspondence, Chicago Region, Home Owners' Loan Corporation, T-945 Roll 111, National Archives at College Park, MD; Lizabeth Cohen discusses Mazankowski's claims of prejudice against Polish B&Ls in her work on New Deal workers: "A more likely explanation, however, was that the HOLC rejected many association loans on the grounds that they were poor risks, having mortgages with inadequate security behind them or reflecting too high a percentage of the appraisal." Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919-1939* (New York: Cambridge University Press, 1990), 275.

support for these ideas by depicting the economic suffering of minorities in the slums as the inevitable result of urban and cultural evolution.

By the late 1920s, many of Chicago’s White realtors, bankers, and hotel owners refused to serve Black borrowers and customers. Some did so with explicitly personal prejudice and stated racist policies. Others claimed they discriminated based on unavoidable economic reality and hid their denials of service behind unwritten rules. When HOLC agents began reporting on the real estate market in Chicago in the late 1930s, they sought information and advice from dozens of such local mortgage bankers, many of whom openly admitted to avoiding service to not only Blacks but also European immigrants, especially Jews and Italians. The HOLC’s survey of Chicago, which redlined every neighborhood with more than a few Black residents and disparaged communities based on their ethnic makeups, grew from long-standing prejudices among White Chicagoans, especially those holding the keys to real estate financing.

CHAPTER 4

RACE, CLASS, AND THE HOLC SURVEY OF CHICAGO, 1938-1940

A 1939 Home Owners' Loan Corporation (HOLC) survey of a section of Morgan Park painted a rosy picture of the south side neighborhood. The community - a mix of blue- and white-collar workers and their families - enjoyed easy access to schools, transportation, utilities, and parks. Most families owned their homes, a trait the HOLC generally saw as favorable from an investment-risk perspective. By these qualities, one would expect the HOLC to recommend the section to mortgage bankers and real estate investors. Indeed, the portions of Morgan Park to the immediate west received B- and C-ratings - not perfect, but clear indications of good neighborhoods where financers could conduct normal business. However, the HOLC gave a small chunk of Morgan Park a D-rating, warning financial institutions that loaning there would prove "hazardous" because of "the detrimental influence of the large colored area" to the south and east. The government recommended that banks only make mortgages in such neighborhoods on "conservative terms," meaning larger down payments, higher interest rates, and less leniency towards struggling borrowers. Just as the federal government began taking a greater role than ever on housing through the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, and the Federal Housing Administration, they also entrenched segregationist values into government policy through the city survey project, influencing both the public and private real estate sectors.[1]

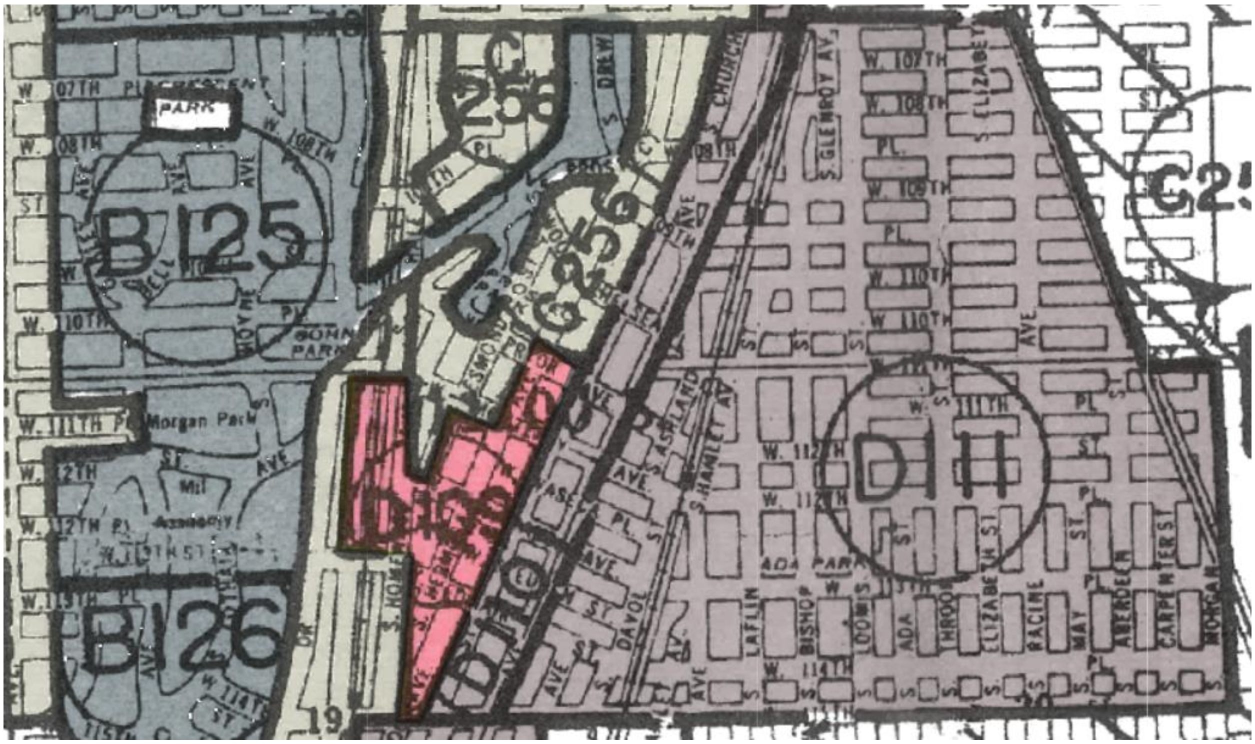

Figure 4. Section D109, highlighted here, received a D-rating despite having many positive attributes. The HOLC field agent noted that the area was restricted against Blacks, but he considered the proximity of Black neighborhoods to the east a "detrimental influence."[2]

Maps and Area Descriptions

The HOLC made loans between 1933 and 1935 but kept staff on hand to manage those loans until the corporation reached the end of its congressionally-fixed lifespan in 1951. The

[1] Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., "Mapping Inequality," American Panorama, ed. Robert K. Nelson and Edward L. Ayers, accessed May 1, 2022, https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58, Chicago area D109.

[2] "Mapping Inequality," Chicago Area D109.

FHLBB - the larger agency overseeing the HOLC - decided to use part of the remaining HOLC infrastructure to conduct a national survey of real estate conditions in urban neighborhoods to inform their property management and real estate investment policies. The government had acquired title to more than one million homes through the HOLC alone. In addition, another 200,000 properties were acquired through foreclosure, assets the federal government hoped to dispose of by 1951. Furthermore, the Federal Housing Administration (FHA) had begun insuring home loans and new developments. The administration hoped the FHLBB's city surveys would enable the FHA make better educated financing decisions.

The FHLBB appointed Corwin Fergus, director of the board's department of research and statistics, to manage the city survey project. Fergus served as lieutenant in the US Army during World War I, then returned to broker real estate in his birthplace, Columbus, Ohio beginning in 1919. Corwin had found the usual, vague vacancy surveys of the area unsatisfying. He spearheaded a more thorough market analysis of neighborhoods in Columbus in 1929. Local real estate institutions found his approach so beneficial that they unanimously requested he repeat the project the following year and made him president of the Columbus real estate board in 1931. After helping the state director of commerce liquidate $76 million in Dayton, Ohio, real estate assets, Fergus briefly joined the HOLC's Mortgage Rehabilitation Committee in 1935 before taking over the FHLBB's research division. Fergus brought with him C. C. Boyd, a fellow Ohioan and real estate sales manager who had assisted with the original city survey. Fergus and Boyd began selecting field agent crews for the national city survey in September 1935. By 1938, the HOLC had completed 223 out of 229 city surveys; they continued to update maps and surveys until 1940 at least. They completed the surveys for Chicago between 1938 and 1940.[3]

Fergus and Boyd delegated leadership for the Chicago metropolitan area portion of the survey to Donald Ward Mayborn, an economic analyst at the Federal Home Loan Bank Board. Born in Indiana in 1906, Mayborn grew up around Dallas before attending the University of Texas at Austin. His father and two brothers successfully ran newspapers, but Donald seems to have struggled initially to find his footing in life. During the 1930s he worked as an architect in Temple, Texas, a loan service analyst in Omaha, Nebraska, and a clerk in New York City before finally landing at the Federal Home Loan Bank Board towards the end of the decade. Mayborn, a 33-year-old divorcee without dependents, stayed as a guest in the affluent River North area while working on *Metropolitan Chicago*.[4]

Mayborn based the report on the section data collected by four HOLC field agents. Clark Waters, a Maryland native in his early fifties, had sold automobile parts in New York before working for the government; while conducting the surveys, he rented a home near the affluent Gold Coast neighborhood. Minnesotan Frank Devlin, in his mid-thirties, had lived in

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[3] "Corwin A. Fergus," *New York Times*, April 2, 1946, 27; "Searchlights for Lenders," *Architectural Forum*, Vol. 68. No. 2, February 1938, 180. For a thorough analysis of the methodology used to create the HOLC maps, see James Greer, "The Home Owners' Loan Corporation and the Development of the Residential Security Maps," *Journal of Urban History*, Vol. 39 No. 2 (2012): 275-296.

[4] Donald Mayborn. Year: *1930*; Census Place: *Temple, Bell, Texas*; Page: *16B*; Enumeration District: *0018*; FHL microfilm: *2342025; Donald Mayborn. "U.S., School Yearbooks, 1880-2012"*; School Name: *South Oak Cliff High School*; Year: *1922; Donald Mayborn. "U.S., School Yearbooks, 1880-2012"*; School Name: *University of Texas*; Year: *1927; "Ward Mayborn, Noted Publisher," Washington Evening Star, March 2, 1958, A-32; Donald Mayborn. U.S., City Directories, 1822-1995* [database on-line]. Lehi, UT, USA: Ancestry.com Operations, Inc., 2011; Donald W. Mayborn. New York State Archives; Albany, NY, USA; *New York State Dept. of Civil Service, State Employee History Cards, 1894-1954*; Series: *15029; Don W. Mayborn.* Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-01006*; Page: *88B*; Enumeration District: *103-2689.*

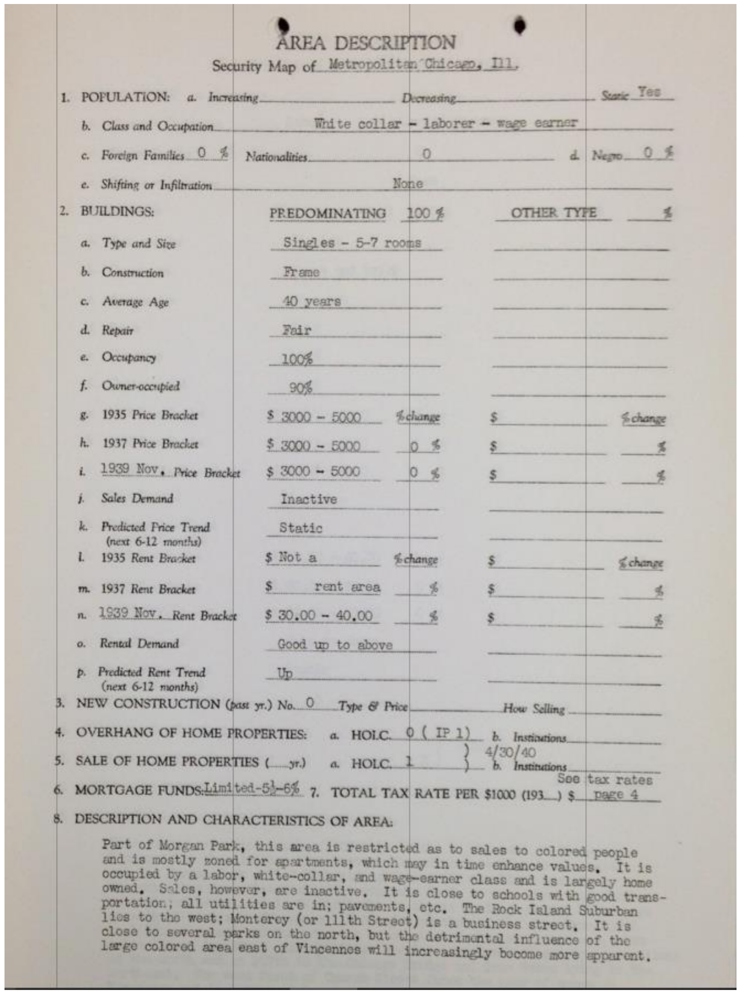
Washington, D.C., for most of the 1930s; while working on the survey, he rented a home in Evanston, Chicago's near-north, affluent suburb. It is notable that Mayborn, Waters, and Devlin all stayed in pleasant, wealthy areas during their time in Chicago. The 1930 and 1940 U.S. Censuses for Chicago do not include any information on the other two field agents, so one can safely assume that neither of them grew up or lived long in Chicago, particularly not in the areas which would receive poor ratings from the HOLC. These men based their analysis on visiting neighborhoods, interviewing Chicago-area banks and realtors, and following the guidelines set for them by Corwin Fergus and the FHLBB.[5]

As part of this project, the HOLC made residential security maps dividing cities and often their suburbs into color-coded sections for the purpose of description and ranking according to mortgage investment risk. The HOLC made some divisions along objectively rational lines, such as natural features, major thoroughfares, or neighborhood boundaries, but frequently the HOLC drew borders exclusively to separate all-White, all-Gentile, or all-native-born populations from sections containing other types of communities. The wide-ranging dimensions and shapes of these sections remind one of a gerrymandered congressional map; the jagged section of Morgan Park mentioned before had no fewer than 12 sides. Some sections contain entire neighborhoods, while others merely include a few square blocks.

Chicago HOLC field agents filled out an area description form for each mapped area. (See Figure 2.) The form provided space for statistical information on the section's population,

[5] Clark Waters. Year: *1940*; Census Place: *Chicago, Cook, Illinois*; Roll: *m-t0627-01008*; Page: *1A*; Enumeration District: *103-2755B;* Frank Devlin. Year: *1940*; Census Place: *Evanston, Cook, Illinois*; Roll: *m-t0627-00778*; Page: *11B*; Enumeration District: *16-188*; for more on the interviews the field agents conducted of Chicago-area bankers, see Chapter 3.

buildings, construction, sales, and mortgage financing availability. The agent noted whether a neighborhood's population was increasing, decreasing, or static, what economic class and occupation-type lived there, and what percentage of these were "Negro" or "foreign families." The label "foreign families" did not mean recent immigrants but rather referred to second- and third-generation immigrants who exhibited their heritage visibly at the community level. Additionally, certain ethnic groups did not count as "foreign families" for the purpose of these reports: in Park Manor on the south side, for example, the surveyor entered "0%" for this category, but later notes, "Many Irish and Swedes reside in this neighborhood." Gentiles of Northern European extraction, even recent arrivals, rarely received special notice and never suffered a penalty for their heritage. By contrast, Jews and Italians frequently faced varying degrees of prejudice even for the second and third generations. The surveys also noted any "shifting or infiltrating" population, a term usually used to warn of Black, Jewish, or Italian "encroachment." In the "Buildings" portion of the form, the surveyor recorded which types of buildings predominated in the area along with their construction materials, states of repair, and average prices and rents. All things being equal, the HOLC clearly favored uniform neighborhoods with single-family units on moderately-sized lots, but the presence of "detrimental influences" such as undesired ethnic groups could completely change the picture.



AREA DESCRIPTION

Security Map of Metropolitan Chicago, Ill.

1. POPULATION: a. Increasing ____ Decreasing ____ Static Yes
   b. Class and Occupation White collar - laborer - wage earner
   c. Foreign Families 0 % Nationalities 0 d. Negro 0 %
   e. Shifting or Infiltration None
2. BUILDINGS: PREDOMINATING 100 % OTHER TYPE %
   a. Type and Size Singles - 5-7 rooms
   b. Construction Frame
   c. Average Age 40 years
   d. Repair Fair
   e. Occupancy 100%
   f. Owner-occupied 90%
   g. 1935 Price Bracket $ 3000 - 5000 % change $ % change
   h. 1937 Price Bracket $ 3000 - 5000 0 % $ %
   i. 1939 Nov. Price Bracket $ 3000 - 5000 0 % $ %
   j. Sales Demand Inactive
   k. Predicted Price Trend (next 6-12 months) Static
   l. 1935 Rent Bracket $ Not a % change $ % change
   m. 1937 Rent Bracket $ rent area % $ %
   n. 1939 Nov. Rent Bracket $ 30.00 - 40.00 % $ %
   o. Rental Demand Good up to above
   p. Predicted Rent Trend (next 6-12 months) Up
3. NEW CONSTRUCTION (past yr.) No. 0 Type & Price ____ How Selling ____
4. OVERHANG OF HOME PROPERTIES: a. HOLC. 0 (IP 1) b. Institutions ____
5. SALE OF HOME PROPERTIES (__ yr.) a. HOLC. 1 } 4/30/40 b. Institutions ____
6. MORTGAGE FUNDS: Limited-5½-6% 7. TOTAL TAX RATE PER $1000 (193__) $ See tax rates page 4
8. DESCRIPTION AND CHARACTERISTICS OF AREA:

Part of Morgan Park, this area is restricted as to sales to colored people and is mostly zoned for apartments, which may in time enhance values. It is occupied by a labor, white-collar, and wage-earner class and is largely home owned. Sales, however, are inactive. It is close to schools with good transportation; all utilities are in; pavements, etc. The Rock Island Suburban lies to the west; Monterey (or 111th Street) is a business street. It is close to several parks on the north, but the detrimental influence of the large colored area east of Vincennes will increasingly become more apparent.

Figure 5. One of the area description forms used by the Chicago HOLC. This one, for a segment of Morgan Park, reveals that field agents sharply penalized neighborhoods near Black Chicagoans even if the area featured racially restrictive covenants.[6]

The more narrative portion, "Description and Characteristics of Area," sat at the bottom of each survey. The amount of detail included here varied widely: some reports itemized conditions on every street or even at the block level, while others only remarked on the neighborhood as a whole. Sometimes agents left this space entirely blank. In a few surveys, the

[6] "Mapping Inequality," Chicago area D109.

agent seemed unconcerned over the presence of a few minorities in the district. In many, however, the agent spent much of the description warning about a potential “infiltration” of a “worse class” ethnic group from several blocks away. This diversity of tone and style suggests some small discrepancies among the field agents - or possibly the external experts who advised them - on issues of race. However, the field agents made choices acceptable to Mayborn, Boyd, and Fergus and the visible racism and prejudice which abound in these reports accorded with the policies of the FHLBB.

Surveyors also assigned one of four grades to each area, with the grades corresponding to colors on the HOLC map. Green stood for the A-rated areas - sometimes called “first class” - which represented the “Best” and safest mortgage investment zones according to the agency. They defined the B-rated areas in blue as “Still Desirable,” the yellow C-rated areas as “Definitely Declining,” and the alarmingly-red D-rated areas as “Hazardous,” counseling institutions to avoid making loans in the latter or do so only on the most conservative terms. The surveyor could additionally add a “plus” or “minus” to the area. Plusses often went to flawed areas where the surveyor saw potential. “The neighborhood is experiencing a favorable upward trend,” the surveyor wrote for a section of West Ridge, “predicated almost entirely on the impetus of new construction, but the general appearance of the section at present is hardly typical of an “A” area, and for that reason it is temporarily graded ‘B+.’ Conversely, “minus” ratings noted a perceived threat to values for an otherwise favorable neighborhood, often based on racial prejudice. The surveyor praised a subdivision of Rogers Park for attractiveness and improvements, for example, but assigned it a B-minus rating due to the "changing occupancy," a reference to the "marked infiltration of Jewish" residents that began in 1937.[7]

Considerations of race, ethnicity, and immigration-status played a major role in the assignment of area grades (even serving as the sole reason for shifts in whole letter grades), but many non-racial and even non-classist factors influenced grades as well. Some neighborhoods received poor ratings due to the proximity of industrial manufacturing, garbage dumps, or livestock yards with their attendant odors. Agents also penalized older, fully-developed sections of the city with no room for improvement without expensive demolition or refurbishment of aging properties. A lack of nearby transit generally reduced the desirability of districts housing urban workers. Upper-class areas, however, often received good ratings despite the absence of amenities, train depots, or bus stops nearby. This particularly occurred in suburbs like Winnetka, Illinois. "Although it is rather distant to transportation," a report stated, "it continues to improve with further development, and has good class, modern, attractive and uniform building… Favorable advantages outweigh the disadvantages of distances to amenities, and the section therefore warrants a first class rating." Such reports exemplified the government's more general project throughout the twentieth century of encouraging the growth and sprawl of the suburbs with large residential subdivisions and a growing emphasis on automobile travel rather than transportation.[8]

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[7] "Mapping Inequality," Chicago areas B69 and B77. For neighborhoods within Chicago, I will simply write the neighborhood's name. To indicate a suburb, I will include the suburb's name followed by "Illinois" (e.g. "West Ridge" for the neighborhood of West Ridge, Evanston, Illinois, for the suburb of Evanston.)

[8] "Mapping Inequality," Chicago areas D42, D45, B3, and A15.

