

# Discrimination in the Housing Market

## OVERVIEW

After World War II, millions of Americans were able to buy homes for the first time thanks to a new federal housing agency, the G.I. Bill, and more favorable lending terms. But IPR political scientist **Chloe Thurston** shows this opportunity was not the same for all. In *At the Boundaries of Homeownership* (2018, Cambridge University Press), she reveals how lenders used discriminatory practices to deny racial minorities and women the chance to own a home from the 1930s on. She traces how African Americans and women mobilized to challenge their exclusion from the housing market and the persistent effects of discriminatory practices.

## FINDINGS

**The Federal Housing Authority (FHA) and G.I. Bill paved the way for millions of Americans to buy a home for the first time.** Prior to their existence, mortgage requirements were draconian. Lenders typically required a 50% down payment, with repayment terms ranging from 2 to 12 years. This put home ownership out of reach for most. Creation of the FHA in 1934 and the G.I. Bill's passage in 1944 increased eligibility. They established the 30-year mortgage as the industry standard and reduced the amount needed for a down payment to between 20% and 30%. This boosted the number of home-owning Americans dramatically over the next decades.

## POLICY TAKEAWAYS

- Practices and policies from the 1930s institutionalized lending discrimination.
- Practices such as redlining and discounting income shut out women and Black Americans and were embedded in government policies that denied them homes.
- Advocacy groups like NOW and the NAACP played key roles in revealing and redressing the government's role in housing discrimination.

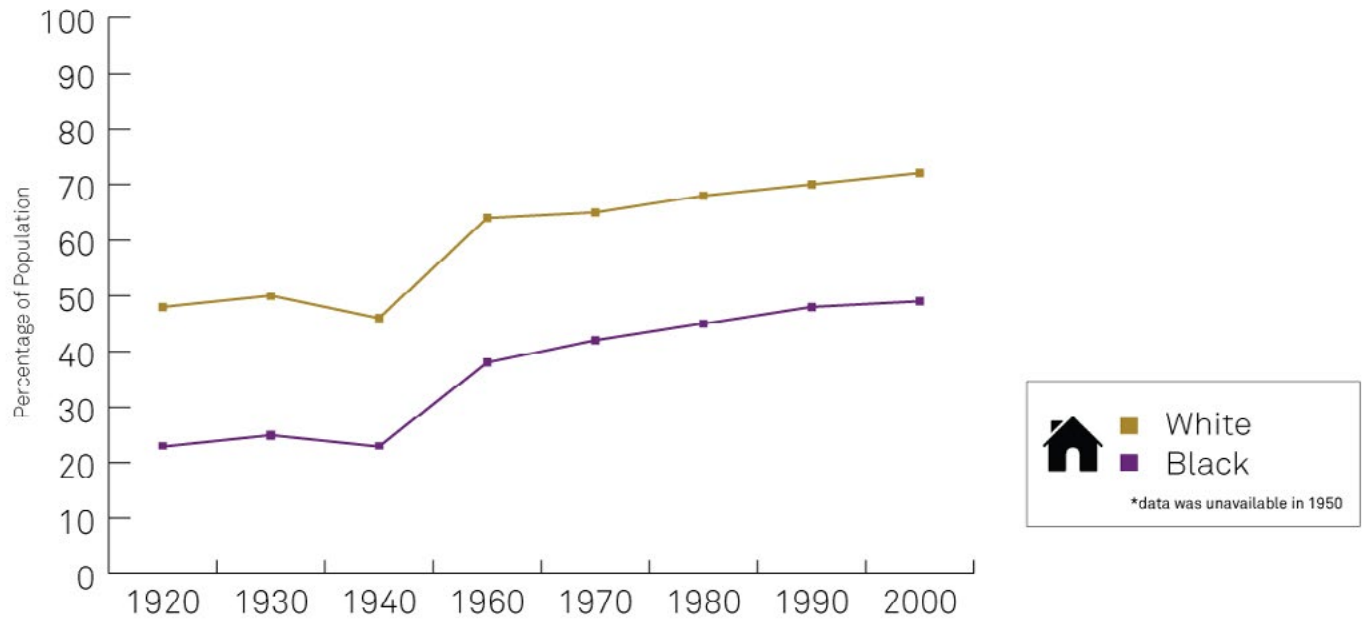


IPR political scientist **Chloe Thurston** studies the development of social and economic policies, interest groups and social movements, and institutional change.

**Homeownership, however, did not increase equally for all, due to discriminatory government policies that favored White men.** Such policies shut out Black Americans from home loans. Government underwriters recommended restrictive covenants to prevent owners from selling to racial and religious minorities. The underwriters also systematically denied them loans, through practices like redlining that mapped the locations of minority neighborhoods, allowing banks to refuse them services. The NAACP fought back against these discriminatory policies, winning a 1948 Supreme Court case (*Shelley v. Kraemer*) against restrictive covenants, as well as getting the FHA to remove explicit racist references from its manual that established lending eligibility.

**In addition to Black Americans, women were also denied loans.** Single, divorced, and even married women were seen as unreliable borrowers, despite contributing substantially to their family's finances. In extreme cases, women were asked to sign affidavits, saying they would not get pregnant and continue working. Organizations like the National Organization of Women (NOW) took up the cause of gender discrimination in mortgage lending. They also worked with women's magazines to raise awareness and to conduct surveys to prove it occurred, as well as testifying before lawmakers.

## U.S. Homeownership Rates Between 1920 and 2000



**Between 1920 and 2000, the gap in homeownership between White and Black Americans remained nearly the same.**

### METHODOLOGY

Thurston conducted research in various and numerous primary sources. Federal documents include the presidential papers of Franklin D. Roosevelt and Lyndon B. Johnson, FHA records from 1931–65, and hearings by Senate and House committees on banking and currency, agriculture, the judiciary, and financial services from the 1930s into the 21st century. She also delved into the archives of citizen advocacy organizations such as the NAACP, NOW, the National Council for Negro Women, and the Women’s Equity Action League, as well as the papers of prominent activists, including Ruth Bader Ginsburg, who would go on to become a Supreme Court Justice.

### REFERENCES

Thurston, C. 2018. *At the Boundaries of Homeownership: Credit, Discrimination, and the American State*. Cambridge University Press.

### FACTS AND FIGURES

- Though homeowner rates jumped from 44% to 62% over 1940–60 thanks to the standardization of 30-year mortgages, many minorities and women were shut out due to discriminatory government policies.
- The NAACP fought back against discriminatory policies, winning a Supreme Court case, *Shelley v. Kraemer*, against restrictive covenants in 1948. They also convinced the FHA to remove explicit racist references from its underwriting manual.
- In 1974, Congress amended the Fair Housing Act of 1968 to prohibit discrimination on the basis of sex.



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