Anti-Black and Pro-Segregation

The Chicago HOLC considered any Black occupancy or even the potential of Black families moving in - or, as the HOLC phrased it, "infiltrating" - as a severe detriment to a neighborhood's residential appeal and investment security. Areas with more than a few Black families received an automatic D rating, even if the community enjoyed otherwise favorable features. In the affluent north suburb of Evanston, Illinois, for example, most of the Black population lived in one neighborhood near downtown. Most of these residents earned a living as domestic workers for nearby Whites and lived in the type of single-family homes HOLC surveyors generally appreciated. Admittedly, many homes housed more than one family, but the neighborhood still lacked the congestion which plagued the overcrowded slums of Chicago's Black Belt. The surveyor admitted, "it is difficult to say that the section is declining, for it is in constant demand because of the limited number of areas available for negro occupancy in the north shore towns." However, the report still applied the D-rating simply because of the occupants' race, even portraying the neighborhood as a municipal threat. "This concentration of negroes in Evanston is quite a serious problem for the town as they seem to be growing steadily and encroaching into adjoining neighborhoods."[9]

The HOLC assumed that Whites with the means to buy homes would not want to purchase property near Black neighbors - an unfortunately accurate premise in 1930s and 1940s Chicago. Most White Chicagoans indeed did not wish to have Black neighbors, and this bigotry impacted property values and potential investment returns. Once an area began to integrate,

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[9] "Mapping Inequality," Chicago area D2.

native-born White property owners tended to leave quickly. “Property owners who can dispose of their properties to the colored element move west,” an agent remarked of Whites living in regions near the Black Belt; “those who cannot, rent.” One might still expect, however, that the HOLC would portray attractive Black areas as highly desirable investments for Black-owned lending institutions or even large White-owned mortgage banks which catered to Black customers. However, reports rarely include such a note, and even when they do the surveyor does not upgrade the area’s overall rating. “If a responsible mortgage corporation, building and loan or otherwise, composed of colored people could be established,” a report for part of the Black Belt reads, “it would aid rehabilitation and the turnover of all properties. Property values and rents have increased since 1935 an estimated 30 per cent, but only to colored people.” The demand for housing in the area, even without White interest, had grown such that investment in housing would prove profitable, but this did not prevent the surveyor from assigning it a D grade. Perhaps this decision should not come as a surprise considering they saw financing Black homes as a means to accomplish the goal of preventing racial integration of White areas: “It is emphasized that one of the most important necessities is to provide a means of financing these colored homes so that they may be rehabilitated; provide a larger turnover of property; and <u>hold these people within the area</u>” (emphasis mine).[10]

Sometimes neighborhoods with just a few Black families or individuals could receive a C or even B rating, but only in specific cases where the surveyor believed an increase in the Black population seemed highly unlikely. When the surveyors made an exception to give a

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[10] “Mapping Inequality,” Chicago areas D40 and D74.

neighborhood with some Black residents a better-than-D rating, they went into great detail itemizing exactly where and how many Black families lived there. In the "least desirable" section of Lake Forest, Illinois, a few Black families living along one street did not prevent a C-rating: "These families have been here for some time and are not spreading," the agent explains. In Evanston, Illinois, a middle-class district received a B-rating despite having one Black family. Similarly, a survey for a B-rated district in Oak Park, Illinois, noted "One negro family resides in the area, but there is no possibility whatever of any further infiltration." The surveyor neglected to provide reasons for their certainty, but restrictive covenants and threats of racial violence represent the most likely factors. HOLC surveyors might not take the presence of Black residents as a sign of future demographic change if said families had occupied the space for many years without new Black families joining them.[11]

Surveyors often cited both racial and non-racial reasons for lowering an area's rating. This was particularly true for the report on the D-rated section of Maywood, Illinois: "This area is of mixed and rather poor appearance and unlikely to improve very much due to age and low grade population, of which considerable portion are negroes. This is fourth grade because of poor properties and undesirable population." The surveyors frequently made such racist comments even when a district's non-demographic factors would have likely resulted in the same grade. In other cases, one gets the impression that race served as the primary cause for a low-rating despite

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[11] "Mapping Inequality," Chicago areas C3 and B38; Laura A. Caldwell. Year: 1940; Census Place: Evanston, Cook, Illinois; Roll: m-t0627-00779; Page: 19B; Enumeration District: 16-208; Eria E. Brown. Year: 1940; Census Place: Evanston, Cook, Illinois; Roll: m-t0627-00779; Page: 19B; Enumeration District: 16-208; The report on Evanston, Illinois noted the exact block where the Black family was said to live, but the 1940 US Census did not mention a Black household in that vicinity. However, two of the local White households had Black live-in maids listed, so the surveyor probably saw them on the block and assumed they lived together.

the survey's mention of other negative traits. "The portion of the Hyde Park neighborhood next to the University of Chicago received a C-rating for having a "mixed character." This partly referred to the community's mozaic of fine, older homes, dilapidated boarding houses, scholarly fraternities, and cooperatives. However, the report also noted the presence of some Black residents: "On Maryland between 53rd and 55th are a few colored families… On 52nd, between Harper and Lake Park, is a 4-story brick building with colored people (about a dozen families). The area is a spotted, declining one. There are also some colored people on Kenwood, between 54th and 55th."[12]

The HOLC surveyors even penalized neighborhoods when Black communities merely existed adjacent to the area or even several blocks away. Park Manor housed working- and middle-class Whites, with detached, single-family brick homes predominating. Although the area featured undesirable traits like industry along the boundary and mixed architecture, it also enjoyed convenient access to schools, stores, churches, and recreation. However, the surveyor chose to assign that portion of Park Manor a C-minus rating, arguing the area "may be said to be declining due in large measure to the threat of colored encroachment into the area from the north." One section of Woodlawn possessed many favorable traits and housed Whites and the kind of native-born, upper-middle-class Jews the HOLC tolerated, but it received a C-rating, likely because the area sat near a slowly-integrating subdivision. "To date that section lying west of Cottage Grove known as Washington Park sub-division does not detrimentally affect the area, but ultimately may. To the south and west of Cottage Grove is the large Negroe [sic] area." The

[12] "Mapping Inequality," Chicago areas D21 and C215.

HOLC surveyors even penalized a neighborhood for having Black neighbors in an adjacent town, as happened to a section of Alsip, IL: “There are no Colored people, although they are adjacent to the Colored town of Robbins to the southeast, which is detrimental.”[13]

The Chicago HOLC not only considered residential integration a negative trait, but they also usually lamented the racially mixed use of public parks, swimming pools, and beaches. When construction began for the Ida B. Wells housing project, the surveyor warned of the effect of the predicted increase of Black residents on “park and and water frontage on Lake Michigan.”

> With approximately 6,500 colored people moving into this district, it is evident that they cannot be closed in… and the problem of keeping park and water frontage close by reasonably free of them will be difficult to surmount… Already Washington Park at the south, a very fine park, has been almost completely monopolized by the colored race.

The surveyor further suggested another possible location for the project between State Street and the Rock Island Railroad with “property adjoining the railroad used as a playground, and landscaped with trees, shrubs, etc.” The surveyor’s tone throughout the report suggested they imagined themselves a benefactor to Black people, but this did not prevent them from wanting to keep established beaches and parks segregated for Whites by pushing Black children to play by the railroad.[14]

These surveys also provided examples of Chicago and its suburbs making municipal decisions regarding public recreational areas with segregation as a prime motivator. One all-Black section of Morgan Park housed a working-class population, including many Pullman employees, mostly in single-family houses with good sales demand. Nevertheless, the area still

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[13] “Mapping Inequality,” Chicago areas C237, C217, and D103.

[14] “Mapping Inequality,” Chicago area D74.

received a D grade seemingly for no other reason than the race of its inhabitants. While the community enjoyed nice park facilities, the city had apparently built them with an ulterior motive: “In an endeavor to keep the colored people within the confines of the area,” the report reads, “a good recreation park which includes tennis courts, swimming pool, etc., has been built for colored people.” Similar segregationist government action appears in the survey for a section of Evanston, Illinois, lying along Lake Michigan; it received a B rating despite having new, “outstanding” homes because most of the properties did not have exclusive rights to the beach near them. “The lake front [apart from two blocks with riparian rights] is all park district with many bathing beaches along its entire length.” The report claims these public beaches alone prevented an A rating, but that Evanston had taken steps to mitigate the risk to property values. “Each year a separate bathing beach is designated for the large colored population living in Evanston, the thought being a constant shifting of this location would minimize the adverse affect [sic] of negro bathing facilities.” This not only shows that the suburb segregated swimming zones, but that they moved the Black zone around so that no beach became permanently associated with them.[15]

Integrated parks did not necessarily doom a neighborhood's rating, however. The very exclusive, all-White North Beverly neighborhood on the south side (now the suburb of Evergreen Park) enjoyed lovely park space with “public picnic grounds used by both whites and colored.” The shared public space did not prevent the area from receiving an A rating - although the fact the surveyor mentioned the integrated park at all indicates the report’s intended audience

[15] “Mapping Inequality,” Chicago areas D111 and B43.

may have found such mingling concerning. Regardless, the occasional exceptions to penalizing integrated spaces exemplify the often inconsistent nature of racial discrimination in Northern cities- a flexibility that benefited some Black individuals and communities but that also made the system less predictable and therefore less navigable for them.[16]

The survey also spoke positively of infrastructure or landscaping features which served as a buffer to neighborhoods with Black residents. The surveyor for the White, southside Roseland neighborhood ("There are no foreign-born nor negroes") spent most of their report discussing Lilydale, the Black community nearby. According to the surveyor, the presence of the "negro element to the north" prevented developers from completing the planned sub-division, although many Black families lived there. "A state athletic field north of the area, a WPA project" the report highlights, "is utilized almost entirely by the colored." This proximity might have sunk the district into a D-rating but for the rumored plan to prevent integration: "A reported movement is now on foot to make a golf course and park out of the vacant property to the northwest, which would assist in retarding any infiltration from the colored race north of 96th street and act as a buffer." The report for the area west of Lilydale also included discussion of "buffer" features: "Vacant ground lying between the colored area to the east, together with the Western & Indiana railroad, forms a natural barrier against colored infiltration." A portion of Roseland further east - that would not have such partitions - received a dire prognosis: "The future trend will be down, due to the colored influence to the north and west."[17]

[16] "Mapping Inequality," Chicago area A35.

[17]"Mapping Inequality," Chicago areas D95, C259, C260, C261, and C262.

The field agents also viewed roads and railroad tracks as potential buffers between all-White and integrated sections, discouraging "infiltration" and preserving property values. A B-rated section of Glencoe, Illinois, abutted a D-rated neighborhood which housed equal parts Black and Italian families. "The southern portion adjoins the negro section," the description for the White area read. "Noticeably affected by this proximity to the adjoining fourth class area, it is only 50 per cent penalized because of the heavy flow along this street." (Incidentally, the HOLC gave the adjoining area a D rating exclusively because of the Black population, saying the area would likely change to a C-rated district if and when Italians replaced the Blacks.) While a busy road might seem a negative trait in most contexts, this one appeared favorable to the field agent as the traffic represented a barrier to integration. Train tracks usually represented an eyesore for residential areas, but they could become a positive trait when seen as delineating racial lines. A B-rated sliver of Hyde Park with lakefront property sat very close to the Black Belt, but, the surveyor reports, "the buffer of the IC Main Line prevents any undesirable infiltration."[18]

The HOLC also noted the use of racial violence to form buffers to integration. The area description for part of Bridgeport noted the predominance of Italians and Irish. "There are no colored people, Wentworth being the barrier to colored infiltration; the Irish would not allow them across. One of the districts where the race riots occurred." The surveyor still considered the D-rated area a blighted one: "the future outlook is poor indeed." Violence naturally dampened agents' enthusiasm for an area, as with one C-rated portion of Cicero which featured good

[18] "Mapping Inequality," Chicago areas B12, D1, and B107.

shopping and transit but was also frequented by gamblers and gangsters. “Buildings bear the scars of machine gun fire, and institutions will not lend on any terms.[19]

The surveyors saw racially-restrictive covenants as perhaps the best bulwark against “encroachment.” Property owners within a defined space, often with neighborhood boundaries, could join together to form covenants which bound the signees and future owners of their property to not rent or sell their properties to a particular race or ethnic group. Property owners associations exerted considerable social pressure to convince large percentages of their White neighbors to sign. If a signee broke the covenant by taking on a Black tenant, their neighbors filed suit to have the resident evicted or else the property seized. Most covenants in Chicago solely barred Blacks, but several excluded Jews as well. Woodlawn enacted the first racially-restrictive covenant in Chicago in 1928, which a HOLC agent listed among the positive traits in the area description: “The streets are all paved, all assessments are in and paid. Practically every church denomination is represented here. They have a good public school. The area is restricted to whites.” Chicago property owners passed hundreds of such racially-restrictive covenants in the 1920s and 1930s, particularly in White areas on the fringe of the Black Belt. The HOLC finished their reports in early 1940, and up to that point White segregationists in Chicago had successfully defended the restrictions in courts against charges that the covenants violated the Equal Protections Clause. This changed legally, however, with the Supreme Court’s *Hansberry v. Lee* (1940) decision making it easier for defendants to challenge a covenant’s validity based on technicalities; in that case, defendants proved that the Woodlawn Property Owners Association

[19] “Mapping Inequality,” Chicago areas D51 and C174.

had not actually collected the required percentage of local property owners' signatures for the covenant to go into effect. The *Shelly v. Kraemer* (1948) decision further ruled that the court system could not enforce racially-restrictive covenants by evicting Black residents or punishing those who sold or rented to them, as this violated the equal protection clause in the Fourteenth Amendment.[20]

The Chicago HOLC finished its neighborhood security maps and city survey in early 1940, just before the *Hansberry v. Lee* decision and eight years before *Shelly v. Kraemer*, so the survey field agents still regarded restrictive covenants as a constitutional and enforceable method of protecting White property values. Sometimes they even considered a lack of restrictions as a cause for concern. One B+-rated section of Beverly abutted two C-rated areas to the east. The surveyors did not mention any minorities in these sections, but warned in the B area's report, "It is well to bear in mind that there are no restrictions against the sale to negroes" in the C-rated sections, noting "an extensive colored district" near them. However, these agents may have also felt uncertain about the legal future of restrictive covenants, as seen in the report for the Washington Park subdivision of Woodlawn:

> This is a semi-blighted area and while it is restricted to Whites, and the restriction having nine or ten years yet to run, there is a constantly increasing encroachment of Negroes from both the west and south. The big Colored area immediately south of East 63rd and west of Cottage Grove supplies a constant stream of colored people to and from and through this district to Washington Park, lying at the north, which is devoted almost entirely to the Colored people… It is expected ultimately that this entire area will revert to the Colored race.

[20] "Mapping Inequality," Chicago area C219. For a more thorough account of *Hansberry v. Lee* and the events and appeals leading up to it, see Chapter 5.

The surveyor noted an October 1939 case (*Lee v. Hansberry*) that had affirmed the enforceability of restrictive covenants (which *Hansberry v. Lee* would later overrule), but did not seem to think it mattered much. "Even though this district does not go entirely Colored, it is very poorly located due to its adjacency to the Colored district." While the Chicago HOLC approved of the use of racially-restrictive covenants, it did not see them as a long-term fix for areas showing significant demographic change.[21]

The HOLC maintained race restrictions on properties it acquired, as housing expert Charles Abrams reported in 1947: "The government's Home Owners Loan Corporation, like the Federal Housing Administration, respects segregation in the sale of its houses." The HOLC's relationship with racially-restrictive covenants grew out of its chimeral nature as both a federal agency enacting the administration's policies and a corporation seeking to at least break even on the investment of its shareholders, i.e., the taxpayers. The HOLC imagined itself as an average, local, White homeowner for the purposes of property management. This was revealed in *Gorewitz vs. Hundley*, a 1941 case in a District Court of Washington, D.C. The defendant Hundley, a Black man, had purchased a home from a White man who had himself purchased it from the HOLC. This property had included a restrictive covenant against Black occupancy, and so Hundley's neighbor sued to prevent him from taking possession of the property. Hundley argued that the federal government could not take part in a discriminatory agreement, and therefore the government's ownership of the property extinguished the covenant. The court, however, disagreed:

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[21] "Mapping Inequality," Chicago areas B124 and D78.

> The Home Owners' Loan Corporation is, as its title indicates, a corporate instrumentality of the United States… When a government becomes a partner in any trading company, it divests itself, so far as concerns the transactions of that company, of its sovereign character, and takes that of a private citizen. Instead of communicating to the company its privileges and its prerogatives, it descends to a level with those with whom it associates itself, and takes the character which belongs to its associates, and to the business which is to be transacted.

The court did not dispute that the federal government generally included among its "prerogatives" an opposition to segregating its properties, but they decided that the HOLC took on the character and attitudes of the Whites who had previously owned the properties they acquired. This approach could even apply in cases where the neighborhood lacked complete segregation; a Black person had long occupied the house on the other side of the White neighbor, as that property lacked a restrictive covenant. Hundley had also tried to argue that that occupant's presence made the covenant effectively meaningless, but the court rejected this also. "A general scheme of improvement or development may exist although a part of the lots may have been sold without the restriction." Considering the federal courts considered racially-restrictive covenants "a scheme of improvement or development," one should not wonder that the Chicago HOLC's field agents did as well.[22]

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[22] Charles Abrams, "Homes for Aryans Only: The Restrictive Covenant Spreads Legal Racism in America," *Commentary*, May 1947, https://www.commentary.org/articles/charles-abrams/homes-for-aryans-onlythe-restrictive-covenant-spreads-legal-racism-in-america/; "Covenants - United States - Home Owners' Loan Corporation: Gorewitz et al v. Hundley et al, District Court of the United States for the District of Columbia, decided December 1, 1941," *Housing Legal Digest*, Central Housing Committee, Washington, D.C., October 1939, No. 63., 3-5.

Anti-Semitism

The HOLC field agents also discriminated against Jewish Chicagoans in their surveys. Agents consistently expressed open disdain for working-class and recently-immigrated Jews, although they made some exceptions for native-born, upper-class Jews. Despite making some distinctions along class lines, the surveyors' language shows they saw the appearance of Jewishness itself as detrimental to property values in a neighborhood. One section of Albany Park housed middle-class, native-born Whites along with a small percentage of Scandinavian immigrants. The area's well-maintained homes and good sales demand would have insured an A-rating but for limited mortgage financing due - according to the report - to the adjacent Jewish population: "The neighborhood is feeling the influence of the Jewish section on the south. Mortgage lenders are not too anxious to lend in the area because of heavy foreclosure in the neighboring area. Properties are fairly good, however, and many are in first-class condition, but the threatening infiltration is hurting this area." Jewish families had lived in that section of Albany Park for many years, but, the report adds, "the better families during the past three to five years have been moving into the Rogers Park section, and Albany Park is feeling the infiltration of somewhat lower class Jewish families from Southwest Chicago."[23]

The report for Ravenswood Manor - "a desirable neighborhood since its early development" - sounded similarly antisemitic alarms. "Jewish infiltration has started along the edges and may be expected to continue because of favorable reputation and location." The surveyors rarely went into specifics about what non-preferred ethnic groups would actually do to

[23] "Mapping Inequality," Chicago areas B64 and C55.

nice communities with "substantial and well appearing" houses, but, by voicing concern that nice areas had attracted Jewish residents, the report's author shows they did not consider Jews entitled to the kind of residential American Dream the HOLC aimed to promote. "Area is rated "B" because of improvements and reputation, but penalized because of threatening infiltration." Again, the field agent connected racist and non-racist traits in his analysis. "Most of the corners are built with large apartments housing a great number of Jewish families." Here, the general resentment towards multi-family housing blended seamlessly with the surveyor's antisemitism.[24]

The field agents typically penalized neighborhoods for Jewish populations, but they occasionally made exceptions for more affluent communities. "Although there is no marked infiltration of Jewish buyers in this neighborhood," a surveyor reported for Chicago's North Park, "a few better class families have purchased a few of the new houses along Drake and St. Louis Avenues." Having carefully noted the precise location of the Jewish families, the surveyor assures readers that, "this influx has not progressed to the place where it is considered at all damaging to the neighborhood." The report predicted that the cost of homes in the area would prevent the undesired class of Jews from coming in "to the extent that the general desirability of the neighborhood would be adversely affected."[25] In the suburb of Glencoe, Illinois, one attractive, wooded section boasted low traffic, uniform appearance, and homes in good repair. However, the report concludes with an A-minus rating due to a few "adverse influences": "There is a sizeable Jewish population which is supposedly better class families, and generally up to this

[24] "Mapping Inequality," Chicago area B67.

[25] "Mapping Inequality," Chicago areas B13 and B61.

point have not adversely affected sales to other classes… The neighborhood is graded as first class, but rated minus because of adverse influences noted above." The statistics section of the report labels these families that made up 30 percent of the section as "Good Jewish" - distinguishing them from those in other neighborhoods merely listed as "Jewish" - but even their economic success had not kept the field agents from penalizing the neighborhood for their presence entirely.[26]

This suburban section of Glencoe, Illinois, alone among the 37 A-rated neighborhoods in the Chicago area included a statistically noted amount of "Foreign Families." Apart from this begrudging exception, A-rated neighborhoods remained the sole domain of native-born Whites and, so far as the surveyors could tell, Gentiles. The Chicago HOLC assigned a B rating to 132 areas, of which only thirteen contained Jewish residents (at least as far as the reports noted). Mostly these families made up a very small percentage of the community, but this did not prevent eight of the descriptions from portraying their presence as a detrimental or "threatening" influence, not including the two reports that assured readers these were "the better class" of Jews. Some reports even listed Jewish presence as the sole negative trait which prevented them from giving an area an A-rating, and the field agents took care to note exactly which blocks Jews occupied. "Properties along Euclid are somewhat larger than in the balance of the territory," the surveyor wrote of the Hubbard Woods section of Winnetka, Illinois, "but there are several Jewish families on that street which detract somewhat from its desirability."[27]

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[26] "Mapping Inequality," Chicago areas B13, B61, and A9.

[27] "Mapping Inequality," Chicago area B14.

Some Chicago communities used restrictive covenants to bar Jews from buying or renting. The HOLC reported on a B-rated area of Maywood, Illinois, which restricted against "Hebrew encroachment." The agent who surveyed one "small and very desirable" neighborhood of Glencoe, Illinois, noted how it "is restricted against Jewish, except on Maple Hill Road," another example of the HOLC focusing on racial geographic divisions with cartographic specificity. While the HOLC only mentioned these two covenants, they almost certainly represented many others in Chicago. Covenants against Jews would increase in number even during the world war, as Charles Abrams reported in the Jewish magazine *Commentary* in 1947:[28]

> In the nation's capital today, where covenants barring Jews as well as Negroes have become a frequent part of subdivision practices, government officials of the Jewish faith now find it difficult to buy homes… Should the covenant spread in the nation's capital as it has in Los Angeles and Chicago, minorities might even be severely limited in their opportunity to hold federal office. The covenant against the Jew is multiplying, and no effort whatever is being made to contain it.

The popularity of these bigoted legal tools highlights America's troubling tolerance of antisemitism during the 1930s and 1940s when the U.S. government's condemnation of Nazi policies conflicted in some part with its own practices.[29]

Jewish presence sometimes alarmed the HOLC surveyors more than even Black presence. For one B-rated portion of Woodlawn, the report notes "a few colored people" living in the area, making no negative comments about them, while they listed Jewish occupants as the

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[28] "Mapping Inequality," Chicago area B87, A11.

[29] "Mapping Inequality," Chicago areas B87 and A11; Abrams, "Homes for Aryans Only." I do not mean to falsely equivocate the policies of the United States and Nazi Germany in either morality or impact. Rather, I wish to point out the institutional presence in America of the cancerous ideology that animated the Nazi's genocidal acts. With humility ("there but for the grace of God go I"), we must vigilantly weed out the ever-present sprouting of bigotry, for it will always find soil among the fearful, resentful, and disaffected.

"infiltrating" group. In extreme cases, the risk of a Jewish demographic shift induced the surveyor to encourage financiers to abandon a community entirely. "A marked infiltration of Jewish has adversely affected values since 1937," a surveyor wrote of a subdivision of Rogers Park, emphasizing that these Jews came from Albany Park, a geographic shorthand for "lower-class Jews." Even though Jewish immigrants comprised no more than three percent of the local population, the report warned that "the construction of a synagogue in the area has indicated that the area may eventually become known as a Jewish section." The report noted the area's attractiveness and improvements, but assigned a B-minus rating due to the "changing occupancy." Predicting weak prices and a downward trend, the surveyor recommends "an orderly but quick liquidation be followed in this neighborhood." These HOLC surveys give witness to the official, impactful, and socially-acceptable anti-Semitism common in the United States at the time. A full year after Kristallnacht and a month after the Nazi invasion of Poland, an American bureaucrat felt comfortable and justified in characterizing a synagogue as a symbolic threat to mortgage investors in a non-classified government document.[30]

Anti-Italian Prejudice and the HOLC's Racial Ranking Systems

The HOLC agents also viewed Italians as negative influences on virtually any neighborhood with the potential for any other White inhabitants. Italian immigrants to Chicago benefitted socially from their perceived Whiteness relative to their Black counterparts, but many native-born White Chicagoans still saw them as a racial other, particularly in the late-nineteenth

[30] "Mapping Inequality," Chicago areas B77 and B108.

and early-twentieth century. This attitude pervaded the HOLC descriptions of neighborhoods with Italian immigrants.[31]

When Italians began moving into a mostly German and Swedish portion of Lakeview, the field agent predicted decay for the community: "Future of the section is one of continuing slow decline with the gradual infiltration of somewhat less desirable population elements." A new development in Hanson Park was “adversely affected by the marked infiltration of low class Italian and Sicilian.” HOLC agents showed their prejudice towards Italians not so much by disparaging them directly but rather by praising their counterparts. “Some Italians have found their way into this area,” the survey for a portion of Mandell reads, “but the majority of dwellers are a good class of factory workers and wage earners…” Much as with Black Chicagoans, even a few Italian entries into a neighborhood could portent total replacement. “Many of the recent sales have been to Italian buyers,” an agent wrote of a middle-class section of North Austin, “and it appears that the future of the section will be given over to this class of occupants, although this infiltration has only become apparent in the past two or three years.” The HOLC made some exceptions, however, as with a section south of Portage Park: “There is a slight infiltration of Italian, but it has not been of major proportion as yet, and it is doubtful that it will continue to a point of adversely affecting this neighborhood.” Most predominantly-Italian neighborhoods

[31] Thomas Guglielmo finds that Italians in Chicago in the late-nineteenth and early-twentieth century faced a discordant combination of othering and acceptance. On the one hand, many Anglo-Saxon Americans discriminated against Italians, regarding them as a different *race* from the Caucasians. In terms of *color*, however, native-born Whites saw Italians as fellow Whites from the moment the immigrants disembarked onto American shores, and this recognition played out in Italian American’s access to jobs, housing, and equal treatment in the court system that was frequently denied to Blacks. Thomas Guglielmo, *White on Arrival: Italians, Race, Color, and Power in Chicago, 1890-1945*, (Oxford: Oxford University Press, 2003), 5-7; for Guglielmo’s comments on Italians and the Chicago HOLC maps, see pages 164-165;

received D and C ratings, and while neighborhoods with Italian residents received less extreme penalties than ones with Black occupants, the overall timbre of the reports places Italians in second place - tied with Jews - in the running for least desired population in terms of property values and mortgage investment security.[32]

The surveys provide clear evidence of such an ethnic ranking system in the Chicago HOLC. This appears starkly in a Humbolt Park report.

> This is a very mixed district of congested appearance and changing character. The population is largely lower class Jewish, but there is at the present time a moderate infiltration of Polish families. The favorable influence of this population shift is minimized by threatening negro infiltration along the eastern edge.

The surveyor adds nothing that would suggest the Polish arrivals held a higher economic status, so their "favorable influence" relied simply on their ethnic identity or perhaps merely their Gentileness. Furthermore, the Black "infiltration" only accounted for one or two percent of the neighborhood, demonstrating how just a few Black families could set off the proverbial alarms for real estate analysts. The report noted the area's convenient access to transportation, schools, and shopping centers and highlighted the location of some desirable properties, but this could not overcome the perceived hazard of racial integration; "The section as a whole is of such heterogenous character that it is graded fourth class." The reports often contain such ambiguous phrases; the term "heterogenous" here could refer to the mixture of building types or to the intermingling of racial and ethnic groups. The negative manner in which the surveyors cite these traits when assigning ratings, however, suggests they are referencing both.[33]

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[32] "Mapping Inequality," Chicago areas C121, C106, C150, C107, and C52.

[33] "Mapping Inequality," Chicago area D28.

The Chicago HOLC reports rarely penalized areas with non-Jewish, Northern European immigrants. Foreign families accounted for 50 percent of one B-rated section of Arcadia Terrace, a rare percentage for a well-ranked area, but the surveyor gave them a pass based on their ethnicity: “German and Irish population is centered near the southern end of the neighborhood convenient to parochial school; This influence has had a stabilizing effect on the area.” The surveyor portrayed these Germans and Irish as “a stabilizing effect” while warning of a “Jewish infiltration” from the north. Even attractive areas featuring preferred ethnic groups, however, received poor ratings if the HOLC could not imagine native Whites wanting to live there. They described an area at the meeting of Brighton Park and Gage Park occupied by Poles, Irish, and Germans: “High degree of home ownership exists, but the area is undesirable. Much rehabilitation is necessary; the type of inhabitant does not change, similar types replacing those leaving.”[34] Even those ethnicities at the top of the Chicago HOLC’s ranking system faced a penalty if they displayed too much of their heritage. “Many characteristics of “A” neighborhoods are apparent here,” a report for Riverside, Illinois, read. “However, the influx of Bohemian population has been considered in grading this area “B”.” The Czechs in question were second- and third-generation Illinoisians, but the surveyor appears to have thought they had not assimilated enough. “This population, while of good quality, tends to concentrate and some houses show the European influence, which would probably render them less salable to outsiders.”[35]

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[34] “Mapping Inequality,” Chicago areas B63 and D69.

[35] “Mapping Inequality,” Chicago area B104.

Chicago, like America generally, had harbored pockets of anti-Catholic sentiment which built off of and exacerbated general xenophobia among native-born Protestants. However, the Chicago HOLC's area descriptions featured little of this brand of nativism. In fact Catholic churches and schools improved a neighborhood's appeal if upper-middle-class Catholic populations lived nearby. "There is a Catholic Church at Lathrop and North Ave.," the report for River North, Illinois, highlighted. "Grammar school and Catholic high school in area… Very strong Catholic influence and exceptional demand by members of this sect." Similarly, St. Joseph's Catholic school in Wilmette, Illinois, favorably affected the district given its "large German Catholic population." One section of Rogers Park with "a good class Irish tenant" was "favorably affected by a Catholic Church." That said, the area descriptions could portray Catholic schools in majority Protestant sections as negatives. "Because the district has a small Catholic population," a report for Winnetka reads, "the location of this school here is considered somewhat unfavorable."[36]

Many inconsistencies and paradoxes attended the HOLC's xenophobic approach to real estate. The surveyors occasionally lamented that immigrants had ceased moving into an area, usually because the population had declined and native-born Whites did not wish to fill that space. "If there were more foreigners in the area," the report for a section of the Beverly neighborhood read, "its upkeep would be better." The area primarily housed Italian immigrant families, but vacancies and poor repair damaged property values; as the surveyor could not see Whites moving into the D-rated section, they instead wished for more immigrants. Another

[36] "Mapping Inequality," Chicago areas A32, B26, B19, B75, and B28.

example of this comes from the near westside Pilsen neighborhood. Pilsen exclusively housed immigrant families, especially Poles and Czechs. Industrial sectors surrounded the area, driving down property values, and the HOLC considered it blighted. This led to a generational divide and population decline.

> The younger element, through the use of our educational facilities, obtain a good education and ultimately obtain positions outside of the area. They talk the English language and, as they grow into manhood and womanhood and marry, have no desire to live here, preferring to either rent or buy in the better white sections of the city. The older people, who still talk their native language, do not wish to leave; although, in some cases, the younger people have induced them to sell and go along with them.

While some older couples did not wish to leave, others tried to sell but could only find Black, Mexican, or "low-class white" families interested in living there, but these could not afford to buy the properties. "These foreigners," the report laments, referring to Polish and Bohemian inhabitants, "having raised their families, now find themselves in the position of being unable to sell, even if they desired to." The Lithuanian community in the Bridgeport neighborhood faced a similar demographic threat, as younger adults did not wish to live so close to the odious stockyards. In cases like these, the HOLC considered the lack of immigrants coming in as a negative factor. However, this scenario occurred rarely, and only for preferred ethnic groups. In the same Pilsen report, the surveyor adds, "it is noted that the Poles and Bohemians keep their properties up better than the Italians do in their area."[37]

Chicago had not yet seen the influx of Mexican immigrants which would create its thriving Latinx cultures in neighborhoods like Pilsen in the late-twentieth century. The HOLC surveys, however, noted the rocky welcome the few that had come received, particularly in the

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[37] "Mapping Inequality," Chicago areas D91, D42, and D46.

northwest corner of Brighton Park on the west side. "This is a blighted area of a hundred per cent foreigners, Mexicans predominating, followed by Poles. It is badly run down and in need of much rehabilitation. Many are on relief… The future is hopeless... Inhabitants in this area are generally spoken of as 'Spicks'." Admittedly, this "hopeless" area featured unattractive traits: scattered vacant lots, junk yards, and boarded up homes. However, the prognosis of doom appears to have arisen as much from the surveyor's attitudes towards the population as it did from any objective physical attributes.[38]

Cosmopolitan Populations as a Threat

The HOLC's map of Chicago resemble an image of a bomb exploding into Illinois from Lake Michigan, with the red of the D-rated areas of central and south Chicago fading into the yellow of C-rated sections, with most of the better-rated green and blue areas either along the city's edge or scattered into the suburbs. (See Figure 3.) Fully-developed, often stylistically-uneven neighborhoods near the city's center featured aging buildings in need of expensive repairs and modernization, so most of these areas received D ratings. Agents assigned better grades to sections with some room for new construction. Some notable exceptions exist, such as the wealthy Gold Coast along the lake in Chicago's near north side, but the report makes clear that this represents an aberration: "Because of lack of competition in this class of building, and the high-class occupancy, the section is rated first class, although it does not meet many of the requirements of a typical first class residential neighborhood." Some of Chicago's most famous residences, including the Potter Palmer Mansion, sit nestled among high-class apartments and

[38] "Mapping Inequality," Chicago area D63.

apartment hotels such as the Drake Hotel. The surveyor gave it a pass in terms of its rating because the wealthy who lived there enjoyed it. “The street overlooks Lake Michigan, which is a favorable influence; convenience to downtown Chicago is attractive to persons who want an ‘in town’ location.”[39]

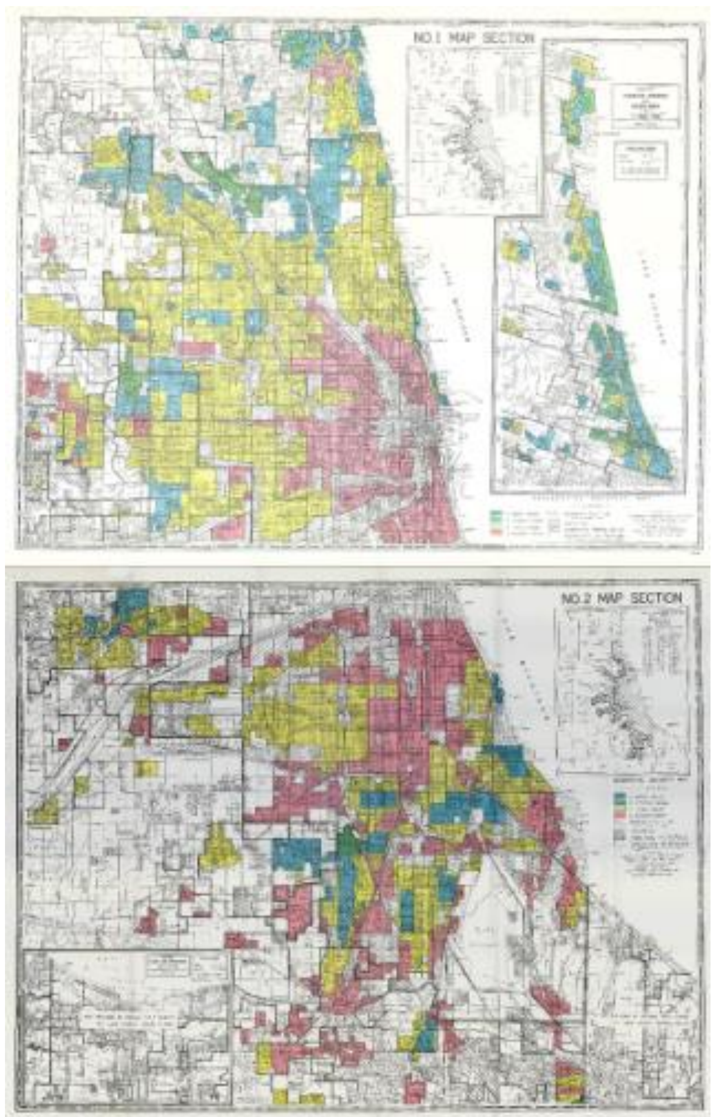

Figure 6. HOLC Map of Chicago. "Mapping Inequality."

[39] “Mapping Inequality,” Chicago area A34.

A threat presented itself to this rich, urban enclave, however: working-class people moving from the heart of the city. The surveyors penalized parts of Douglas Park and North Lawndale because of their "cosmopolitan population:" "Future of the area appears very uncertain as less desirable populace from closer to town areas are spreading into this section." Even having affluent children living along Lake Michigan sharing a school with more urban families seemed a detriment, as seen in a report for Old Town: "Public school attendance is necessarily of a very cosmopolitan character, due to the proximity of the very poor areas lying west of Clark St." Once again those seeking to maintain property values turned to geographical restrictions, this time by manipulating school district boundaries.

> An attempt is now being made, however, to secure a public school location east of Dearborn St. and north of Chicago Ave., with a district restriction to confine attendance to only those children living east of Clark. Should this prove successful, it is reasonable to assume that the entire area would be somewhat more appealing to families with youngsters of grade school age. The bulk of the children today go to private schools.

Just as White property owners utilized government courts to enforce racially-restrictive covenants, so too did wealthy Chicagoans attempt to use official school board boundaries to prevent their children from peer relationships with poorer students. In *The Gold Coast and the Slum* (1925), University of Chicago sociologist Harvey Zorbaugh had argued that the physical and social separation of the affluents of the Gold Coast from the denizens of the slum nearby was both a natural outcome of Chicago's urban evolution and a prerequisite for the elite maintaining their class identity so they could continue guiding the city as only blue-bloods can. While some might consider separate educational facilities for rich and poor distinctly unrepublican, the

HOLC agents – undoubtedly familiar with Zorbaugh's work – probably saw a segregated, stratified school system as necessary for the public good.[40]

Whiteness and Class

The field agents frequently referred to ethnic groups as a "class" of occupant, as though a population's racial makeup alone telegraphed its economic standing accurately enough for the government's purposes. In a survey for Logan Square, the agent reported that a "better class" was replacing the "Jewish" portion of the community. Surveys often signaled an area's market appeal by the racial demographics of interested buyers, as seen in the reports for North Lawndale: "Demand is very weak and limited to low-class Italian who will buy only at sacrifice prices. The few Jewish buyers will not pay normal prices either… Negro is filtering in, first as caretakers, and then moving in their families to occupy basement rooms not equipped as living quarters." Stereotypes frequently appeared also: "Market is limited to lower class Jewish who are sharp bargainers." By seeing race and class as interchangeable categories, the field agents may have regarded racial disparity in Chicago as primarily a matter of free market forces or economic self-sorting. Regardless, in most cases 'Black,' 'Jewish,' and 'Italian' served as rarely-nuanced shorthand for 'poor,' 'threatening,' and 'hazardous' for residential neighborhoods.[41]

Whiteness alone, however, elevated an otherwise poor neighborhood to a better ranking. A small area next to Marquette Park sounded like a poor investment from the survey's

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[40] "Mapping Inequality," Chicago areas D36 and A34; Harvey Zorbaugh, *The Gold Coast and the Slum: A Sociological Study of Chicago's Near North Side,* introduction by Robert Park, (Chicago: University of Chicago Press, 1929), 279. For a more detailed analysis of Zorbaugh's view of ethnicity, segregation, and urban evolution, see Chapter 3.

[41] "Mapping Inequality," Chicago areas C118, D35, and C161

description: “Flat and treeless. Schools, shops, churches, and transportation very inconvenient… Travel is difficult in the winter because of a few sidewalks and deep snow, which is seldom removed.” Freight trains ran between the neighborhood and the park. The Works Progress Administration had only recently added streets made of crushed rock. Mortgagers rarely approved funds for the area, and then only at high interest rates. However, the surveyor saw potential in the neighborhood. “This is graded “C+” on newness, uniformity, and very clean appearance. Also a fairly staple class of 100 per cent American population.” The phrase “100 per cent American” had featured heavily in xenophobic rhetoric for decades, frequently used by the Ku Klux Klan and those seeking immigration restrictions to refer to native-born, Anglo-Saxon Whites - or at least those who could pass as such. For Whiteness to elevate a neighborhood, the Whites in question did not even need to have attained affluence. These ten blocks primarily housed the families of policemen, firemen, motormen, and conductors - respectable but still blue-collar jobs. Their Whiteness factored into the decision to rate the area C+. While a basic C-rating indicated a “definitely declining” neighborhood, a C+-rating portrayed the community not so much as a poor investment risk as a “fixer-upper” with potential. To the HOLC surveyor, Whiteness meant investment hope.[42]

Influence of the Redlining Maps and Surveys

The classist and racist metrics used in the Chicago HOLC’s area descriptions indicate that they did not create these appraisals for the benefit of these neighborhoods’ occupants. Indeed, the expressions of prejudice suggest the reports’ authors either did not intend for Blacks,

[42] “Mapping Inequality,” Chicago area C207

Jews, or Italians to read the descriptions or did not fear any outrage if they did. Rather, these highly subjective documents aimed to assist investors - both private capitalists and the government - in steering financing to the neighborhoods most likely to maximize their profits while ensuring the development of residential zones catering to the assumed desires of those the HOLC considered “100 percent Americans”: native-born, Gentile, upper-middle-class Whites. The HOLC surveyors took a fatalistic attitude towards neighborhoods they believed could not facilitate these tasks, frequently describing them as “hopeless” and having “no future.” As a result, the HOLC labeled as “hazardous” and “definitely declining” those communities often most in need of investment, but, again, the agency did not consider such Americans as the beneficiaries of the city survey maps anyway.[43]

The government itself represented the first and most direct beneficiary of the project. In 1938, the *Architectural Forum* published an article about the survey, emphasizing that “Nothing on the building horizon is worth closer inspection.” The HOLC program had made the federal government the largest residential property management entity in the nation, “a real estate problem of unprecedented dimensions… Obviously, there was required some basic system for foreclosing and selling, managing, and rehabilitating this enormous agglomeration of holdings.” The unnamed author lavished praise on the survey, going into great detail about its scientific methodology and practicality. “[T]hese reports have not been compiled to illustrate a theory but to do business with,” they assured readers. They highlighted the importance of the survey’s use of local data, as “nationwide realty indices have little or no significance when applied to local

[43] “Mapping Inequality,” Chicago areas D38 and D39.

problems." The author hints at the survey's racial discrimination using colorblind language, noting how agents recorded "local restrictions for the protection of the neighborhood" and any "infiltration of a lower grade of population." "Full and free" public access to this trove of data, the article asserts, would benefit realtors immensely.[44]

The government never provided such broad access, however, until the records appeared in the National Archives years later, long after they had lost any usefulness to the private real estate industry. The local mortgage lenders who provided field agents with data and analysis did so with the understanding that the HOLC would keep such valuable information in confidence. Research represents a competitive advantage, and while interview subjects acquiesced to share their knowledge with the government, they did not necessarily want it leaked to their private business rivals. According to the *Architectural Forum*, the FHLBB also did not wish to manipulate market investment by making their neighborhood ratings public. "General publication of the security area maps, even if among only the realty fraternity of a city, would tend to raise or depress the values of individual properties in terms of the FHLBB survey ratings." Just because the government saw some neighborhoods as doomed to decline did not mean it wanted their property values going into immediate freefall once private bankers saw them covered in red on the HOLC maps. This adds fuel to the argument of recent scholars that few people outside of the HOLC – public or private – ever even saw the neighborhood security

[44] "Searchlights for Lenders," *Architectural Forum*, Vol. 68. No. 2, February 1938, 46, 179-180.

maps and surveys, undermining Kenneth Jackson's oft-repeated assertion in *Crabgrass Frontier* (1985) that the HOLC maps *directly* influenced the FHA and mortgage bankers.[45]

The article clearly demonstrates the HOLC's *indirect* influence on real estate practice, however. The author enthusiastically suggests that private businesses should use the HOLC's model to make their own local surveys. The *Architectural Forum* included a full-page sample of the survey's forms and a map key to guide bankers or realtors who wanted to try it out for themselves. By openly discussing their methods and metrics, the HOLC may have wielded great influence on private financing even without sharing the actual surveys. Indeed, the 1940 HOLC maps themselves became quickly outdated due to demographic shifts and urban renewal projects, but their perverse principle of redlining minority neighborhoods could be replicated and adapted anew throughout the century and across the country, and articles like these communicated to the nation's real estate and mortgage professionals that the federal government not only encouraged but also expected them to follow suit.[46]

The *Metropolitan Chicago* Report

The Chicago HOLC, despite not sharing their color-coded maps and specific neighborhood surveys, did produce a report summarizing the real estate situation in Chicago. The HOLC circulated this report very widely, sending it to banks that had helped them during the project as well as to important academic institutions and government offices. Donald

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[45] Ibid.; For the strongest refutation of widespread HOLC influence on the FHA, see Price V. Fishback, Jonathan Rose, Kenneth Snowden, and Thomas Storrs, "New Evidence on Redlining by Federal Housing Programs in the 1930s," (September 2021), NBER Working Paper No. w29244, available at SSRN: https://ssrn.com/abstract=3922518. For an analysis of the literature of this debate, see the Introduction.

[46] "Searchlights for Lenders," *Architectural Forum*, Vol. 68. No. 2, February 1938, 46, 179-180.

Mayborn used the information collected by the field agents to compose this report titled *Metropolitan Chicago* in 1940. In the foreword to the report, Fergus expressed appreciation "for the generous cooperation and assistance given by numerous civic and trade organizations, financial institutions, individuals, municipal, state and Federal government departments and agencies," highlighting the collaborative nature of the project. At least 90 individuals and institutions contributed information to *Metropolitan Chicago*. Fergus sent personalized notes of thanks to many of those who had assisted during the project along with copies of the final report for their reference.[47]

Mayborn begins the report by noting "Chicago faces a troublesome history," suffering like most major cities ("but to a more marked degree") from the fact that factors which had caused its historic boom - such as grain-shipping, meat-packing, and steel manufacturing - no longer brought new business to the city. In addition, Chicago had grown so rapidly that its real estate structure developed with "serious weaknesses" which only grew worse with the lingering economic depression. "These weaknesses may be mentioned briefly as: 1) over-expansion of every type… 2) lack of manufacturing stability or diversification… 3) almost complete dependence upon outside markets for disposal of manufactured products; 4) heavy immigration of foreign population and Negro unskilled labor." In regards to the last "weakness," Mayborn notes that a dearth of job opportunities during the Depression combined with national

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[47] Donald Mayborn, *Metropolitan Chicago: Summary of Economic, Real Estate and Mortgage Finance Survey*, Forward by Corwin Fergus, (Washington, D.C.: Federal Home Loan Bank Board Division of Research and Statistics, 1940), i, located in the National Archives at College Park Maryland, Record Group 195, Records of the Federal Home Loan Bank Board, Home Owners Loan Corporation, Box 84, Records Relating to the City Survey File, 1935-1940.

immigration quotas to “virtually shut off immigration of a new population” with “one important exception”: the continuing migration of African Americans from the South.[48]

Mayborn highlights - typically for urban real estate experts at the time - how the bulk of the population moved from the older, more internal sections of the city to newer developments on the outskirts, driven “by the excessive age of close-in dwellings in the city proper, the spread of certain racial groups, and the encroachment of commercial improvements in the older residential areas unprotected by zoning ordinance or deed restrictions.” Mayborn saw this movement as an especially serious threat to Chicago since such migration permitted “the spread of the already considerable blighted areas in Chicago with collateral detriment to the tax structure, to real estate values, and to downtown commercial establishments.” (Appraisers and economists refer to areas as “blighted” if a large number of buildings feature decay and disrepair.) He predicted - quite accurately - that the area would not appreciably increase in population apart from a boost in defense workers if America joined the escalating war in Europe. Mayborn further predicted - again, correctly - that a spike in defense employment would lead to a worsening of an already severe housing shortage.[49]

Mayborn expressed the most alarm, in terms of population factors, regarding “racial and age characteristics,” asserting that Chicago “faces serious problems, particularly with regard to the former.” On the age issue, a declining birthrate threatened to create a worker-retiree imbalance in the future, leading to pension troubles, although he notes that Chicago actually

[48] Mayborn, 1-2.

[49] Mayborn, 3, 31.

compared favorably to other major cities - especially Los Angeles - in this regard. He expressed even greater concerns over issues of race and ethnicity: 64.5 percent of Chicagoans had either immigrated or had immigrant parents, 24 points higher than the national average. “Of course,” he admits, “not all persons of foreign stock constitute a detrimental influence in the community, but there are unquestionably large concentrations in Chicago of races which must be so classified. Moreover, there were in 1930, about 234,000 Negroes in the city of Chicago” with “over 300,000… in the metropolitan area.” African Americans, unaffected by the federal restrictions which had slowed European immigration, continued moving from the Jim Crow South to the industrial North for better jobs and a greater (though markedly imperfect) recognition of their rights as American citizens. Therefore, while Chicago’s general growth had stagnated, the Black population rose rapidly. Like the Irish and Italians before them, African Americans concentrated into ethnic enclaves where the aging infrastructure began deteriorating by the 1910s. “These racial concentrations,” Mayborn argued, “have created and are creating many sociological, economic, and political problems.” He lamented how “strongly organized racial minorities” impacted Chicago’s machine politics before casting them as a drain on city resources. “An excessive burden is placed upon relief rolls by certain of the foreign races and the Negroes, nearly all of whom are classified as unskilled workers.” Finally, he argued that the “shift and infiltration of racial groups considered detrimental to property values” engendered blight in neighborhoods. If the HOLC neglected to spread their neighborhood surveys to the general public, they did not do so for fear that their racial prejudices would cause scandal, as this public report unabashedly promoted the same racist perspective.[50]

Mayborn connected unemployment and relief to real estate values, statistically demonstrating the onset of the deindustrialization and automation that would exacerbate unemployment and eventually depopulate urban centers across the North in the mid-to-late twentieth century. Not enough new industries and expansions had appeared to offset the loss of jobs due to this deindustrialization or the massive business closures of the Depression. "These trends, while unquestionably characteristic to some extent of all old, established industrial areas, are particularly true of Chicago." This unemployment drove an estimated 390,000 Chicagoans onto the relief rolls, mostly "common laborers, semi-skilled workers, or clerical workers." Mayborn figured that, even if business improved generally, many of these laborers would not find work due to "present-day operating methods," i.e., automation and decentralization. Cook County itself had to assist with relief for the unemployed, and since part of this money came from local property assessments, it had "a serious effect on the local tax situation and hence real estate values." The dearth of jobs and loss of income led to a widespread lack of the savings required for working families to build homes. Additionally, investors limited the flow of capital into new home construction, frightened by low rents, burdensome taxes, and the "general air of uncertainty pervading the area." New home construction failed to meet the city's needs, a

[50] Mayborn, 3-4.

shortage which only worsened with America’s entry into World War II and the arrival of thousands of defense workers.[51]

Labor issues also impacted the real estate market and construction. Mayborn noted that Chicago did not suffer from labor strife as much as many other cities; although fourth among cities in terms of the number of strikes, Chicago fell far below average for the number of workers involved and for “man-days idle.” The large industrial unions had concerned themselves more with organizing non-union workers than commencing strikes, preferring to allow the new National Labor Relations Board to settle disputes with owners. Craft unions that affected construction and repair, however, operated differently. Historian Andrew Cohen studied labor relations in Chicago during the Great Depression and found that such craft unions effected greater influence on New Deal trade agreements than did industrial unions. Although craft unions also rarely went on strike, their policies - at least in Mayborn’s view - hampered recovery. “Organization of such unions is strong, and in too many cases, are under the dominance of subversive influences, particularly among the various building trade unions.” He blamed the close relationship between union leadership and political machines with frustrating reforms. “As a result of these conditions, labor rates among the various crafts are far out of line with other rates of pay in the community, and again with respect to building labor, have proven a marked deterrent to the development of new construction, as well as to the absorption of unemployed labor.” Mayborn notes that federal grand juries had indicted some equipment companies and craft unions for illegal combinations to keep costs high and thwart competition. Building a 6-

[51] Mayborn, 9-10.

room home cost several hundreds of dollars more in Chicago than in other Midwestern cities, and since material costs had remained stable, he blamed the craft unions for the prohibitive construction expense.[52]

The report finds that Chicago generally had sufficient home mortgage funding available through 446 financial institutions including savings and loans, banks, trust companies, insurance firms, and fraternal societies. However, these funds did not spread across the city evenly. "Great areas of blighted and near-blighted residential neighborhoods have been completely abandoned by Chicago lending institutions, and it is virtually impossible to secure financing for home purchases at any terms in most of these areas…" apart from landlords selling to other landlords. Some smaller savings and loans operated in these blighted zones, but these lacked the funds necessary to fully service the areas, particularly given the need for repair and replacement in older neighborhoods. The neighborhoods where most Black Chicagoans lived especially suffered from this lack of financing.[53]

Housing generally fell into three categories which still typify construction in Chicago: "Tall, elevator apartment buildings" which hug the Lake Michigan coast, two- and three- story "flats" which predominate in the outer neighborhoods, and many thousands of bungalows built on cheaper land and in the suburbs. "Construction in Chicago is restricted by law to brick," a holdover policy from the aftermath of the Great Fire of 1871 which had torn through the

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[52] Mayborn, 11, 23; Andrew Wender Cohen, *The Racketeer's Progress: Chicago and the Struggle for the American Economy, 1900-1940* (Cambridge: Cambridge University Press, 2004), 1. See also Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919-1939* (New York: Cambridge University Press, 1990).

[53] Mayborn, 26.

formerly-wooden metropolis. Mayborn noted that Chicago often gave off a “cramped” feeling due to generally small lot sizes. Maintenance levels varied widely, depending largely - but not exclusively - on the age of the neighborhood.[54]

The report also excoriated Chicago’s zoning policy, saying “it would be difficult to conceive of a more misguided and haphazard pattern of zoning.” In 1923, a zoning commission divided the city into residential, apartment, commercial, and manufacturing districts with variations in mixed-usage and volume. According to Mayborn, the commission had exercised an “excessively optimistic vision” regarding volume: “it is estimated that if the zoned area in the city alone… were to be developed to the capacity permitted by the ordinance, Chicago could house 126,700,000 persons.” Ironically, this high volume zoning discouraged the construction of single-family homes in the city limits, pushing such developments into the suburbs and hastening the “blight and obsolescence” of commercial and industrial zones with no homes nearby to support them. Properties in poorly-zoned areas also declined in value, shrinking tax revenue from those districts as well. Recent statistical analysis has found that Chicago’s 1923 zoning ordinance functionally operated as exclusionary, holding Black communities in the Black Belt by increasing zoning volume. The 1923 ordinance had given way to other zoning laws during the Depression, but these made similar mistakes. Chicago also suffered from land speculation, where developers staked claims on new lots and heavily subdivided them while often failing to follow through with building. In 1930, Chicago had 1.2 million platted lots, of which 44 percent laid unbuilt and vacant with unpaid property taxes. The early Depression had curbed the speculation,

[54] Mayborn, 14-16.

but it began again in 1935 once the local real estate market began to recover, with new lots reaching a ten-year high of 4,273 in 1939. Mayborn emphasized the need for intentional, careful utilization of already-platted lots:

> While it may be argued that new subdivisions are required, because delinquent taxes and assessments as well as scattered ownership of existing vacant lots prevent their utilization of home building, it would appear that co-ordinated planning and an honest effort to utilize the better, existing subdivisions would serve the community in good stead, and do much to re-establish sound land values and a strong tax structure.[55]

Mayborn expressed the most alarm, however, over the effects of racial concentration and how such populations shift and filter into other neighborhoods. "The greatest and most rapidly growing concentration and, coincidentally, the greatest problem, involves the negro race." Some 300,000 African Americans are "jammed into a relatively small segment of South Chicago under the most appalling conditions. By virtue of their constantly increasing numbers, negroes are now spilling over into less desirable sections on the north side as well as adjacent areas in South Chicago." While Mayborn claimed the issues arising from the Black Belt represented the greatest threat to real estate stability, he also cited other ethnic concentrations as presenting issues, particularly in areas around the Loop and fanning outward. Avoiding blatantly prejudicial statements, Mayborn nonetheless assumed a fatalistic tone on the subject. "The racial situation is one of the most complicated problems facing the community in its newly awakened desire to rehabilitate its areas of blight. The whole politico-economic structure is so complicated by these racial problems that it is exceedingly doubtful that any real improvement can be effected." When listing Chicago's "Unfavorable Factors," Mayborn predicted continued racial segregation: "The

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[55] Mayborn, 14-16; for more on Chicago's 1923 zoning ordinance and its function as exclusionary zoning, see Allison Shertzer et al., "Race, Ethnicity, and Discriminatory Zoning," *American Economic Journal: Applied Economics*, 2016, 8(3): 217–246.

present unfavorably concentrations of foreign races and Negroes will continue and become more intensified with the passing of the years because of the high birth rate among foreign populations and the continuing influx of Negroes into the area." He expected that the "spread of lower-living-standard racial groups" would exacerbate and expand the blighted areas. "There is little chance of alleviating this condition without first completely re-zoning the city, and this is unlikely because of the political factors involved." He does not say exactly what kind of zoning would improve the situation, but it clearly involved directly or indirectly promoting racial segregation, with the "political factors" opposing it likely including Black aldermen and a Democratic Party machine which needed Black votes.[56]

Sharing the Work

Mayborn's report plainly portrays the increasing Black population of Chicago as threatening property values, accepting as settled fact that integrating neighborhoods would decrease property values, increase blight, and retard economic recovery. Mayborn viewed the race issue fatalistically as unsolvable, with the only suggested remedy involving functionally-exclusive zoning. One can assume that these attitudes reflected general policy among HOLC officials and influenced decisions they made, and indeed historians have found HOLC officials refused to sell properties they acquired in White neighborhoods to Black buyers. However, the influence of these reports extended outside the government agency. While the FHLBB's Division of Research and Statistics did not publish *Metropolitan Chicago* for sale at bookstores, they readily shared copies with important economists, financial institutions that provided them

[56] Mayborn, 15, 30.

with data and advice, university libraries where agents had conducted research, and a variety of local government offices. One recipient of such a copy was none other than Morton Bodfish, acolyte of the influential real estate economist Richard Ely and advisor to President Franklin D. Roosevelt. Bodfish received a personal note from Corwin Fergus.

> Dear Mort, You will recall the study of real estate and mortgage finance conditions in Chicago that we made some time ago. Enclosed is a summary of the report, including a statistical supplement, both of which I believe you will find not only interesting but useful… A copy of the summary, but not the statistical supplement, has been sent to practically every building and loan association in the city, as well as to others who cooperated.

Bodfish replied to "Dear Cordy" that the report was "one of the most interesting things of its kind that has ever crossed my desk," asserting it had "answers to many questions which have heretofore been pretty much in the dark."[57]

Fergus spread the report liberally to Chicago-area bankers and real estate leaders. "Undoubtedly you will recall your assistance several weeks ago to Mr. Donald Mayborn in connection with the study of residential real estate and mortgage finance conditions in Chicago," he reminded Herbert Nelson, Executive Vice President of the National Association of Real Estate Boards, when sending them a copy of the report. "Incidentally, a great many of the members of the Chicago Real Estate Board cooperated with our representatives during the course of their field work, and this material has been sent to them likewise." Officers at local institutions expressed interest in the report and gratitude for their copies. "I wish to express my appreciation for your favor in furnishing me with this summary," wrote Donald Hulmes, manager of the loan

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[57] From Corwin A. Fergus to Morton Bodfish, August 30, 1940; Morton Bodfish to Corwin A. Fergus, September 14, 1940, Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation; Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park.

department at Prudential Insurance's Chicago branch. "I have read it with a great deal of interest… I recently had occasion to show my copy to one of our Home Office executives, and being very much impressed with it, he asked me if I could obtain a copy for him." George Patterson, Secretary-Treasurer of the Mortgage Bankers Association of America, thanked Fergus for the report, adding, "I am indeed very happy to have this and when time permits I shall look forward to reviewing it very carefully." Other institutions who received copies of the report include the Society of Residential Appraisers, the Chicago Federal Savings and Loan Associations, the Federal Reserve Bank of Chicago, the United States Savings and Loan League, the Illinois Building and Loan League, the City National Bank and Trust Company, the Chicago Title and Trust Company, the Chicago Regional Planning Association, and Northwestern University[58]

The Chicago HOLC had also relied on research materials and other assistance from academic institutions. Field agents had spent a considerable amount of time in the University of Chicago's John C. Crerar Reference Library, so Corwin Fergus sent the library a note of thanks and two copies of *Metropolitan Chicago*. Similarly, Northwestern University aided the HOLC and received two copies. "This is indeed an excellent report and we appreciate very much your sending us this material," replied Northwestern University Business Manager Harry L. Wells. "I

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[58] Corwin A. Fergus to Herbert U. Nelson, August 30, 1940; Donald C. Hulmes to Corwin A. Fergus, October 16, 1940; George H. Patterson to Corwin A. Fergus, September 4, 1940; Edward Walsh to Corwin A. Fergus, September 4, 1940; John B. Reynolds to Corwin Fergus, September 6, 1940; W. Leland Foster to Clifford C. Boyd, September 7, 1940; H. Goodsit to Corwin A. Fergus, September 3, 1940; W. W. Hinshaw, Jr. to Clifford C. Boyd, August 30, 1940; Secretary to Holman Pettibone to Corwin A. Fergus, August 26, 1940; Robert Kingery to Corwin A. Fergus, August 26, 1940, Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation; Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park.

am glad the University was able to cooperate with your organization in connection with this survey, and if we can be of any further assistance kindly let us know."[59]

Government officials and municipal agencies also both provided information for *Municipal Chicago* and eagerly received copies of the report. Corwin Fergus thanked Mr. Kaindl, the Cook County Recorder of Deeds: "During the course of our recent survey… our field agents had occasion to avail themselves of your records and spoke most highly of the cooperation of your department." Robert Filley of the Chicago Plan Commission thanked the FHLBB for sending him a copy, adding "I assure you this material will be of great benefit to us on the Land Use Survey." The HOLC sent a copy to Edward Mote of the Federal Housing Administration in Chicago, adding "You will undoubtedly receive a copy of the full report and another summary from your Home Office, but I thought I would take this method of getting it into your hands a little sooner." This suggests a considerable level of information-sharing between the HOLC and FHA.[60]

Some historians have questioned to what extent government agencies like the FHA used the HOLC city survey maps to redline Black neighborhoods, finding no conclusive evidence thus far proving their direct use.[61] This makes more sense when one considers the surveys contained

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[59] Corwin A. Fergus to the John C. Crerar Reference Library, August 21, 1940; Harry L. Wells to Corwin A. Fergus, August 28, 1940, Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation; Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park.

[60] Clifford C. Boyd to E. J. Kaindl, August 21, 1940; Robert B. Filley to Clifford C. Boyd, September 3, 1940; Unknown HOLC official to Edward Note, August 21, 1940, Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation; Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park

[61] Articles questioning the HOLC's level of direct influence include Amy Hillier, "Redlining and the Home Owners' Loan Corporation," *Journal of Urban History*, Vol. 29. No. 4 (May 2003): 394-420, and Price V. Fishback, Jonathan Rose, Kenneth Snowden, and Thomas Storrs, "New Evidence on Redlining by Federal Housing Programs in the

information shared with the government in confidence. However, these letters thanking the FHLBB for the HOLC's *Metropolitan Chicago* report clearly demonstrate that local private companies and governmental institutions - including the FHA - both influenced and were influenced by the HOLC's research and conclusions on issues of race, zoning, and restrictive covenants. As far as the redlining maps themselves, an exchange between Assistant FHLBB Director Clifford Boyd and Leonard Downie, business manager of the Chicago Real Estate Board, clearly prove that area realtors knew about them and the HOLC wished they could share them. "My guess is that if we would just send you a couple of sets of map folders everything would be lovely," Boyd wrote in response to Downie's expression of interest, "but even though we will not be able to do this, both Cordy and I appreciate the assistance you rendered the field agents on numerous occasions during the course of the field work." Downie voiced his wish that he could get an informal peek at the maps in his response:

> Your letter and summary of the Chicago survey was very interesting, but, quite truthfully, I have not analyzed it as thoroughly as I had expected to because I hoped that you'd be through Chicago and be able to give me first hand information. (Incidentally, I hope to be able to "borrow" a map from your portfolio when you are not looking during your journey in Chicago." At any rate, thanks for this information, and I know it is going to be useful to us.

Downie's joke that he would have to "borrow" the maps when Boyd was "not looking" suggests that he understood such a perusal would violate HOLC policy. The 1938 *Architectural Forum* article had said the government allowed institutions which helped in producing the reports to inspect "factual data not received in confidence," but the extent to which such inspections took

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1930s," (September 2021): NBER Working Paper No. w29244, Available at SSRN: https://ssrn.com/abstract=3922518.

place remains unclear. So far as proselytizing *de facto* segregation and disinvestment in non-White communities went, however, the Chicago HOLC did this sufficiently through the *Metropolitan Chicago* report – no redlining maps necessary.[62]

A similar process took place at the national level. The Federal Home Loan Bank Board described the HOLC appraisal and redlining process in painstaking detail in its internal publications, specifically the FHLBB Annual Reports and the monthly *Federal Home Loan Bank Review*. All member institutions including the twelve federal regional banks received copies of the annual reports and the *Review* which emphasized the need for lenders to employ "scientific" appraisal standards. The *Review*, like the *Architectural Forum*, provided sample HOLC appraisal forms – complete with spaces for socioeconomic and racial demographics – for institutions to use as models. By 1935, the FHLBB insisted that banks it worked with implement similar systems of appraisal, including residential security maps on file.[63]

The Chicago HOLC's maps, surveys, and reports demonstrate the entrenched and even quotidian nature of racial discrimination in the government's view of property values, while their methodology and system of dispersing project data shows how the private real estate and mortgage banking industry generally shared and encouraged these prejudices. While the New Deal generally represented a level of federal support for Africans Americans unseen since the days of Reconstruction, many agencies still conducted research and wrote policies based on

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[62] From Leonard Downie to Clifford C. Boyd, September 14, 1940; Clifford C. Boyd to Leonard Downie, August 30, 1940, Records Relating to the City Survey File, 1935-40, Home Owners' Loan Corporation; Records of the Federal Home Loan Bank Board, Record Group 195; National Archives at College Park; "Searchlights for Lenders," *Architectural Forum*, Vol. 68. No. 2, February 1938, 180.

[63] Louis Lee Woods, II, "The Federal Home Loan Bank Board, Redlining, and the National Proliferation of Racial Lending Discrimination, 1921-1950," *Journal of Urban History*, Vol. 38 No. 6 (2012), 1037-1043.

racist, pseudoscientific economic theories rather than truly liberal or democratic values. A few neighborhoods with one or two Black families received B- or C-ratings, but only when further "encroachment" seemed highly unlikely; otherwise all Black or integrated areas received a D-rating and a warning against making loans in said areas. Furthermore, the government tacitly approved and even encouraged restrictive covenants segregating Jews from certain areas even as newspapers reported the first stages of the Holocaust. The Chicago HOLC further privileged maintaining the property values of the affluent over attracting investment into some of the neighborhoods most in need of financing during a time of economic stagnation and housing shortages. The HOLC's lending program had saved the homes of Americans of all races and restructured mortgage terms along much more progressives lines, but their research projects promoted socially- and economically-regressive home financing policies. While the HOLC did not, as was once believed, actually share its redlining maps with mortgage banks or the FHA, it did freely discuss its methodologies and principles in publications and – at least in Chicago – distributed summaries of the neighborhood security survey to a wide range of federal, state, municipal, and private institutions.[64]

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[64] Author's note: I live by Chicago's Ridge Avenue, so named for the rise it lies on, carved by a glacier 14,000 years ago. Indian Boundary Park nearby reminds me that the Potawatomi lived here for a century and a half before the United States Government orchestrated their removal in the 1830s. An Irish immigrant named Phillip Rogers then bought this conveniently-empty land from the government, and his son-in-law, Patrick Touhy, grew rich by selling the land to speculators who further subdivided it. By the late-19th century, Rogers Park, with its single-family homes on large plots, upper-middle-class, Anglo-Saxon Protestant population, and the presence of my school, Loyola University Chicago, would have likely appeared an 'A-plus' neighborhood to the HOLC surveyors. However, Eastern European immigrants began finding affordable housing in nearby West Ridge and Albany Park, soon trickling into Rogers Park itself. By the 1930s many Jews had arrived, creating the thriving Jewish community of West Ridge and Rogers Park today. When I drive along Touhy Avenue, I often see Jewish children enjoying the playground of the local yeshiva. They make a loud, thriving, happy sound.

The Chicago HOLC surveyor heard and saw this also in 1939. His report does not see their arrival as an enriching of Chicago's cultural life or as the likely salvation for Jews escaping an increasingly dangerous Europe.

Rather, their presence signaled for him the devolution of a formerly profitable real estate area due to a slow invasion by lower-class foreigners.

> "This is the old original central Rogers Park section, and although there are few of the original owners still living there most of the better class people have moved to other neighborhoods. This has been predominantly Jewish for 10 to 15 years, and the continuing infiltration is occurring, but those families coming in now are of a lower class than those already in the neighborhood. It is a typical Jewish section with the children playing all over the street, and properties generally showing lack of respect by tenants."

Granted, one can legitimately complain about children running across thoroughfares as a matter of safety, but the bigotry behind the surveyor's disdain for "a typical Jewish section" remains. His appraisal laments the emigration of Rogers Parks' "better class people," who perhaps themselves did not wish to live next to their new neighbors due to ethnicity, religion, class, or a combination of all three. The surveyor admitted the area's many advantages, yet still gave it a 'C' rating and a prophecy of demographic doom: "In spite of the fact that this section has excellent transportation, very good shopping facilities and is convenient to the beach, the fact that it is practically 80 percent Jewish limits its appeal to other than this class of resident, and it is most doubtful that any reversal of the present down trend can be expected." Blinded by xenophobia and a market-centered vision for residential neighborhoods, the surveyor did not see the making of America in the young boys sporting curly sidelocks and trailing tassels, slamming their fists into baseball gloves.

CHAPTER 5

SEGREGATING WOODLAWN, 1928-1940

The south Chicago neighborhood of Woodlawn stretches from 60th Street to 67th Street, and Martin Luther King Boulevard (formerly South Park Avenue) east to Lake Michigan. Once a swamp, the area served as a hunting ground for the indigenous Pottawatomie people who accessed it via a trail that became Cottage Grove Avenue, one of the neighborhood's more storied streets. White settlers arrived in the 1850s to farm the area, but it remained largely undeveloped until the arrival of Daniel Fairman in 1880. Fairman founded an improvement association and worked to clean drainage ditches so a community could rise from the boggy earth. The Illinois Central Railroad constructed a station in 1883, both facilitating the growth of the small hamlet and connecting it to Chicago, a city still recovering from the Great Fire of 1871.

Chicago, hungrily annexing suburb after suburb, absorbed Woodlawn along with the nearby Hyde Park neighborhood in 1889. The selection of adjacent Jackson Park for the Columbian Exposition of 1893 injected Woodlawn with interest and capital, increasing the population tenfold and earning it a stop along Chicago's elevated rail line. Woodlawn also includes or abuts – depending on the neighborhood division method – the Washington Park subdivision which featured a massive horse racing track until 1908 when Illinois outlawed gambling and developers subdivided much of the park for residences. Initially populated by native-born, Anglo-Saxon Whites, Woodlawn – like Chicago generally – saw an influx of German, Irish, and Jewish immigrants in the early 20th century. Pioneer origins mixed with rapid growth to create an eclectic neighborhood with elegant Victorian houses, modern apartment buildings, and gaudy commercial thoroughfares.[1]

The Great Migration of African Americans from the American South to industrial cities in the North began around World War I and continued through the interwar period. As with most immigrant groups, these new Chicagoans moved into an ethnic enclave upon their arrival, forming the city's main Black Belt, which in the 1930s sat just north and west of Woodlawn. Unlike the members of White ethnic groups, however, Black Chicagoans struggled to move into housing outside of the Black Belt, even if they could afford homes in other districts, as Whites blocked them out of these communities, often using violence. For example, between 1917 and 1921, segregationists bombed 58 homes of Blacks who had moved into White areas or the homes of realtors who had sold or rented to them. As the population rose, overcrowding in the Black Belt worsened. By 1934, 236,305 Black residents lived in Chicago, with 190,300 – over 81 percent - living in the Black Belt. The average Black household included 6.8 persons (as compared with 4.7 in the average White house.) Two-thirds of White residences had fewer than one person per room, a trait shared by only a quarter of Black homes. The Depression had caused a near-total shutdown of new home construction, and New Deal urban redevelopment programs in Chicago had destroyed 7,000 buildings in Black districts without replacing them with units sufficient to rehouse those displaced. Aging buildings began to fall apart. Unscrupulous landlords raised rents and ignored upkeep, knowing Black renters could not find better options outside the slums. The overcrowding strained buildings' sanitary systems, leading to higher rates

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[1] "Woodlawn," *Local Community Fact Book, 1938*, (Chicago: Chicago Recreation Commission, 1938), 42.

of mortality – especially infant mortality – and tuberculosis in the Black community. Students languished in underfunded schools. Unsurprisingly, many Black Chicagoans wished to move east and south out of the Black Belt into Washington Park and Woodlawn, leading to a social and legal battle over segregation that spanned two decades.[2]

Whites in Woodlawn had fought against having Black neighbors at least since the 1890s. The 1893 Columbian World's Exposition took place in nearby Jackson Park, and developers had built cheap hotels in Woodlawn to house visitors. After the fair closed, hotel managers sought to fill their vacancies by converting the rooms into apartments for Black tenants, but local Whites organized against the plan, forming The Society of Woodlawn. With police assistance, they forced the hotels to abandon the plan, and by 1910 only a few Blacks lived in the neighborhood in rooming houses. In 1922, the Chicago City Council appointed a commission to study race relations and conditions in and around the crowded Black Belt in the wake of the deadly 1919 Race Riot. The commission's report, *The Negro in Chicago*, paints a rosy picture, seemingly unaware of the earlier conflict:

> Relations in Woodlawn, where the Negro population increase has been relatively large, are for the most part friendly… Following the stirring up and organization of anti-Negro sentiment in Hyde Park, an attempt was made to organize White Woodlawn property owners against the invasion of the district by Negroes. This organization was not a great success. There have been no bombings in this district, and no concerted opposition to the presence of Negroes as neighbors. Long residence

[2] Wendy Plotkin, "Deeds of Mistrust: Race, Housing, and Restrictive Covenants in Chicago, 1900-1953," (PhD diss., University of Illinois at Chicago, 1999), ProQuest (UMI Number 9941500), 117; Louise Curtis Washington, "A Study of Restrictive Covenants in Chicago," (PhD diss., University of Chicago, 1948), ProQuest (Order No. TM13417)., 32-33; Arnold Hirsch, *Making the Second Ghetto: Race and Housing in Chicago, 1940-1960*, (Chicago: University of Chicago Press, 1983), 17-18; *The Negro in Chicago: A Study of Race Relations and a Race Riot*, Chicago Commission on Race Relations (Chicago: 1922), 122-123.

> together and the good character and conduct of both Negroes and Whites are probably important reasons for lack of friction.[3]

However, the report also noted a growing sense among Woodlawn Whites that Black visitors prevented improvement in the sparsely built-up part of the neighborhood west of Cottage Grove: "Numbers of White people in the neighborhood believe that the district has been blighted because of the occasional presence of Negroes." The commission also found that some Whites near Woodlawn left when Blacks entered their area, moving instead to the nearby Park Manor and Wakefield neighborhoods, newly built subdivisions for Whites; since the developers of these neighborhoods chose to whom they sold the new homes, they did not need violence or restrictive covenants to keep the districts segregated, at least not initially. White residents of Park Manor and Wakefield still lived on high alert for the warning signs of integration. When an advertisement from a Park Manor realtor appeared in the *Chicago Daily News* encouraging Black prospective homebuyers to apply, the community flew into an uproar and called a packed meeting in protest. The realtor immediately took steps to convince everyone – perhaps truthfully – that a prankster had placed the ad. He wrote to nine neighborhood churches to assure them he would never dream of selling to Black buyers.[4]

A handful of Black renters had lived in Woodlawn for many years, but by the 1920s Woodlawn generally appeared as an overwhelmingly White district surrounded by the Black Belt. In 1920, Ivan O. Ackley, former president of the Chicago Real Estate Board, cited the

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[3] Thomas Lee Philpott, *The Slum and the Ghetto: Neighborhood Deterioration and Middle-Class Reform* (New York: Oxford University Press, 1978), 147-148; quote from *The Negro in Chicago*, 111.

[4] *The Negro in Chicago*, 114, 116.

preponderance of native-born Whites as contributing to Woodlawn's attractiveness for residents. "Woodlawn is essentially an American community," he told a local historian. "We have no foreign nor other undesirable element." As the decade progressed and Jews and Irish Catholics increased in community importance, this xenophobic attitude shifted to accept most European immigrant groups while still excluding Black residents from the "essentially American" category, leading to the creation of the Woodlawn Property Owners' Association (WPOA) and one of Chicago's first racially restrictive covenants.[5]

The Woodlawn Property Owners' Association and Restrictive Covenants

The Woodlawn Property Owners' Association (WPOA) – which had existed in very limited and unofficial form for some years – applied for and received its charter from the State of Illinois as a legal corporation in 1925. In a year they gained 700 members, adding 600 more by 1928. Fred L. Helman, a vacuum cleaner salesman, age 40, served as the association's chief organizer and secretary. Helman urged the board of directors to pursue a racially restrictive covenant – a promise from signers not to rent or sell to Black people – for the neighborhood. The Supreme Court had declared racial zoning unconstitutional in 1917 in *Buchanan v. Warley*, so restrictive covenants represented the most powerful legal tool White property owners could employ to keep their neighborhoods segregated. Restrictive covenants had a chimeral property as private agreements with government enforcement. Property owners in a community would sign a covenant agreeing not to sell or rent their property to a particular race or ethnicity of resident, with Blacks and Jews being the primary targets. If a signer later violated the terms of the

[5] John C. Spray, *The Book of Woodlawn*, 1920, 30-31, Woodlawn Community Collection, Box 1, Folder 54, Special Collections, Chicago Public Library.

covenant, other signers could sue the seller for civil damages and receive a court injunction enforcing the covenant by evicting the non-White buyer or tenant. The WPOA board agreed to push for a restrictive covenant, setting Helman to the task and soon afterwards making him the association's president – a paid position. (The organization initially paid staff salaries and maintained its office through dues assigned based on each member's property: 20 cents per foot of property facing the street. They later received staff funds from outside institutions, most notably the University of Chicago.) Helman managed the project remarkably well, or so the association claimed in 1928: "It is a pleasure to report that he has secured the signatures of over 1,600 property owners who are doing their part to help keep up their property values." After the WPOA filed the signatures with the city that year, Helman proclaimed Woodlawn the "first district in Chicago… to restrict a neighborhood to White people," claiming that "if we had not done this work just when we did all of that district would have been given over to negroes before this time."[6]

Helman's boasts, however, covered up the fraudulent nature of a covenant fatally flawed in its design. One of the sticking points of the Woodlawn covenant involved its signature requirement: owners of 95 percent of the frontage property had to sign the covenant for it to enter into effect. No laws in Illinois specified the particular percentage of owner signatures

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[6] Fred Helman. Year: *1920*; Census Place: *Chicago Ward 32, Cook (Chicago), Illinois*; Roll: *T625_349*; Page: *9A*; Enumeration District: *1951*; "Facts About the Woodlawn Property Owners Association," *Property Owners Bulletin*, December 3, 1928, 1, No. I, Vol. I, Woodlawn Property Owners Association, Woodlawn Community Collection, Box 6, Folder 27, Special Collections, Chicago Public Library; for a historical survey of racially-restrictive covenants in the United States, see Richard Brooks and Carol Rose, *Saving the Neighborhood: Racially Restrictive Covenants, Law, and Social Norms* (Cambridge, MA: Harvard University Press, 2013); for a history of the legal fight against restrictive covenants, see Jeffrey Gonda, *Unjust Deeds: The Restrictive Covenant Cases and the Making of the Civil Rights Movement* (Chapel Hill: The University of North Carolina Press, 2015).

necessary for making a covenant enforceable; one could conceivably add a restrictive covenant to one's own property unilaterally with no community support. However, as the point was to keep the entire neighborhood White rather than one's own holding specifically, property owners often hesitated to sign a community-wide covenant unless it required a high percentage of nearby owners' signatures, as only those who signed could enact or face legal action. If an owner signed a covenant only supported by holders of half the property in the neighborhood, that owner would suffer the economic disadvantage of a Whites-only renter market while not actually enjoying the alleged "benefit" of a segregated neighborhood. If lean times came, those who opted not to sign could rent to a larger customer base, while those who joined the covenant could only rent to Whites. A high signature percentage requirement meant that owners could sign the covenant without worrying about the association enforcing it against them unless most of their neighbors – or at least those owning most of the property – also agreed to abide by the terms. Given that many owners rented their properties while living outside the neighborhood and that multiple owners and liens created layers of ownership on many properties, associations could not realistically hope to collect 100 percent of owner signatures. According to a 1948 study of South Side restrictive agreements, 48 percent did not include a percentage requirement at all, while another 48 percent only required 75-80 percent. Only 4 of the 305 contracts studied had a 95 percent standard.[7]

The motivations of individual Whites in signing the covenant varied. Certainly many harbored personal prejudice against Blacks, particularly with the tolerance of openly hateful

[7] Washington, 8-10.

statements at WPOA meetings. Others may have not personally felt averse to having Black neighbors themselves, but they feared the effect of integration on their financial situations. Some felt the pressure of institutional social influence. The WPOA canvassers visited more than 600 homes, bringing documents to show that the Chicago Real Estate Board had endorsed the covenant as the best way to preserve the investment value of their homes. Sometimes a Catholic priest or rabbi allied with the WPOA would accompany the canvassers to assure the property owner that signing the covenant would serve the best interest of the community. Such pressure could induce borrowers to sign without even understanding the document. One canvasser later admitted that he obtained signatures from Jewish residents who only spoke Yiddish and did not comprehend what they signed. The association paid the canvassers per signature – signatures notarized by the canvassers themselves – creating both the motive and opportunity for fraud. The WPOA claimed to have achieved the high 95 percent bar, a boast that may have encouraged compliance for a time but, in the end, proved the association's undoing as they had either faked or fraudulently gathered many of the signatures. Later research proved that the WPOA had only fairly acquired 55 percent of the owners' signatures.[8]

The movement to enact racially restrictive covenants came late to Chicago – St. Louis began restricting communities with covenants in 1910 – but once Woodlawn started the project, Chicago neighborhoods passed restrictions rapidly and thoroughly. The South Side alone passed more than 222 covenants before the Supreme Court ruled them unconstitutional in 1948, with more than 45 enacted in 1928 and 1929 alone. By 1945, fully one-fourth of the city south of

[8] Plotkin, 119.

Roosevelt Avenue featured a restrictive covenant barring Black residents. Charles Johnson and Herman Long analyzed property owners associations in Chicago and St. Louis in their 1947 study of racial restrictions. These associations, they state, "assume the character of a strong social movement in the neighborhood areas and in the city at large, with the central objective of preventing the spread of Negro families into Caucasian-pure resident areas. They have their own slogans and propaganda with appeals directed either to the economic motive of maintaining and protecting property values, or to racial prejudices, or both." While Johnson and Long admitted most neighborhood improvement associations had not originated with the sole or primary goal of segregation, they concluded that excluding groups based on race had superseded all other concerns in importance and focus. In the 1920s, the first and most prolific decade of restrictive covenants, Chicago increased its number of improvement associations from seven to nineteen and added nine more in the 1930s. Johnson and Long found that 60 percent of associations in Chicago and Detroit actively pushed for or enforced a restrictive covenant, and many neighborhoods lacked a covenant merely because Black residents had not tried to move in; 86 percent of associations surveyed freely admitted they did not wants Black families in their neighborhood. Illinois law forbade the creation of permanent restrictive covenants, requiring associations to renew them every 20 years, meaning Woodlawn's covenant would not naturally end until 1948 at the earliest.[9]

Simply passing a covenant did not ensure segregation. Associations had to enforce the terms through public pressure and costly legal battles. In December 1928, Helman sounded the

[9] Charles S. Johnson and Herman H. Long, *People vs. Property: Race Restrictive Covenants in Housing*, (Nashville: Fisk University Press, 1947), 12, 33, 39-40, 42, 46.

alarm over a new threat – the owner of a large building who threatened to rent to Black tenants despite having signed the covenant. Helman cast the situation in dire terms in a newsletter to WPOA members:

> If that territory goes colored it will mean the loss of the homes of some of our best people and there will be a shrinkage of real estate values for everyone in the neighborhood. And think of the tremendous effect on property and business on Cottage Grove and 63rd Street if we had 8000 negroes living there and shopping in our stores and going to our places of amusement… [I]f this one building goes Black it will cause enough of the others to go Black to ruin the entire district.

Frightened at the prospect of more customers for their members' businesses, the WPOA created a committee in March 1928 to try to convince the owner to reconsider. The committee also sought council from the Chicago Title and Trust Company and the Chicago Real Estate Board. The committee learned that enforcing the covenant required a considerable financial layout. Therefore, Helman gave members a financial incentive to donate:

> A defense fund is being raised and each owner is asked to send in at once a sum equal to 20 cents per front foot for your property. If you are now a member with your dues paid you will be given credit for next year's dues. This emergency calls for immediate action and unless sufficient funds are provided we will be powerless to prevent this owner from changing tenants. Mail your check or your promise to pay so that we can count on your support. Please do it now before it is too late.[10]

Racial slurs and bigoted stereotypes featured prominently at WPOA meetings. "We anticipated the degeneration that would occur if the 'niggers' invaded our territory," Fred Helman proclaimed at a 1932 meeting. He had sent out a letter announcing the meeting using many of the same lines as his speech but did not include the slurs in the circular. The WPOA – while clearly racist and open to using hate speech – tried to mask their bigotry in printed

[10] Fred L. Helman to Members of the Woodlawn Property Owners Association, Woodlawn Community Collection, Box 6, Folder 27, Special Collections, Chicago Public Library.

material. As Johnson and Long noted, "the respectable neighborhood improvement association denies any special preoccupation and concern with the racial issue. At the very least, it does not consider itself a race-baiting, propagandizing agency established primarily to combat the efforts of Negroes to obtain housing, and to maintain racial segregation." This incongruity between the WPOA's polite public statements and hateful, semi-private rants continued throughout the ensuing decades. However, the racial antagonism in the group did not escape the notice of the authorities. The WPOA's reputation for racism was so pronounced that the state's attorney interrogated Helman in 1925, suspecting that the WPOA had been involved in the racially-motivated bombing of Bethesda Baptist, a Black church in Washington Park.[11]

Helman and the WPOA continued their attempt to enforce the covenant into the early 1930s, but they faced an uphill battle. According to historian Wendy Plotkin, racially-restrictive covenants proved difficult to enforce, especially during the Depression. As the prosperity of the 1920s gave way to the scarcity of the 1930s, property owners cared more about filling vacancies than excluding Black renters, daring neighborhood associations to begin the costly legal enforcement process while they collected monthly rent from Black customers willing to pay a premium to escape the Black Belt. Lawyers for these owners tried to identify errors in the restrictive covenants to frustrate prosecutions. Property owners' associations even found it difficult to prove, legally, that a given renter or buyer was Black. Illinois had never passed a

[11] "Whites Eager for Color Bar in Woodlawn," *Chicago Defender*, October 29, 1932, 4; "Whites "Throw a Fit" Over Race Progress in Woodlawn," *Chicago Defender*, October 29, 1932, 4. I find the *Defender*'s reporting on Helman's unfiltered speech intriguing: either the *Defender* sent a Black reporter and Helman chose to use slurs regardless, or the *Defender* received the text from a White attendee; Johnson and Long, 44; "Woodlawn Property Owners' Head Quizzed on Church Bombing," *The Daily Worker*, October 24, 1925, 3.

statutory definition of race. Most covenants operated under a one-eighth rule but added that the terms of the restriction also applied to anyone generally known as “colored,” a nebulous label with an ambiguity defense lawyers attempted to exploit. Associations also needed lawyers to navigate the complex Cook County court system. Some associations counted lawyers among their membership who would work for free or at a discount, but these attorneys often lacked the legal specialization needed to effectively enforce covenants. Perhaps most importantly, the economic downturn had dried up funds for legal battles; in 1932, Helman failed to gain an injunction against Black tenants taking up residence because the WPOA could not cobble together $500 for the bond. Furthermore, the tax drought caused by the Depression had deeply hampered the city’s court system, causing a backlog of cases and long delays. Indeed, dragging out proceedings formed a major part of the contract violators’ legal strategy; the courts presumed the innocence of Black renters – being part of the defense – and allowed them to stay in their homes, paying rent, while the cases proceeded. As court battles dragged on and legal expenses mounted, Whites often became impatient, dropped the suits, and sold their properties rather than own in an integrating neighborhood. These setbacks and delays caused Woodlawn’s White property owners to lose confidence in Fred Helman, making room for a new player on the scene: James Joseph Burke.[12]

James Burke Takes Over the WPOA

James Burke, born 1875, son of Irish immigrants, had worked as a police officer and salesman as a younger man, but the Depression had badly damaged his financial situation as he

[12] Plotkin, 117; Washington, 7.

approached retirement. He needed to increase his income to maintain his lifestyle and position in the community. His family lived in a house owned by his wife, Olivia Burke, but the owner of the building next door had rented to an African American, and Burke could not abide this. Whichever factor motivated Burke more – need for income, fear of decreased property values, or racist prejudices – he conceived of an ambitious, multi-pronged plan to fill his pockets while segregating the neighborhood. First, he orchestrated a take-over of the WPOA which would gave him the paid position of association president. Second, he sought to convince the Chicago Board of Education to redraw school district lines to expel the 600 Black children who went to Woodlawn's A. O. Sexton elementary school. Third, he conducted a membership drive at the WPOA aimed at not only increasing their numbers but also adding more names to the restrictive covenant (which Burke knew lacked the legally-enforceable percentage of signatures, as he had helped with the initial canvassing.) Finally, with his finances established and segregation assured, he planned to court federal and municipal funds for improving Woodlawn for White families.[13]

The strategy faced many challenges. Burke recognized he needed to defeat attempts at integration quickly to avoid falling into the same stagnation as Helman. To gain the funds necessary to expedite the process, Burke required the support of the large institutions – banks and insurance companies – who held both the mortgages to their buildings and financial resources for legal battles. While some property owners feared the effect of integration on property values, others saw the sizeable profit potential in renting to Black workers willing to

[13] James J. Burke. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *6B*; Enumeration District: *0216*; FHL microfilm: *2340158*.

pay well to escape overcrowding. Indeed, the Depression had put a damper on restrictive covenants generally, with no agreements filed at all in 1932, 1934, and 1935. To succeed, Burke would have to quickly seize control of the property owners' association, cultivate a wide array of allies, conduct a vigorous public relations campaign, and raise funds for both legal and incidental costs.[14]

Burke convinced several original members of the WPOA to hold reorganization meetings in June 1933, claiming that the previous leadership had unacceptably left the association inactive for eight months. H. D. Ludlow, a 60-year-old undertaker, chaired the meetings which they held at his business, Ludlow's Parlors. (The WPOA would hold most of their meetings going forward – including celebrations – at his funeral home.) The meeting secretary, 63-year-old Czechoslovakian immigrant and attorney Charles Churan, who later represented the WPOA in court cases, including landmark Supreme Court case *Hansberry vs. Lee*. At the meeting, Chairman Ludlow nominated nine candidates for the board of directors, and – given that the board only included nine seats – all received unanimous approval. This conveniently-unopposed board then voted as one to appoint Burke president. Having taken the helm, Burke gave a statement to the *Woodlawn Booster*, Woodlawn's local paper, stating that the new leadership wanted to reenergize the organization to take "immediate action on pressing questions, particularly the encroachment problem, school zoning questions, and all things appertaining to civic activities and the welfare of the community." They also promised to address what the *Booster* called "the bathing beach question." Despite the tragic 1919 Race Riot that grew from

[14] Plotkin, 117; Washington, 18, 41.

the murder of a Black boy who accidentally crossed an unofficial beach segregation line, Whites like Burke still saw segregated beaches as desirable.[15]

The old WPOA officers, led by former presidents Neil O'Hanley and Fred Helman, tried to reverse Burke's takeover. They demanded that the association hold a new election, calling Burke's appointment a sham that had not represented all property owners. They pointed out that Burke had usurped authority by appointing a chair and candidates for the board – some of whom had not been original members – in such a way as to guarantee his election as president. They further denied Burke's claim that they had neglected to promote association business for eight months. "[I]n reality," they told the *Booster*, "the association has been actively prosecuting an injunction suit for the enforcement of the twenty-one year restriction agreement…" They also claimed that they had spent four years working to segregate the A. O. Sexton school district. Helman tried to retake control of the WPOA for another six months, while the new association sought to force him to hand over both the association's records and the funds he had collected from property owners for the purpose of enforcing the restrictive covenant. In January 1934, Helman finally abandoned his efforts, signed an agreement to cease challenging the leadership, and turned over the minute book and official seal in exchange for release from returning the funds. While the WPOA bylaws may have included some mechanism by which Burke could have officially replaced Helman on the grounds of alleged inactivity, the *Booster* never mentions

[15] Harry Ludlow. Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *17A*; Enumeration District: *0219*; FHL microfilm: *2340158; Charles A. Churan.* Year: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *19A*; Enumeration District: *0218*; FHL microfilm: *2340158.* "Burke, Ludlow Named to Head New Property Owners' Organization," *Woodlawn Booster*, June 29, 1933, 1; "Property Owners to Stage Reorganization Meeting Friday Night," *Woodlawn Booster*, June 22, 1933, 1.

one. More likely, Burke simply acted unilaterally to usurp control. The majority of White property owners supported his takeover, despite its illegitimacy, because he achieved several rapid successes.[16]

The Woodlawn Booster

Burke found a key ally he could rely on to get his message to the community through favorable reporting: the *Woodlawn Booster*. The *Booster* began printing in 1932, offering local news, events calendars, and plentiful advertisements to the neighborhood through its distribution of 15,000. The editors – Allen Osherman and Jane Kissner – believed the expansion of their paper mirrored the social and economic growth of the neighborhood of Woodlawn itself. “We, who have our ear to the ground, can hear the first fluttering of a new expansion after the wretched contraction of the last few years,” they wrote, prematurely heralding the end of the Depression, partly based on the promise of the upcoming 1933 Century of Progress World’s Fair. Osherman and Kissner considered the *Booster* an integral part of the area’s rise, promoting local businesses and community spirit.[17]

The *Booster* – and by extension the neighborhood – appeared on the surface to embody patriotic American values, civic spirit, and even an ecumenical tolerance of religious diversity. Jewish synagogues appeared next to a wide range of Christian denominations in the church bulletin sections. The *Booster* regularly published information for charity drives and fundraisers; for example, they promoted the work of the Jewish Home Finding Society, which had placed 40

[16] “Helman Capitulates to Property Owners Assn.,” *Woodlawn Booster*, January 25, 1934, 1.

[17] “Forward March,” *Woodlawn Booster*, November 16, 1932, 6.

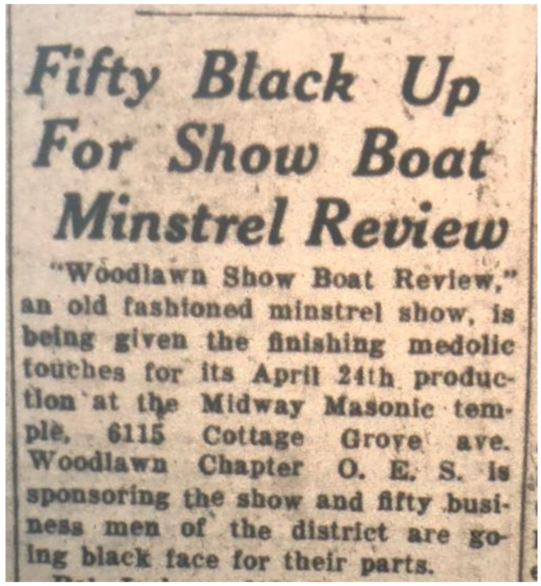
children in need with Jewish homes in Woodlawn. The paper and its patrons also frequently voiced their support for President Roosevelt and the New Deal, with National Recovery Administration eagles prominently displayed in many advertisements. Every Thursday, delivery boys – recommended to the *Booster* by their public school teachers – distributed the paper while also collecting local news tidbits for publication. "Get acquainted with the lad," the editors instructed readers, "tell him little items of news interest, personals dealing with you or with your friends… It is your newspaper . . . contribute to it!" Funded entirely by advertising, the paper cost readers nothing apart from the monthly nickel paid to the delivery boy.[18]

The *Booster* editors avoided using racial slurs when discussing the segregation issue. Indeed, they wrote on the topic with a discordant blend of unbridled enthusiasm and prophylactic vagueness. The paper never identified any Black resident it supported evicting. The *Booster* clearly sought to portray the WPOA as pro-White, not anti-Black, emphasizing the WPOA's patronizing attempts to "benefit" those they would exclude. The layout of a page from a January 1934 issue demonstrates strikingly the incongruous attitudes the paper and its readers held on race issues. A regular feature in the upper-left corner lists the *Booster*'s seven planks for neighborhood improvement, including plank six: "For the future of Woodlawn as a neighborhood, property owners must restrict encroachment." Below this the weekly editorial praises Abraham Lincoln on the anniversary of his birthday. Unable to allow African Americans

[18] "Help Us!" *Woodlawn Booster*, December 7, 1932, 7; "Woodlawn Booster Delivery Boys Introduce Themselves," *Woodlawn Booster*, June 22, 1933, 1. The *Booster* came out on Thursdays except for the week of Thanksgiving when it arrived on Wednesday so as to allow readers to shop the holiday sales advertised in the paper. "Woodlawn Booster Will Be Out on Wednesday," *Woodlawn Booster*, November 23, 1933, 1; "Charity Finds Homes for Lone Jewish Kiddies," *Woodlawn Booster*, November 23, 1933, 3.

an exclusive claim to even a White savior, the editors paint Lincoln's accomplishments with absurdly cosmic strokes: "He is known today as the "Great Emancipator." He is known by that title because of his struggle to save the country, he liberated the slaves… but he liberated far more than one race in our country. He liberated every race in every country because he emancipated himself… and by so doing gave the world a proof it could not deny" – this proof being of free will, the vague topic of the editorial. Mere inches away, the community bulletin promotes a three-night run of a Black-faced minstrel show taking place at the Methodist church. "This year the minstrels have staged their frolic on a southern plantation during cotton picking time, and the colored mammies, young bucks, and dusky belles are all Blacked up for the occasion and rarein' te cake walk." Promotions of Black-faced minstrel shows in local theatres – both those performed by traveling troupes and shows produced by the community itself – appeared regularly in the *Booster*. Emblematic of a White society hungry for distorted Black culture while hostile to actual Black people, Woodlawn's Whites rushed to evict their African American neighbors while costuming themselves as Black at church.[19]

[19] "Howson Fellows Turn Blackface; Minstrel Show," *Woodlawn Booster*, February 8, 1934, 6; "Chuck Williams is Black Boy in 'Art and Mrs. Palmer'," *Woodlawn Booster*, May 10, 1934, 1; "Fifty Black Up for Show Boat Minstrel Review," *Woodlawn Booster,* April 11, 1935, 1.



Fifty Black Up For Show Boat Minstrel Review

"Woodlawn Show Boat Review," an old fashioned minstrel show, is being given the finishing medolic touches for its April 24th production at the Midway Masonic temple, 6115 Cottage Grove ave. Woodlawn Chapter O. E. S. is sponsoring the show and fifty business men of the district are going black face for their parts.

Figure 7. The *Woodlawn Booster* enthusiastically supported the expulsion of Black residents from the neighborhood while promoting Black-faced minstrel shows like this one. The fifty local businessmen who wore Black face almost certainly included members of the Woodlawn Business Men's Association which supported the WPOA and shared many of its members.[20]

Burke, like most American segregationists, knew the power of quoting Black people who approved of segregation. During a meeting at the local Masonic temple to discuss, in Burke's words, "an open and above board policy of handling the negro problem," he read an editorial from a Black publication, *Home News*, that opposed Black residents moving into Washington Park and Woodlawn, urging them rather to improve their current neighborhoods. The editorial claimed Black Chicagoans had "ample space and abundant homes" in the Black Belt, a claim so contrary to reality that one does not wonder that the *Home News* failed to gain Black support, beginning and ending its short run in 1925. Burke used a decade-old editorial from a failed Black newspaper to give his audience the impression that some appreciable number of Black

[20] "Fifty Black Up for Show Boat Minstrel Review," *Woodlawn Booster*, April 11, 1935, 1.

Chicagoans preferred segregation and that Black suffering arose from a lack of personal responsibility rather than a lack of justice in the housing market.[21]

The WPOA cast the segregation issue in stark, militaristic terms. Burke wrote in one membership drive letter, “The time has arrived when the property owners of the Woodlawn and Washington Park districts, as well as the whole Southeast side, must determine whether they are willing to abandon their homes and their property to the invading colored race.” Simultaneously, however, Burke tried to appear as a patron rather than a persecutor of his Black neighbors to the west, saying in the same letter:

> The officers and directors of the Woodlawn Property Owners’ association have worked diligently among the various housing agencies, both state and federal, requesting them to furnish money for the rehabilitation of the Negro districts on the South side, so as to provide them with adequate, comfortable and sanitary homes, believing that they are entitled to our sincere consideration and sympathizing with them in their unfortunate condition, but we can no longer afford to lose our equities in our properties or abandon our homes to accommodate a migratory race of people, who now have ample territory and should be properly housed therein.[22]

Burke knew the WPOA could not proceed without the support of the banks holding their mortgages. The newly-appointed WPOA officers met in July 1934 with a group of mortgage holders on South Park Avenue (now Martin Luther King Jr. Drive), in, as the *Booster* described it, “an effort to launch the campaign which has been mapped out by the association in an effort to uphold property values in the community.” The mortgage holders at the meeting represented banks and insurance companies who held titles all over the neighborhood. Mr. French, a representative of the Englewood First National Bank, organized the mortgage holders who

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[21] “Property Owners Discuss Friendly Negro Editorial,” *Woodlawn Booster*, August 16, 1934, 6.

[22] “Property Owners Drive for Needed Membership,” *Woodlawn Booster*, November 8, 1934, 11.

attended the meeting with Burke. This group of mortgage holders shared the WPOA's concern about integration; they met again a few days later to discuss – as the *Booster* put it – "the school situation, which for the moment is centered on A. O. Sexton school and its district problems." Burke successfully convinced – if they needed convincing – the group to unite to proceed with suits against contract violators. Having secured the support of the banks, Burke expressed confidence in quick progress.[23]

Segregating Woodlawn's Schools

Burke also began the second step of his plan: removing Black students from Woodlawn's educational institutions, beginning with A. O. Sexton elementary school. Chicago had rejected legally segregated public schools during the Civil War, and for several decades Black and White students generally studied in the same classes. Only one school had 90 percent Black enrollment in 1916. Chicago also hired both Black and White teachers for these integrated schools. However, as the Black population rose with the Great Migration, White reaction pushed Black Chicagoans increasingly into the Black Belt's overcrowded housing and underfunded schools. By 1938, 80 percent of Black students attended one of 26 schools with 90 percent Black enrollment. While increasing residential separation caused some of this school segregation, property owners associations also convinced the Chicago Board of Education to redraw school

[23] "Property Owners Take Active Steps on First of Pressing Problems," *Woodlawn Booster*, July 6, 1933, 1; "Report First Activities of Mortgage Holders, School Board Officials," *Woodlawn Booster*, July 13, 1933, 1, 7.

district lines along racial boundaries to effectively fence Black students out of predominantly White schools.[24]

The WPOA contacted the Board of Education and successfully urged them to redraw the school district for A. O. Sexton elementary school, drawing its 600 Black students outside of its zone. The association also pushed for the construction of a new school for Black children north of Washington Park and west of Cottage Grove Avenue. Burke highlighted the importance of this move in a letter to local property owners:

> The redistricting of the Sexton school zone, with a westerly boundary at South Park avenue and providing adequate school facilities for the colored children, west of the boundary, will accomplish more than anything else to prevent the negro encroachment from traveling farther eastward. South Park avenue must be kept White, as it is the dividing line between the restricted and non-restricted districts…

In fact, the WPOA hoped the New Deal would provide the means for segregated schools through National Reconstruction Act funds, a hope partially realized with the construction of Wendell Phillips High School. According to Burke, many White parents had taken their kids out of Sexton in response to the presence of Black classmates, and the WPOA worked to convince these parents to reenroll their kids in the newly-segregated school. The administrators at Sexton so appreciated his efforts that they made him honorary chairman of the Father's Night program on January 9, 1934, where he used his speaking time to take public credit for "saving" both the school and the homes of Sexton families. In addition to clearing Black elementary students from Sexton, they also aided other organizations in relocating Black high schoolers from Hyde Park to Englewood. They promoted the Reconstruction Finance Corporation-funded construction of

[24] Worth Kamili Hayes, *Schools of Our Own: Chicago's Golden Age of Black Private Education* (Chicago: Northwestern University Press, 2019), 19-20.

Wendell Phillips High School where the displaced students would go, seeing themselves as benefactors of these students. However, the effectively segregated public schools in the Black Belt received less funds, could hire fewer experienced teachers, and often occupied aging buildings with disrepair and health hazards. Most detrimentally, these schools lacked enough space for students in their overcrowded districts, forcing schools to use multiple-shift class schedules, reducing instructional time and adding stress to their parents' lives. Lorraine Hansberry, playwright of *Raisin in the* Sun (1959) and daughter of Carl Hansberry who would successfully challenge Woodlawn's restrictive covenant in 1940, recalled towards the end of her life the negative effects of the Chicago School Board's decision to create segregated schools:

> I was given, during the grade school years, one-half the amount of education prescribed by the Board of Education of my city. This was so because the children of the Chicago ghetto were jammed into a segregated school system. I am a product of that system and one result is that – to this day – I cannot count properly. I do not add, subtract or multiply with ease. Our teachers, devoted and indifferent alike, had to sacrifice something to make the system work at all – and in my case it was arithmetic that got put aside most often. Thus, the mind which was able to grasp university level reading materials in the sixth and seventh grades had not been sufficiently exposed to elementary arithmetic to make even simple change in a grocery score. This is what is meant when we speak of the scars, the marks that the ghettoized child carries through life. To be imprisoned in the ghetto is to be forgotten – or deliberately cheated of one's birthright – at best.

While the WPOA and *Booster* pretended that segregation would result in separate but equal schools, the reality deeply hampered education for Black students.[25]

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[25] Hayes, 21; Lorraine Hansberry, *To Be Young, Gifted and Black: Lorraine Hansberry in Her Own Words,* (New York: Signet, 1970), 63; "Report First Activities of Mortgage Holders, School Board Officials," *Woodlawn Booster*, July 13, 1933, 1, 7; "We're with You President Roosevelt," *Woodlawn Booster*, August 3, 1933, 7; Lindstrom, 12-13; "Property Owners Will Hear Dr. Karr Tonight," *Woodlawn Booster*, September 28, 1933, 1; "Tales Out of School: A.O. Sexton," *Woodlawn Booster*, January 11, 1934, 8; Hayes, 20; for more on the history of racial segregation in Chicago Public Schools, see Michael W. Homel, *Down from Equality : Black Chicagoans and the Public Schools, 1920-41* (Urbana: University of Illinois Press, 1984).

Courts Evict Blacks from Woodlawn

Burke quickly pushed forward with legally evicting Black inhabitants of Woodlawn. His wife, Oliva Burke, filed suit against Isaac Kliman, their next-door neighbor who had rented to a Black tenant. Superior Judge Robert E. Gentzel ruled in favor of their racially restrictive covenant in August 1933, the first such ruling in the state. "Law suits are now pending against every owner who has violated this contract," the *Booster* boasted, "and as soon as the suits are put through, the situation will be eliminated." The association threw a celebration – again, at Ludlow's funeral home - where Burke used the opportunity to begin a campaign to recruit all White property owners in Woodlawn and Washington Park to the WPOA, even those who could not afford memberships, as the Booster enthusiastically explained:

> All property owners, whether or not they can pay dues, will be admitted to membership in the drive to obtain unity and strength. Those who can pay dues will pay them in order to defray the expenses of the association and additional funds will be obtained from real estate and mortgage holders interested in the work against encroachment which the association is sponsoring.

The association sent out dozens of neighborhood captains to recruit and organize property holders.[26]

Women served as neighborhood captains and in other important roles in the WPOA, despite not holding positions as officers or directors. In December 1933, they formed a women's auxiliary, led by Olivia Burke and May Churan. The latter was the wife of the WPOA's secretary and lead attorney Charles Churan. According to the *Booster*, the ladies organized "to aid in

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[26] "Property Owners Applaud Victory in Court Contest," *Woodlawn Booster*, August 10, 1933, 1, 8; "Property Owners Seek 100% Membership: Dues or No Dues, Owners Must All Unite!" *Woodlawn Booster,* August 17, 1933, 1.

increasing property values by tackling some problems for which the masculine organization had little time. General upkeep and protection of property, of schools, and of shopping districts with an external and internal clean-up campaign are part of their procedure." The auxiliary planned picnics in Washington Park that they hoped would induce Whites to return to the green space which they had abandoned when Black residents began using it. The ladies assured the fearful that auxiliary members would help keep an eye on children during the picnic.[27]

The WPOA held their largest meeting yet at Ludlow's in August 1933 to discuss what to do now that they had – they believed – facilitated the final defeat of integration. A *Booster* editorial described the gathering in glowing, motivational terms:

> Hundreds of Property Owners were there, full of enthusiasm and energy and plans. They are organized, they know what they want, and they are going to get it. Already they have accomplished the first steps on the outline sponsored by the administrations. They have not merely convinced themselves… they have convinced outside forces… forces that have the financial and authoritative wherewithal to aid them in the struggle… standing in their midst, we could feel the gradual swell… the rise of momentum.

Members talked about supporting the reopening of the Midway State Bank, cooperating with the Woodlawn Business Men's Association's consumer drive, and backing the upcoming Century of Progress World's Fair which they hoped would bring business and investment to Woodlawn. Incidentally, this was the first time that the *Booster* reported a WPOA meeting discussing any specific topic that did not have to do with racial segregation; perhaps they had felt no point in improving the neighborhood generally until they had assured their success in keeping Woodlawn exclusively White. Burke praised the *Booster* for its editorial support: "Your action expresses in

[27] "Ladies Think Property Owners Need Help!" *Woodlawn Booster*, December 14, 1933, 1; "Ladies Summon Property Alert To a 'Reception'," *Woodlawn Booster*, February 1, 1934, 1; "Property Owners Discuss Friendly Negro Editorial," *Woodlawn Booster*, August 16, 1934, 6.

the fullest sense, the team work, cooperation, and support from the community press which is so essential to community good." By October the alliance between the WPOA and the *Booster* became official, as the paper announced, "The property owners have adopted the WOODLAWN BOOSTER as their official organ and they are supervising the circulation of the paper through the Washington Park district."[28]

The WPOA enjoyed support from other groups in the neighborhood. The association shared so many officers and members with the Woodlawn Business Men's Association that they practically functioned as the same organization. Burke promoted WPOA membership drives and their proposed, Reconstruction Finance Corporation-funded rehabilitation program to the Associated Clubs of Woodlawn, emphasizing the need for Woodlawn's societies to organize for their mutual benefit. The WPOA regularly hosted clubs including the Kiwanis, Lions Club, and Exchange Club; according to the *Booster* these clubs reacted favorably to his messages and urged their members to support WPOA projects.[29]

The WPAO, riding high, credited their work ensuring racial segregation – particularly the rezoning of the A. O. Sexton School – with increasing rentals among their members properties, both homes and business fronts. However, rental occupancy had risen across the South Side, not

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[28] "Home Owners Support Community Projects," *Woodlawn Booster*, August 31, 1933, 1; "Property Owners Gain Momentum," *Woodlawn Booster*, August 31, 1933, 6; "A Full Membership, Property Owners Seek Cooperation," *Woodlawn Booster,* October 26, 1933, 7.

[29] "Property Owners Will Sponsor Mass Meeting," *Woodlawn* Booster, September 21, 1933, 1; "Property Owners Will Hear Dr. Karr Tonight," *Woodlawn Booster*, September 28, 1933, 1; "Burke Talks to The Associated Clubs, Monday," *Woodlawn Booster*, November 2, 1933, 1; "Property Owners Seek Clubs' Endorsement of Rehabilitation Plan," *Woodlawn Booster*, November 9, 1933, 1; "Four Local Clubs Sign Property Owners Bill," *Woodlawn Booster*, November 23, 1933, 1.

just Woodlawn. The firm McKey & Poague – a real estate management company that had operated in Chicago since 1890 – took a survey of rentals in the area and found that vacancies had fallen 6.5 percent in August 1933 leading to the lowest vacancy rate since the start of the Depression. By December, another firm, Selz and Southman, boasted 92 percent occupancy, up from 81 percent a year before. Area realtors cited many factors leading to the rise in occupancy. With the end of Prohibition, local businesses could now sell beer (3.2 percent ABV), so realtors leased hundreds of neighborhood store fronts for taverns and restaurants. The ongoing Century of Progress World's Fair brought in many renters and customers, leading some to fear the increase would prove temporary once the fair ended. Others pointed to inflation and National Recovery Administration spending as assisting the situation. However, realtors identified a moderate rise in employment as the primary cause for a rise in rentals. According to McKey & Poague's president, George W. Kemp, "In volume renting exceeded a year ago by over 50 percent and lease renewals were exceptionally high. The South Shore, Chatham and West Highland districts showed the greatest gain in occupancy, which indicates a stability due to increasing employment rather than to the influx of World's Fair visitors." Given that this trend covered the South Side generally and not just Woodlawn, one could reasonably discount the WPOA's efforts to enforce racial segregation as a key factor in decreasing vacancies.[30]

The WPOA succeeded in using Judge Gentzel's ruling to remove three African American families from their homes in Woodlawn. The *Booster* made sure to note that they were "furnished with the necessary moving expenses," but neglected to name a single member of

[30] "Local Realtors Find Marked Improvement in Apartment Renting," *Woodlawn Booster*, September 7, 1933, 1, 4; "Southman Sees Rental Increase," *Woodlawn Booster*, December 28, 1933, 1.

those families, although the paper identified the White property owners who rented to them. "These removals continue the record of the association," the *Booster* crowed, "which claims "no successful violations of the restriction code since the reorganization of the association last spring under the leadership of James J. Burke." Two of the families evicted included White members, highlighting how White Chicago segregationists treated mixed families as Black – a household corollary to the one-drop rule. The WPOA moved forward with three more suits against tenants who had moved into the Washington Park district prior to the reorganization of the WPOA. Inasmuch as the *Booster* represented them, Woodlawn's White property owners who held coat drives for poor Whites and found homes for orphaned Jews seemed remarkably enthusiastic about evicting Black tenants in the middle of the harsh Chicago winter.[31]

Woodlawn and the Home Owners' Loan Corporation

Woodlawn homeowners expressed a keen interest in the Home Owners' Loan Corporation from its inception. The *Booster* – which rarely commented on events outside of Woodlawn – announced the appointment of William G. Donne as the State Manager for Illinois, noting that he lived in the area and "has been active in Englewood business and civic affairs for several years." The Chicago HOLC's chief appraiser, Patrick William Barrett, headed the Barrett Brothers Real Estate Company which had financed construction all over Woodlawn, Kenwood, and Hyde Park. Barrett held active membership in the Woodlawn Business Men's Association,

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[31]"Property Owners Win Three Cases Pro-Restriction," *Woodlawn Booster*, January 4, 1934, 1. The association's treatment of mixed-race families as Black accorded with the demographic classifications used by the Chicago Zoning Commission as seen in their instructions to canvassers for the 1939 land use survey: "Put a cross in the appropriate box identifying the race of the household, whether White, negro, or other. Do not consider a servant as a member of the household. If any member of the household is a negro or of a race other than White, consider the whole household as belonging to that race." *Land Use Survey of the City of Chicago, 1939, Instructions to Enumerators on Land Use and Dwelling Survey* (Chicago: Chicago Plan Commission, 1939), 38.

the WPOA's sister association that had sponsored the original restrictive covenant in 1928. In October 1933, Donne and Barrett addressed a meeting of the Woodlawn Business Men's Association; Donne spoke despite being ill because he feared disappointing close friends.[32]

William G. Donne planned to meet with the WPOA in November 1933 to inform them how the HOLC functioned. However, HOLC business called Donne to Moline, IL, that evening, so Thomas P. Grant, the assistant state counsel, spoke instead, emphasizing his faith in the corporation and promising mortgage holders that "the value of corporation bonds would be negotiable." Grant likely knew that Donne's house of cards teetered on the edge of collapse (as described in chapter one), and he wanted to reassure potential HOLC clients before the shoe dropped. As rumors flew about in early December 1933 regarding the corruption and inefficiency of the Illinois HOLC, Donne promised the *Booster* a detailed explanation of his behavior for its December 21st issue – a promise that passed unfulfilled and unnoted. While the *Booster* did not report on the firing of Donne, they did continue updating readers on HOLC policies and deadline extensions. After the firing of Donne and his associates, the Woodlawn Business Men's Association asked Mayor Kelly to appoint former chief appraiser Patrick Barrett

[32] "William G. Donne Will Be Owner's Loan Head," *Woodlawn Booster*, June 29, 1933, 1-2; "Donne Promises Funds to Home Owners, July 15," *Woodlawn Booster*, July 6, 1933, 1; "Donne Expects His Summons Any Day," *Woodlawn Booster*, July 13, 1933, 1; "Barrett Is New Chief Appraiser for Loan Corp." *Woodlawn Booster*, August 3, 1933, 1; Frederick Burgess Lindstrom, "The Negro Invasion of the Washington Park Subdivision," Order No. TM25499, The University of Chicago, 1941, http://flagship.luc.edu/login?url=https://www.proquest.com/dissertations-theses/negro-invasion-washington-park-subdivision/docview/275813696/se-2?accountid=12163, 6; "William G. Donne Tells Business Men of Home Loan Operations," *Woodlawn Booster*, November 2, 1933, 1.

to the Exposition Authority, seemingly unaware of or unphased by credible allegations of corrupt practices.[33]

In the wake of Donne's abrupt and – to the public – largely unexplained replacement, the WPOA held a meeting on the subject of the HOLC. The property owners demanded that Congress amend the HOLC Act to guarantee the principle on government bonds in addition to the interest, which Congress eventually would do. (Mortgage holders had expressed hesitance in accepting the bonds originally, which made it difficult for owners in distress to get their loans approved.) Interest in the HOLC remained high, as the *Booster* reported this as one of the largest rallies the WPOA had ever held. They sent copies of their demands to President Franklin Roosevelt, senators, and congressmen. At the same meeting, they voted to expand the board of directors from nine to fifteen directors and otherwise increase personnel. They also pressed to reduce the Illinois Property Tax – already reduced for the Depression - to 1 percent.[34]

Burke and the WPOA must have imagined their program *fait accompli* by the spring of 1934. Burke claimed they had tripled their membership in six months, and the *Booster* reported that "Every negro family which has moved into the community since the new administration took office has been evicted, and suits are pending against families which were in the district before." They had also begun legal proceedings against a management company, Yondorf and Co., who had allegedly ordered White tenants to move out of a South Park Avenue apartment

[33] "The Time Has Come, Karr Tells Property Owners," *Woodlawn Booster*, November 2, 1933, 8; "Property Owners Hear Grant on National Relief," *Woodlawn Booster*, November 16, 1933, 8; "Donne Says Home Owners Corp. 'Okay'," *Woodlawn Booster*, December 14, 1933, 1; "Home Owners File for Loans," *Woodlawn Booster*, June 20, 1935, 1; "Ask Appointment of P. Barrett to Exposition Board," *Woodlawn Booster*, July 18, 1935, 1.

[34] "Home Owners Demand State Property Action," *Woodlawn Booster*, January 18, 1934, 1.

building to make new leases with Black renters. The WPOA now regularly discussed issues besides segregation – water filtration, police protection, limiting saloons, and widening South Park Avenue using Federal subsidies – but they still found time on the docket to discuss improving their enforcement of the restrictive covenants. When the Illinois State Housing Commission proposed rehabilitating a section of the Black Belt, the WPOA praised it as "the first constructive effort in housing," comparing it to their own proposed plan. Of course, no amount of rehabilitation could enlarge the overcrowded area, but the association members could still imagine they supported adequate housing for Black Chicagoans – from a legally-enforced distance. In reality, they sought to use New Deal funding to create the infrastructure of segregation so they could access even greater amounts of taxpayer dollars for the exclusive benefit of White residents of Woodlawn. New Deal agencies generally affirmed segregation. Harold Ickes, the Chicagoan who ran the Public Works Administration, did so as a matter of policy, forbidding projects from altering the racial demographics of the neighborhoods they entered. The HOLC, for its part, did not sell its properties – obtained through foreclosures or voluntary conveyances – to Black buyers if said properties sat in predominantly White neighborhoods. HOLC officials did not explicitly or publicly state this policy, but rather enacted it through the private brokers they used to market their holdings.[35]

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[35] "Property Owners Sift Mortgage Moratorium," *Woodlawn Booster*, February 8, 1934, 3; "Property Owners Applaud Sanction of Housing Plan," *Woodlawn Booster*, March 1, 1934, 4; "Property Owners Ass'n Triples Membership Since Reorganization," *Woodlawn Booster,* March 8, 1934, 6; Hirsch, 14; Amy. E. Hillier, "Who Received Loans? Home Owners' Loan Corporation Lending and Discrimination in Philadelphia in the 1930s." *Journal Of Planning History* 2, no. 1 (2003): 18-19.

The WPOA did not limit its restrictive attitudes to Black Chicagoans. In a "not-in-my-back-yard" move typical of such associations, the WPOA also unanimously vetoed the five-year leasing of a hospital building in Washington Park to the Cook County Service Bureau as a home for the destitute and transient – a not insignificant portion of the population at the height of the Great Depression. They again tried to shore up their image with a public statement:

> While we are in sympathy with the work of the Illinois Emergency commission and know the necessity of finding cheaper and more appropriate accommodations for these unfortunate men than can be obtained at the various Y.M.C.A.'s, yet we feel that in spite of the fact that while the commission may make an effort to select a high type of men to occupy this premises, yet there is still great danger of having among them undesirables whose presence in the neighborhood and possibly whose conduct will prove a deterrent and become a detriment to the rehabilitation program which we the property owners are now strenuously putting forth.

They suggested the commission could find suitable buildings in the business districts where the home would not "endanger the character of the neighborhood." Later, the association would reverse their veto of the hospital leasing "on the stipulation that they will have the privilege of judging the "selectability" of the group to be housed in the community" agreeing to allow "a high type of young man." Feeling confident of victory against Black encroachment, the WPOA found time to exclude less fortunate Whites as well.[36]

WPOA membership reelected its officers in May 1934 and added 16 new directors, "all prominent in real estate and club circles" according to the *Booster*. With these new, strong alliances secured, the association discussed bold plans for neighborhood revitalization. The *Booster* wrote a front page editorial warmly welcoming Whites who had moved into Woodlawn

[36] "Property Owners Veto Transient Bureau Plan," *Woodlawn Booster*, April 12, 1934, 1; "Property Owners Will Consent to Transient Bureau," *Woodlawn Booster*, April 19, 1934, 1.

that month. “Woodlawn, last year, was run down and the necessary expenditures for repair and beautification could not be secured. This year, the Business men and the Property Owners have united and the improvements are being made. New Woodlawnites … you will benefit from all of this … join in and work for it.”[37]

The WPOA’s fulsome welcome of new Whites stands in stark contrast with their insistence on excluding Black neighbors. In August 1934, the association wrote an open letter, unanimously approved by the Woodlawn Business Men’s Association, to the “Authorities, the Courts, and the Police,” asking them to remove all Black tenants from Woodlawn and Washington Park and to abolish any laws conflicting with their restrictive covenants. The petition notes that many renters had violated the covenant since the WPOA had filed it in 1928 but that the Superior Court of Cook County had affirmed the validity of restrictive covenants in August 1933, despite the pending appeals of the defendants. The petition argued that racial segregation did not go against public policy so long as it did not violate constitutional rights. “Nor can the social equality of the races,” the petition continued, “be attained, either by legislation or by the forcible assertion of assumed rights” if those methods “conflict with the general sentiment of the community upon whom they are designed to operate.” The petition then – despite Burke’s knowledge that they had fraudulently claimed having signatures from owners of 95 percent of the property – described the WPOA’s actions as “intelligent, consistent and lawful.” By evicting the Black families, the petition claimed, the police would “remove a menace to the safety and happiness of the law-abiding and tax-paying citizens now residing in these

[37] “Enlarge Directorate to Twenty-Five, Add Realtors, Club Heads,” *Woodlawn Booster*, May 3, 1934, 1; “To Those Who Moved in May 1st,” *Woodlawn Booster*, May 3, 1934, 1.

districts," adding that, if the authorities did not meet their demands, "property values will become so deflated and income so diminished that the owners of said property will no longer be able to pay taxes to support our various governments."[38]

A committee of the Federal Housing Administration (FHA) invited Burke to Washington, D.C. in December 1934 to discuss the planned rehabilitation of a portion of the Black Belt now known as Bronzeville with a reported grant of $7.5 million. That the FHA would invite Burke, known mainly as a public champion of restrictive covenants, to discuss the use of funds in Black neighborhoods suggests some level of accord between their ideals. The *Booster* characterized Burke's plan to "furnish the Negroes of the South side of Chicago with a modern, well built community of their own" as "in the interests both of the Negroes and of the property holders of Woodlawn, who fear encroachment will deteriorate the value of their property." The *Booster* reported that the FHA assured Burke that the appropriation bill would reach the floor of Congress quickly as an emergency measure to provide jobs for builders on relief. Burke was not alone among Southside segregationists in travelling to D.C. to urge restricted housing projects. Frank O'Brien of the 63rd Street Council journeyed to the capital to protest a proposed housing project for Black residents east of Cottage Grove Ave. O'Brien, speaking for many property owners, encouraged the government to move the federally funded project west of State Street where they claimed it would better benefit the Black community – another example of the segregationists trying to pitch exclusion as a well-meaning policy.[39]

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38 "Property Owners Sign Petition to End All Negro Encroachment," *Woodlawn Booster*, August 2, 1934, 1.

39 "Burke, Property Head Tells Associated Clubs of Housing Project," *Woodlawn Booster*, December 6, 1934, 1; "O'Brien Will Tell the Associated Clubs of Negro Housing Project," *Woodlawn Booster*, March 7, 1935, 1.

***Burke vs. Lee*: The WPOA Launders its Covenant**

Burke had succeeded thus far in every phase of his carefully-orchestrated plan to take over the WPOA and enforce racial segregation. He had overthrown the previous leadership, rigged the election for president, curried powerful allies in business and real estate, and effectively used a favorable press to rapidly increase membership. The school board had granted their requests for segregating schools, and local courts had affirmed the validity of restrictive covenants. The WPOA had removed several Black and mixed families from the neighborhood, and the members had reelected Burke to his paid position. While this did not solve all his financial problems, he managed to keep his wife's house with a loan from the HOLC. All signs pointed up for Burke and the WPOA.

A devil lurked in the details, however. Burke knew that many of the covenant signatures would prove invalid if closely inspected by lawyers, that WPOA canvassers had not properly informed all signers of what the covenant meant, and that the names on the document still fell short of the 95 percent required for the covenant to legally take effect. One Woodlawn property owner who rented to Black tenants, also knowing the covenant's shortcomings, had even threatened to go public with this knowledge if Burke sued him, causing Burke to have to look past his covenant violation. To address this, Burke decided to create a dummy case where the courts would affirm the validity of the Woodlawn covenant while the defendant – secretly allied with Burke – would not contest the legitimacy of any signatures. Burke and WPOA attorney Charles Churan pulled this charade off in *Burke vs. Kleiman*. The Illinois Supreme Court affirmed the decision validating the covenant in December 1934, meaning that all Black residents in the area covered by the restriction had to move in 30 days. The WPOA threw a celebration where they appointed Burke "to the committee to find new homes for the ejected residents in this district." On April 9, 1935, three Black families were evicted from their homes, an event again celebrated by the WPOA at their club meeting that evening where they again re-elected Burke as president. The *Booster* never printed follow ups detailing whether any rehousing funds ever made it to those expelled. Later the *Booster* clarified that the Housing Commission of the Metropolitan Housing Board – already tasked with finding housing for those made homeless by other rehabilitation projects across the city – would "find new homes for any negroes ejected from the Washington Park Woodlawn area," apparently exempting Burke from the task. Not satisfied in segregating their residential areas, the WPOA passed a resolution in August 1935 calling for a mass meeting to protest "negro encroachment in the parks, beaches, and playgrounds."[40]

The University of Chicago Takes Over

Burke's hold on the WPOA began to slip due to the involvement of the University of Chicago. The administrators of the school believed they needed to safeguard an environment compatible for the institution by preventing the Black Belt from expanding into adjacent neighborhoods. The university had not officially joined the WPOA as an institution, but they had provided the association with funds to pursue suits defending the restrictive covenant. The school also helped organize and fund property owners' associations in the neighborhoods of Hyde Park, Kenwood, and Oakland. Between 1933 and 1947, the university spent nearly $84,000 on

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[40] "Eject Negroes in Thirty Days from Restricted Areas," *Woodlawn Booster*, December 13, 1934, 1; "Property Owners Elect Officers and Directors: Eject Three Families in Restricted Area," *Woodlawn Booster*, April 11, 1935, 2; "Housing Board to Care for Any Ejected Negroes," *Woodlawn Booster*, December 20, 1934, 1; "Property Owners Association Plans Protest Meeting," *Woodlawn Booster,* August 22, 1935, 1.

protecting or enforcing restrictive covenants. One labor paper, *The People's Press*, reported in 1937 that "The University of Chicago, internationally famous as a liberal institution, is the foremost influence behind restriction and segregation of the Negro in Chicago." They claimed that the university's assistant treasurer and comptroller both held membership with the WPOA, which the school did not deny. The university did not own appreciable property in Woodlawn, but the administration wanted to create a buffer zone between the Black Belt and their sizeable amount of holdings in Hyde Park. They recognized the changing demographics in Woodlawn but hoped that opposing integration there could buy neighborhoods closer to the university time to build greater resistance or perhaps the courts would create a legal precedence to defend the restrictive covenants farther south.[41]

Although the WPOA had won several cases and evictions, they failed to land a final blow to integration as some property owners continued trying to rent to Black tenants. Growing frustrated with this uneven progress, the University of Chicago orchestrated its own reorganization of the association, renaming it the Woodlawn Property Owners' League and officially joined as a member institution. They stopped paying Burke for his services as president, and he could not keep up with his mortgage payments. In December 1936, the HOLC began foreclosing proceedings against him. The loss of his house and control of the organization led Burke to resign his position in March 1937. The university likely believed it had inherited a

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[41] Hirsch, 137; *The People's Press* (September 28, 1937) as quoted by Horace Cayton in "Negroes Live in Chicago," *Opportunity: Journal of Negro Life* XV, No. 12 (December 1937); 369, and "No Friendly Voice," *Opportunity: Journal of Negro Life* XVI, No. 1 (January 1938), 12-13. While the university and some students supported racially restrictive covenants, many students did not. In the Winter 1937 Quarter, students formed the Student Racial Relations Committee to protest the covenants. They hosted roundtable discussions and invited Black thinkers like Horace R. Cayton and members of organizations including the *Defender* and Chicago Urban League. "Hold Roundtable on Negro Housing," *The Daily Maroon*, March 30, 1938, 1.

stable situation with enough legal precedence supporting the covenant to finish the task of segregating Woodlawn, but they did not realize they had created exactly the type of enemy who could undermine the entire enterprise. Burke decided to fight bitterly against keeping Woodlawn White, becoming the very "faithless" property owner he had sued for the past four years.[42]

Burke did not experienced a change of heart along with his change of sides. He still opposed integration; he had given up on Woodlawn as a place for him, and wanted to spite his neighbors. He continued to openly defend White aversion to Black neighbors, as he did in a 1939 hearing on Black housing before a subcommittee of the Chicago City Counsel.

> When the colored race move within proximity of the Whites, or we will say across the borderline, there is a tendency on the part of the tenants, regardless of their social standing, of their background or their strata of society, they have some, call it inborn prejudice, and they want to move out. The result is that the tenants move out and the White landlord holds the sack. He is sitting there with his property and he cannot rent it to the Whites and cannot rent it to the colored. If he does not get any relief, he has to give it back to the mortgage holders.

One association member accused Burke in court of speaking less judiciously in private, recalling him threatening, "I'm going to put niggers into twenty or thirty buildings in the Washington Parks subdivision… I will get even with the Woodlawn Property Owners Association by putting niggers in every block… You property owners will soon have headaches… I will get even with the Association and with certain directors of said Association if that is the last thing I do." In addition to revenge, Burke would receive financial commissions for aiding Blacks trying to buy homes in Woodlawn.[43]

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[42] Truman K. Gibson, *Knocking Down Barriers,* (Chicago: Northwestern University Press, 2005), 45.

[43] Plotkin, 129; Gibson, 45; the quote is from Testimony before the Subcommittee to Investigate Housing Among the Colored People, August 3, 1939, as quoted in Lindstrom, 34; Burke quote alleged in "Complaint of Anna M. Lee et al." filed in Cook County Circuit Court, June 7, 1937, *Transcript of Record: Supreme Court of the United States,*

The *Woodlawn Booster*, meanwhile, ceased printing on issues of race restrictions entirely. The University of Chicago had likely convinced the editor to go along with the school's policy of quietly enforcing segregation when possible while avoiding enthusiastic public defenses of racial exclusion. In fact, in the months following Burke's exit from the WPOA, the *Booster* received – and published – notes of praise for the paper's rejection of sensationalist or sordid material, as seen in a message it received from the WPOL in June 1937: "Printing favorable news helps our community and our properties. The WOODLAWN BOOSTER is doing a constructive job for Woodlawn by declining to publish so-called "sensation" which would injure our property values and our many lines of business activity." "Sensation" here seems to include reporting on race issues that had once filled the front pages but completely disappeared over the next several years of rather anodyne neighborhood news reporting devoid of serious controversy.[44]

Hansberry vs. Lee

James Burke found his chance to get back at the WPOL when Black realtor Harry Pace decided to test Woodlawn's restrictive covenant in April 1937. Pace, president of the Supreme Liberty Life Insurance company, arranged for Burke to meet with Walter and May Harrower, White property owners in Washington Park who had struggled to sell their home for over a year. The Harrowers had signed the restrictive covenant and even refused generous offers from Black

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October Term, 1940, No. 29, (Washington, D.C.: Judd & Detweiler, 1940), accessed from the website created by Wendy Plotkin, http://www.wbhsi.net/~wendyplotkin/DeedsWeb/cc.html#note1. Original document is located in the Illinois State Historical Library in Springfield, Illinois.

[44] "We Look at Ourself," *Woodlawn Booster*, October 17, 1937, 4.

applicants despite their inability find a buyer. Burke convinced them to sell the property to White wholesale clothier Henry Lutz. Lutz – in on Pace's plan – then immediately sold the property to Edward and Aeolian Parrish, Whites related to Pace by marriage. The Parrishes purchased the home using a mortgage from Supreme Liberty Life Insurance. The Parrishes then sold the property to Pace himself. Pace moved in without serious trouble, and this success gave him and Burke the confidence to try moving deeper into Woodlawn. This time they sought a home for real estate broker and civil rights activist Carl Hansberry. Again, Burke facilitated the sale of a house on Rhodes Avenue from the pro-covenant First National Bank of Englewood to another White accomplice, Jay B. Crook, who immediately sold it to Hansberry. (Both Burke and Crook received nice commissions on the sale.) Once the Hansberry family moved in, the WPOL realized the game and launched a legal suit and harassment campaign against them. Pace and Hansberry expected this response, hoping it would lead to a landmark legal case overthrowing restrictive covenants. Hansberry discussed the situation with the *Chicago Defender*, finding time to note that Woodlawn's property owners hurt themselves by restricting the neighborhood.

> From the standpoint of the White people, [restrictive covenants] defeat the purpose for which they are initiated. Instead of maintaining property values which is the stock reason for them, whenever the test comes, they actually operate to lower property values, and the result is, that the owners of the property covered by the covenants which comes within close proximity to the predominate colored area, find themselves with property on their hands which is no longer desirable to the better paying class of Whites, and because of the covenants, they are not available to the colored occupants. This condition depreciates the values of the property, as well as a decrease in the income, and it therefore can be seen that the persons entering into the covenants become the victim of housing shortage because of it.[45]

[45] For more on the details of Pace and Hansberry's method of challenging the WPOA, see Paul Slade's *Black Swan Blues: the Hard Rise and Brutal Fall of America's First Black-Owned Record Company* (Paul Slade: 2021), "Chapter 18: Hansberry v Lee"; see also Allen R. Kamp, "The History behind Hansberry v. Lee," *U.C. Davis L.*

The WPOL sued them as expected, and the case began making its way through the system. A local court tentatively ruled against Hansberry, a decision upheld by Republican Judge Michael Feinberg on the Circuit Court. Feinberg caused a scandal when he concluded his decision by adding "I do not go where I am not wanted," plainly blaming Black buyers for the controversy. The *Chicago Defender* wondered how a Jewish man, who should have understood the destructiveness of racial prejudice, could rule with such bias, particularly in light of the news coming out of Europe. "Would he tell a Jew that he should not go where he was not wanted? Would he advise the Jews of Germany and Poland to establish their homes elsewhere?... If any people in the world know the horror of a ghetto, it is the Jews." Former Congressman Oscar DePriest and former Senator William E. King publicly accused Feinberg of judicial prejudice and campaigned to have him dropped from the county's coalition ticket of judgeships. (The Republicans dropped him, although the Democratic committee reinstated him.)[46]

Judge Feinberg scrambled to make statements assuring the public that prejudice did not motivate his decisions, shielding himself by referencing his race, humble origins, and cases involving Black people where he had ruled fairly. "The remark that I made, as I see it now, is unfortunate," he allowed, "but it was certainly not intended to show a prejudicial attitude… In the Hansberry case I decided the issue on the law…" However, the *Defender* believed that Feinberg may have felt pressure from specific institutional backers:

Rev. No. 481 (1987); Hansberry, Carl, "Realtor Tells His Role in Covenant Case," *Chicago Defender*, November 23, 1940, 9.

[46] "Building Ghettos," *Chicago Defender*, October 2, 1937, 16.

> Judge Feinberg seems to have the moral, if not the active support of the University of Chicago. It is well known in Woodlawn that this university is the motive power behind the Restrictive Covenants. In fact, many of the real estate owners in that area refer to the Restrictive Covenants as "the University of Chicago Agreement to get rid of Negroes."… It is indeed a queer combination, a Jewish judge and liberal university dedicating themselves to the purpose of maintaining a Black ghetto.[47]

The case progressed to the Illinois Supreme Court in *Lee vs. Hansberry* in 1939. Burke testified both that the restrictive covenant's signatures contained fraud and that *Burke vs. Kleiman* had been a sham trial meant to paper over the document's flaws. The defense team, led by Black civil rights activist and later Chicago alderman Earl B. Dickerson, supplied quantitative evidence to back up Burke's admissions. The team's junior partner, the young Truman K. Gibson, analyzed the relevant documents for a year and a half as he recalled in 2005:

> Poring over legal descriptions of the property in the stacks at the law library, I transcribed, in my bad handwriting, the characteristics and boundaries of the plots in the subdivision. Then at the recorder's office, I hunted up the deeds to the properties and compared the signatures on them to those on the covenant. It was a laborious, tiresome, boring task. Squinting to make out the signature was hard on my eyes; days hunched over property records left my back aching, and copying reams of legal papers cramped my hand. But… the payoff was big. My long hours revealed that only 54 percent of the property owners had actually signed the covenant. During the trial in circuit court, I spent almost ten days on the witness stand explaining my research, going over individual pieces of property to show that I had the goods on them.

The court also heard testimony from Israel Katz. Katz had signed the covenant in 1928, but likely had not understood its meaning. Katz, a furniture dealer who had emigrated with his wife Helen from their native Austria in 1913, primarily spoke Yiddish when he arrived in Chicago. (The 1920 census lists his native tongue as "Jewish.") Between the testimony and research,

[47] "'No Prejudice Against Race,' Says Feinberg," *Chicago Defender*, April 29, 1939, 23.

Dickerson's team should have easily convinced Circuit Court Judge George W. Bristow to declare the restrictive covenant invalid.[48]

Judge George Bristow, however, a Republican and future justice on the Illinois Supreme Court, ruled for the plaintiffs in *Lee vs. Hansberry* on October 10, 1939. He admitted that the WPOA had only collected signatures from owners of 54 percent of the property, but he declared the question of the covenant's viability a decided issue, *res judica*, based on the decision in *Burke vs. Kleiman*. Even if the WPOA had acquired its covenant by fraud, Bristow argued in his decision, one of the defendants, James J. Burke, had taken part in said fraud by creating the dummy case in the first place.

> Now… we have this same villain, Burke, falls out with the Association he created, that he had lived off for years, and undertakes to say that he is the breathing, inspiring force behind the agreement in its conception, in its origination and beginning, and he was the principal force in bringing it about and in bringing about the lawsuit that he thought sustained its validity. Then we have him getting mad at these people and saying, "Now, I am going to bust it up."

Although the court allowed Carl Hansberry's opposition to the covenant may have had some validity, "the evil half of Burke" invalidated the defense's entire case. Bristow called out Burke's fraud, machinations, hypocrisy, and litigious belligerence in his treatment of fellow property owners.

> Burke is not in a Court of equity with clean hands. He committed a fraud when he brought his lawsuit, and he is just the same sort of wrong-doer and evil minded person when he threatened and did carry out his threats that he was going to see that colored people were allowed to purchase property in this area.

[48] Gibson, 45; Israel Katz: *1930*; Census Place: *Chicago, Cook, Illinois*; Page: *2A*; Enumeration District: *0216*; FHL microfilm: *2340158*.

Burke's past misdeeds cost Carl Hansberry dearly. Although Dickerson's team appealed the case, the Illinois Supreme Court affirmed Judge Bristow's decision, ordering Hansberry to vacate his home while the case made its way to the Supreme Court of the United States, a hardship and expense added to the many stresses the case had already brought the family.[49]

Less than a year later, however, the Supreme Court struck down Woodlawn's covenant in *Hansberry vs. Lee* (1940). They found that Judge Bristow had violated Hansberry and Katz' right to due process when he ruled that a previous case – where Hansberry and Katz had not been litigants – had made the covenant's validity *Res judica*. While *Hansberry vs. Lee* did not outright declare racially restrictive covenants unconstitutional – that ruling came with *Stanley vs. Kraemer* in 1948 – it did make such covenants more difficult to enforce, as plaintiffs would have to prove in court that covenants had actually collected the required number of signatures. According to Gibson – very gratified his 18 months of mind-numbing research had not been in vain – "It meant that each challenge to the covenant, that each contested sale of a home, had to be litigated individually – a stipulation that made it economically impossible to defend the Washington Park subdivision contracts."[50]

Segregation Evolves

Sadly, the Hansberry family benefited little from their sacrifices. They only lived in their Woodlawn home for a few years before Nannie Hansberry, who endured crushing stress during the whole ordeal, passed away. Carl Hansberry, bitter at seeing the neighborhood become an

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[49] George Bristow, "Decision of the Court Filed June 17, 1938," *Transcript of Record: Supreme Court of the United States, October Term, 1940, No. 29*, (Washington, D.C.: Judd & Detweiler, 1940), 192.

[50] Gibson, 51.

extension of the ghetto rather than an escape from it, moved to Mexico. Their daughter, Lorraine Hansberry, reflected on the pyrrhic victory in a letter to the New York Times in 1964:

> The fact that my father and the NAACP "won" a Supreme Court decision, in a now famous case which bears his name in the lawbooks, is – ironically – the sort of "progress" our satisfied friends allude to when they presume to deride the more radical means of struggle. The cost, in emotional turmoil, time and money, which led to my father's early death as a permanently embittered exile in a foreign country when he saw that after such sacrificial efforts the Negroes of Chicago were as ghetto-locked as ever, does not seem to figure in their calculations.

James Joseph Burke disappeared from the historical record, likely going deeper into retirement after moving to a more affordable home with his family. The contrast between the outcomes for Burke and Hansberry highlight an unfortunate historical pattern: African Americans have paid the greater costs – in victory or defeat – during their struggle against White supremacy and for their equal rights, even absorbing the cost of mistakes made by Whites on their side.[51]

The decision in *Hansberry vs. Lee* had merely made racially-restrictive covenants harder to enforce – rather than declaring them unconstitutional. Some Woodlawn Whites hoped that they could still use the covenants to force covenant-breakers to pay damages even if they could not expel the Black tenants, but the courts quickly clarified that this also violated the seller's constitutional rights. Others tried to achieve the same effect without the need for judicial enforcement. Following the *Hansberry* decision in 1948, part of the WPOL splintered off and pushed for the creation of the Woodlawn Conservation Corporation, where members would sign option agreements entitling either individual members or the corporation itself to purchase any member's home up to 30 days after any sale for a markup of two percent (up to $500). The

[51] Hansberry, 51.

corporation could thus reverse any sale to persons it deemed undesirable. This plan, however, failed to find backers. By this time, Black families had already begun moving in, and owners proved unwilling to limit their potential customer pool, and besides, Black families made such high offers for housing that the corporation or its members would financially lose on any preventative purchase.[52]

News stories on the topic from the mid-1940s reveal that the association's spirit had broken; most had lost faith in a neighborhood association's ability to win the fight, while others in the neighborhood – particularly younger Whites – began to oppose racial segregation on principle. This split showed clearly in 1945, when the U. S. Army built barracks in a nearby public park to house Black members of the Women's Auxiliary Corp assigned to a local hospital. The WPOA (having at some point reverted to its earlier name) joined Hyde Park segregationists to protest this project. The associations sent their written grievances to Secretary of War Henry L. Stimson.

> The presence of Negro women would mean that Negro men would come calling, thus depreciating property values; The assignment is part of a plan on the part of a few agitators to impose Negroes upon Whites in a White community; The colored WAC's would attempt to use public recreational facilities, introducing "undesirable" persons; White soldiers did not wish to be administered to by Negro medical technicians.

However, other Woodlawn residents felt deep embarrassment at this reactionary display of prejudice. The Chicago Council Against Racial and Religious Discrimination held a meeting at the local Unitarian church, where a crowd of 300 from Hyde Park and Woodlawn unanimously

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[52] Zorita Mikva, "The Neighborhood Improvement Association: A Counter-Force to the Expansion of Chicago's Negro Population," PhD dissertation, (The University of Chicago, 1951), 13.

voted to embrace the Black servicewomen, forming a plan to personally welcome them to the community.[53]

The area's protective societies had already lost HOLC's confidence that they could keep their neighborhood White, particularly as the once-vaunted restrictive covenants grew less enforceable. HOLC surveyors expressed this clearly in their area descriptions from 1940:

> An organization known as the Hyde-Park-Kenwood Protective Organization is endeavoring to keep that section south of 35th to Pershing, east of Cottage Grove (which is restricted) White; but, with at least 25 colored families already in, White people hesitate to buy or rent – colored people will… It is believed that, unless various real estate protective associations are strong enough to restrict the colored people, ultimately they will spread over that territory.

The HOLC had conducted a lot of loan business in Woodlawn during its lending phase. In 1940, the HOLC and RFC held 11.5 percent of all mortgages in the neighborhood, almost as much as held by all private savings and loan associations combined. Such was their investment in the community that they assisted the Chicago Planning Commission, Associated Clubs of Woodlawn, and the University of Chicago in publishing a neighborhood conservation program – "the Woodlawn Plan" – in 1946. The report's authors believed that Woodlawn reflected problems in many older areas of Chicago which suffered from aging but did not need a complete overhaul in the manner of the blighted districts. The ambitious plan called for improvements to playgrounds, parking, and service facilities. However, the HOLC and the university intentionally excluded the Washington Park Subdivision west of the restricted areas to cut Black residents out of the program. In the report's history of the neighborhood, the property owners'

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[53] "Housing: Chicago, Illinois," *A Monthly Summary of Events and Trends in Race Relations,* July 1945, Vol. 2, No. 12, 353.

association again appears sanitized of its racist purpose, described merely as "for the protection of residential… real estate," with no mention of race whatsoever. The beautifying neighborhood conservation plan the HOLC and University of Chicago crafted with such enthusiasm never materialized. Although no written source directly confirms a reason, one cannot escape the conclusion that the White power structure considered such wholesome environs too costly for the incoming, non-White population.[54]

In the end, Whites left, unwilling to live with Black neighbors. The population of Woodlawn changed from roughly 47,000 Whites in 1930 to 51,700 Black residents and a bit over 8,000 Whites in 1960. This increase occurred amid a near total absence of any new residential construction, leading to the community living in the same kinds of overcrowded, crumbling infrastructure their parents had escaped from the west. Woodlawn had not integrated Black people into its community; rather, it had largely dismantled the community and left the husk to become part of the expanding – but not so much improving – Black Belt. The history of Woodlawn demonstrates the pattern identified by Arnold Hirsch: "More than a simple legacy of the past, the contemporary ghetto appeared a dynamic institution that was continually being renewed, reinforced, and reshaped."[55]

White property owners fought for racial segregation in Woodlawn throughout the Great Depression with the quiet but firm support of the University of Chicago and at least the tacit

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[54] Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., "Mapping Inequality," American Panorama, ed. Robert K. Nelson and Edward L. Ayers, accessed May 1, 2022, https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58, Chicago area D74; *A Program for Community Conservation in Chicago and an Example "The Woodlawn Plan,"* (Chicago: Chicago Planning Commission, 1946) 6, 24, 29; Lindstrom, 24.

[55] Leon M. Despres, "Woodlawn Problem History Cited," *The Daily Maroon*, October 13, 1961, 9-10; Hirsch, xvi.

approval of the Home Owners' Loan Corporation. Through the auspices of the Woodlawn Property Owners' Association (later Woodlawn Property Owners' League), they employed restrictive covenants, school zoning, and New Deal funding to prevent Black Chicagoans from escaping the crowded blight of the Black Belt into their neighborhood – despite the fact that Woodlawn then suffered from a real estate slump due to rampant vacancies. By analyzing the property owners' fight against integration through the lens of the *Woodlawn Booster* – the community newspaper and WPOA mouthpiece – one finds a movement full of contradictions. The Woodlawn segregationists portrayed their goals as market-based, when in fact restrictive covenants harmed property owners financially. They cast their goals as popular, despite needing to use fraud, bribery, and coercion to enact their restrictive covenant. They feigned noble motives and benevolence towards their Black neighbors, all the while ignoring or minimizing the terrible harm their cause exacerbated. Their allegedly-local fight required vast amounts of external, corporate support. Finally, when this paradox-laden attempt to keep Woodlawn White failed, all these supposedly pro-community forces – including the HOLC – abandoned the neighborhood, allowing it to fall prey to the same issues of over-crowding and under-funding that had plagued the Black Belt.

CONCLUSION

The Home Owners' Loan Corporation (HOLC) finished its survey of Chicago in 1940, sending its *Metropolitan Chicago* report to dozens of federal, state, municipal, and private actors. In the report, HOLC analyst Donald W. Mayborn lamented the threat of racial integration to White Chicagoans' property values and encouraged the use of restrictive covenants. Meanwhile, just outside the metropolis, a new vision of America began rising on the Illinois prairie. In August 1941, *Architectural Forum* featured an effusive article about Inverness, a picturesque subdivision in the northwest Chicago suburbs. The large homes on "generously proportioned" lots attracted the "well-to-doers" of Chicago and its North Shore suburbs.

> On the average, they are 36-year-old junior executives, have a wife and one child, earn $6,000 a year, work five days a week in Chicago, spend the other two days puttering around their junior estates, playing golf or relaxing on their screened porches - of which each Inverness house has at least one.[1]

These puttering professionals put up with longer distances from the city in exchange for lower real estate tax rates - sometimes less than half those of Chicago and some of its closer suburbs. Early entries into the development received an even better deal, as the subdivider sold a few homes at or below cost to generate interest in Inverness. While developers built some opulent dwellings for the very wealthy, other models fell into the price-range of more middling professionals. Furthermore, the Federal Housing Administration (FHA) financed three-fifths of the mortgages, lowering the necessary down payments for buyers. In many ways, the Inverness

[1] "Searchlights for Lenders," *Architectural Forum*, Vol. 68. No. 2, February 1938, 179-180, 46.

development represented the federal government's growing mid-century investment in suburban homeownership, what many later called the American Dream.[2]

The new community centered around the Inverness Golf Club, owned by the building company which gave automatic membership to residents. "Needless to say," the *Forum* noted, "a family admitted to the subdivision would also pass the club's eligibility requirements." The community's deed restrictions served as the tool for such screening. The *Forum* identified ten restrictions placed on every Inverness lot to "serve as an attraction for new home seekers as well as a protection for existing residents." The last of these "protections" - placed at the very end of article - firmly states, "No lot may be sold to or occupied by anyone who is not a Caucasian - domestic servants excepted." Just as the HOLC finished its surveys discouraging White institutions from lending to Black families or integrating communities in Chicago, the FHA supported the growth of new suburbs, pitched as the domains of successful professionals, with attractive, modern homes that Black citizens could clean but not own or rent. Black mothers could visit Inverness to nanny the White children who grew up there, who would inherit the rapidly appreciating properties, but the White majority barred these mothers from investing in such homes to pass on to their own children. Indeed, at this time Blacks and working-class Whites considered themselves lucky to find housing at all. By 1941, war mobilization had exacerbated an already serious housing shortage (the Inverness developers themselves faced slow deliveries and high prices for construction material), and Inverness's restrictions meant that

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[2] Ibid.

Black professionals living in Chicago's overcrowded Black Belt found themselves cut off from the already very limited new construction.[3]

Federal Housing Administration policy replicated this system across the nation. Rarely did the FHA guarantee any mortgages for Black homeowners or for Whites who might rent to them. Black buyers that managed to find homes in the suburbs had to pay higher down payments and interest rates since their mortgages lacked federal insurance. Developers who built for Black communities lacked the access to federal resources and so constructed lower quality houses. When the HOLC and FHA repossessed homes in predominantly White areas through foreclosure, they deliberately sold such properties using realtors that would not rent or sell to Black families. Much as the HOLC had, the FHA gave higher appraisals to properties featuring racially-exclusive covenants, making racial segregation the seemingly rational and state-approved investment decision. In 1948, the Supreme Court's *Shelley V. Kraemer* decision declared such covenants unenforceable, but the FHA persisted in undermining the ruling until 1962 when the Kennedy Administration insisted they comply.[4]

The 1940s and 1950s should have presented Blacks an opportunity to close the racial wealth gap. Many made comparable wages to Whites while working in the defense and automobile industries, a key pull-factor in the Great Migration. Instead, because of White prejudice codified into national real estate policy by the HOLC, the majority of Black Americans either continued renting in impoverished areas or attempted the outrageously risky and expensive

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[3] Ibid.

[4] Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America*, 65, 67, 69, 73-74, 81, 83.

contract-buying method. They lost the chance to invest in the government-subsidized generational wealth that undergirded White prosperity in the late twentieth century and beyond. In 2020, the Brookings Institute found that the average Black family possessed a mere tenth of the wealth of the average White family. This wealth gap persists even when comparing those making the same income, meaning that personal inheritance and systemic advantages for Whites account for the divergence better than reactionary explanations involving allegedly inferior Black culture.[5]

The federal government's redlining of Chicago planted poisoned seeds that continue to bear toxic fruit even to the present day. In July 2022, Cook County Treasurer Maria Pappas released a report analyzing the 14,085 tax-delinquent properties offered in the county's 2022 Scavenger Sale auctions that lay within the bounds of the 1940 HOLC map. Most of these properties – "vast swaths of vacant lots, abandoned homes and boarded-up businesses" – had been redlined by the HOLC, with 95 percent of these properties concentrated in Black and Latino communities. In these results, Chicago resembles the national trends found in a 2020 working paper for the Federal Reserve which found that neighborhoods rated poorly by the HOLC "experienced worse housing market outcomes with respect to homeownership, house values, rents, and vacancy rates over subsequent decades," likely due to "significant and persistent housing disinvestment in the wake of restricted credit access." This disinvestment has shaped environmental inequalities as well. Researchers have found that HOLC-redlined neighborhoods

[5] Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay Shambaugh, "Examining the Black-White Wealth Gap," *The Brookings Institute*, February 27, 2022. https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/, accessed July 5, 2022; for a history of Black Chicagoans experiencing theft through the contract-selling system, see Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America* (New York: Metropolitan Books, 2009).

today feature less tree-canopy coverage and higher amounts of airborne carcinogens and respiratory health hazards than higher-rated areas. These inequities translate into reduced quality of life, poorer health outcomes, and increased economic costs.[6]

This study of the HOLC in Chicago demonstrates the contradictory nature of New Deal progressivism. Chapter 1 noted the Roosevelt Administration's bold willingness to intervene in the free market to improve the lives of homeowners and rescue the floundering mortgage industry, while Chicago's local Democratic Party, through the Nash-Kelly political machine, nearly ruined the project for the entire state by forcing in unscrupulous and incompetent officers and staff. Following a period of reform, the agency disbursed 69,895 loans in Illinois, and 60,931 of the borrowers – 87 percent – managed to make their payments and keep their homes despite the ongoing severity of the Depression. Additionally, the HOLC's new, long-term, low-interest, fully-amortizing loans became the industry standard, making home ownership available to more Americans than ever before. The program's rather remarkable success indicated that the national state successfully intervened to reform and stabilize an industry within the free market, assisting consumers while neither destroying the market nor costing taxpayers very much in the long term. The federal government, however, needed to listen to citizens who complained about

[6]Maria Pappas, "Maps of Inequality: From Redlining to Urban Decay and the Black Exodus," Report from Cook County Treasurer's Office, July 2022, https://www.cookcountytreasurer.com/pdfs/scavengersalestudy/2022scavengersalestudy.pdf, accessed July 24, 2022; Daniel Aaronson, Daniel Hartley, and Bhashkar Mazumder, "The Effects of the 1930s HOLC "Redlining Maps," Working Paper for the Federal Reserve Bank of Chicago, Revised August 2020, https://www.chicagofed.org/publications/working-papers/2017/wp2017-12, accessed July 24, 2022; S. Namin, W. Xu, Y, Zhou, and K. Beyer, "The Legacy of the Home Owners' Loan Corporation and the Political Ecology of Urban Trees and Air Pollution in the United States," *Social Science and Medicine*, Vol. 246, (2020): 112758.

irregularities and provide careful oversight over state and regional offices to remove the favoritism, graft, and fraud.[7]

Chapter 2 demonstrated how thousands of Chicagoans applying for assistance from the HOLC, including many veterans, widows, immigrants, and those with disabilities, were rejected due to the agency's intentionally narrow application window and limited scope. These struggling individuals reached out to President Franklin Roosevelt, personally asking him to intervene on their behalf based on their status as Americans, their service to the country or the Democratic Party, or simply the extreme desperation their families experienced. Many voiced frustration and anger at the HOLC, but the vast majority expressed their belief that the president cared deeply about their personal cases. Roosevelt sampled such letters in order to take the pulse of the nation. They may have proved influencial: he received many letters asking for the HOLC funding to be extended just before he promoted the expansion to Congress over the recommendation of his advisors. Most of the letters, however, moved rather perfunctorily through a well-meaning but thoroughly swamped bureaucracy. The majority of these appeals received form letters from the HOLC headquarters in Washington, D.C., confirming the denial of a loan application or beginning of a foreclosure. Given the success and relatively low cost of the program, Congress could have given the HOLC more generous standards for judging applications and helped even more of those most at risk of losing their homes.

The remainder of this study addresses the Chicago HOLC's relationship with racial residential segregation. Chapter 3 reveals the social and intellectual forces that laid the

[7] *Final Report to the Congress of the United States Relating to the Home Owners' Loan Corporation, 1933-1951*, (Federal Home Loan Bank Board: Washington, D.C., 1952), Schedule 7.

groundwork for the Chicago HOLC's redlining maps. White Chicagoans following the 1919 Race Riot openly considered racial zoning as a solution to the tensions that had exploded into violence, not accepting that Black Chicagoans' confinement to the impoverished and overcrowded ghettos had laid the groundwork for the violence in the first place. The nation's leading real estate economists, based in Chicago institutions like the National Association of Real Estate Boards and the American Institute of Real Estate Appraisers, influenced both local banks and New Deal officials with their teaching that racial integration automatically harmed property values. They developed and promoted the use of the racially-restrictive covenants that the HOLC and FHA later endorsed as government policy. University of Chicago sociologists Robert Park, Ernest Burgess, and Harvey Zorbaugh taught that the disparities seen in society – and in the city particularly – arose from the natural stages of urban and cultural evolution rather than the intentional acceptance by elites of the systemic inequalities that benefited them at the expense of Black and immigrant communities. Zita Louise Baker's reporting for the *Chicago Defender* in the late 1920s revealed the extensive refusal by White bankers, realtors, and hotel managers to serve Black clients. Unlike in the South, where Black customers could at least know ahead of time where they would find themselves unwelcome, Chicago's segregated businesses operated with unwritten rules and alibis to discriminate while avoiding the distasteful façade of Jim Crow. Finally, the Chicago HOLC interviewed bankers who openly expressed prejudice towards a wide range of non-Anglo-Saxon ethnicities, attitudes which filtered into the agency's residential security maps and surveys.

Chapter 4 analyzes these surveys. Every HOLC neighborhood survey form featured a space where the field agent could note "detrimental influences," factors in a neighborhood which lowered property values or otherwise rendered the area an investment risk. The HOLC included some reasonable factors under this category, such as the proximity of loud, noxious industry or a lack of amenities or utilities. They showed the most obsession, however, regarding the race, ethnicity, or immigration status of a community's inhabitants and the chance that said neighborhood would experience racial integration. Many attractive areas with good utilities, schools, churches, and transportation received C or D ratings – markers warning lending institutions to avoid the neighborhoods – simply because the inhabitants were Black, Jewish, or Italian. The HOLC surveyors frequently referred to Native-born Whites with Northern European ancestry simply as "American," while classifying some second- and third-generation Southern and Eastern European immigrant communities as "Foreign." White neighborhoods usually received a bonus for carrying racially-restrictive covenants, although such areas might still earn a D rating despite the covenants if racial integration appeared inevitable due to their proximity to the Black Belt. Rarely, the HOLC agent might bestow an A or B rating on a section with one or two Black residents, but only if the agent felt very confident no more "encroachment" appeared likely.

Chapter 5 chronicles how White property owners, real estate thinkers, and academics cooperated – with the tacit support from the HOLC – to prevent racial integration in the South Side neighborhood of Woodlawn in the 1930s. Alarmed by the threat of integration, the Woodlawn Property Owners Association filed one of the first racially-restrictive covenants in Chicago in 1928. The Depression wrecked the rental market, however, and some property owners began violating the covenant, taking on Black tenants willing to pay well to escape the ghetto. In 1934, James J. Burke, struggling to pay off his HOLC loan, orchestrated a takeover of the WPOA to become its salaried president. He convinced the Chicago School Board to redistrict one school and build another one to protect segregation. He brought on the local paper, *The Woodlawn Booster*, to be the local segregationist organ and garnered financial support from the University of Chicago, itself wishing to limit "encroachment" into its properties in Hyde Park. The WPOA used these funds to prosecute covenant-breakers and evict Black families in the middle of the Chicago winter. Feeling assured of victory, Burke began petitioning for New Deal funds to improve the neighborhoods; soon the HOLC helped create a neighborhood conservation plan to improve the neighborhood – excluding the integrated Washington Park sub-division of Woodlawn that the HOLC had redlined in its maps. When Black realtors Harry Pace and Carl Hansberry created a case challenging the covenant, however, their legal team proved that the WPOA had never collected the necessary number of signatures, while many of the signatures they had acquired were through fraud or manipulation. In *Hansberry v. Lee* (1940) the Supreme Court ruled that defendants could challenge the validity of these covenants and the Woodlawn covenant became entirely unenforceable. Instead of giving up on segregation, however, most of the Woodlawn Whites left the neighborhood they had insisted was theirs. As Blacks moved in, the HOLC also gave up on its planned conservation project.[8]

Scholars have debated the effect of the HOLC on urban racial segregation. Historian Kenneth T. Jackson renewed interest in the agency's redlining maps in the 1980s, with many historians, journalists, and activists citing his work and blaming the HOLC for establishing the system later used by the FHA. Contemporary urban studies scholars like Charles Abrams never

[8] *A Program for Community Conservation in Chicago and an Example "The Woodlawn Plan,"* (Chicago: Chicago Planning Commission, 1946), 6, 24, 29.

made this connection, and investigations in the 2000s and beyond have concluded that the FHA had already discriminated before the HOLC even conducted its city surveys. Some doubt whether FHA officials even had access to the now-infamous maps.[9]

One should not, however, overlook ways that local HOLC offices influenced real estate practice apart from the redlining maps. As discussed at the end of Chapter 4, HOLC analyst Donald Mayborn produced the *Metropolitan Chicago* report that summarized the neighborhood security survey. Mayborn portrayed the expansion of the Black Belt and the encroachment of other ethnic concentrations into native White areas as drivers of blight and among the greatest threats to property values in the city. The report fatalistically suggested that only zoning that effectively prevented racial integration could prevent the decline in White home values. The Chicago HOLC shared copies of that report with more than 90 governmental, educational, and private business actors who enthusiastically received them. The report therefore impacted real estate opinions in the Chicago metropolitan region. Even if the report merely reinforced preexisting racist attitudes – the Chicago HOLC interviewed local realtors for the report – it still signaled to real estate professionals and influential institutions that the government shared those views.

The HOLC's lending program represented a monumental achievement of the New Deal, providing relief to both lenders and borrowers and improving the structure of mortgages for homeowners. The government agents at the HOLC, however, worked under a heady cocktail of

[9] Kenneth T. Jackson, "Race, Ethnicity, and Real Estate Appraisal: The Home Owners Loan Corporation and the Federal Housing Administration," *Journal of Urban History*, Vol. 6 (1980): 419-452; Charles Abrams, *Forbidden Neighbors: a Study of Prejudice in Housing*. New York: Harper & Brothers, 1955; for a summary of this debate in the literature on the HOLC, see the Introduction.

detrimental influences. The early Chicago HOLC leadership, appointed by the Nash-Kelly political machine, nearly ruined the HOLC in the entire state through incompetence, graft, and nepotism. The requirements of HOLC policy, overly concerned with staying revenue neutral, denied aid to many of the most vulnerable in Chicago. Perhaps most disastrously, the HOLC surveyors accepted uncritically the racist attitudes and practices of Chicago's real estate elite, promoting the exclusion of Black Americans from federal subsidies that would help Whites build generational wealth through home ownership. These detrimental influences aggravated, expanded, and institutionalized the racial segregation and wealth inequality that have marked Chicago to this very day.

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