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The Residual Impact of History: Connecting Residential Segregation, Mortgage Redlining, and the Housing Crisis

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Introduction

The ongoing wave of foreclosures in Sacramento County have placed the area in a state of economic crisis increasing from a record low of 117 in 2005 to 7,494 in 2007 and 17,801 in 2008.[1] The flurry of news articles covering housing problems in Sacramento reported that the region's poorest neighborhoods have been hardest hit by these foreclosures stemming from the current mortgage meltdown. Two neighborhoods in particular have had a more difficult time than others in the region – Oak Park, located a short distance southeast of the central business district, and Del Paso Heights just to the north. Plagued by a rash of abandoned and foreclosed properties, home values in these neighborhoods have plummeted up to 80% of their mid-2006 peak.[2] Many of these properties have remained vacant for over a year causing havoc for local building code inspectors, law enforcement, and residents and add to the growing inventory of homes for sale in the area's depressed real estate market. Investors and contractors sifting through the fallout of the mortgage meltdown are now buying houses for what one reporter notes is "less than the cost of a Honda Accord." [3]

Years of intensive local organizing by community activists and programmatic efforts by the local housing and redevelopment agency have produced increased owner-occupied residency for these neighborhoods. But now, the current wave of foreclosures in Sacramento threatens to strip these neighborhoods of the hard-fought positive gains towards revitalization and stabilization. Confirming the troubling shift from homeowners to investors taking place in these neighborhoods, the local housing agency reported that from August 2007 through July 2008, investors purchased 25 to 50 percent of foreclosed properties in low-income areas.[4]

The high rate of foreclosures in Sacramento, as in other parts of the US, has long been attributed to the use of high-risk subprime loans – home mortgage products with interest rates substantially higher than conventional financing that bring an unusually high yield to lenders and investors. Because these products feature rapidly adjusting interest rates, high origination fees, and short repayment periods that encourage periodic refinancing of debt, borrowers shoulder a heavy financial burden when obtaining a subprime loan. Subprime borrowers are 6 to 9 times more likely to foreclose when compared to borrowers with conventional home loans (Renuart 2004; Schloemer et al. 2006; Girardi et al. 2007).

A review of 2004 loan transaction data for Sacramento reported by mortgage lenders to federal regulators via the Home Mortgage Disclosure Act (HMDA) confirms the concentration of subprime loans in low-income, predominantly non-white neighborhoods. The data show that the number of subprime loans per census tract increases with higher rates of non-white residency. Moreover, the 2004 HMDA data, which represents the year with the highest subprime loan activity in Sacramento, show that non-whites have substantially higher rates of subprime loan usage when compared to whites (Hernandez 2009). As a consequence, the Del Paso Heights and South Sacramento areas have experienced some of the highest foreclosure rates in the state and in the nation (Christie 2007).

The racialized concentration of subprime loan activity in Sacramento is certainly a phenomenon not new to local residents. In 2000, a full six years prior to the onset of the mortgage meltdown, local housing activists organized ‘sit-in’ protests in local branches of the Household Finance Corporation, one of the largest subprime originators in the area at the time. In 2001, the California Reinvestment Coalition (CRC) identified Sacramento as one of the major cities in California experiencing racial and spatial subprime loan concentration. Also during this period, the local chapter of the Association of Community Organizations for Reform Now (ACORN) worked with city council members in drafting a resolution to discourage the city from doing business with any financial organization having ties to those engaged in predatory lending. City officials and business leaders were well aware of how the demographic targeting of non-white neighborhoods by lenders peddling exploitative credit products resulted in dangerous subprime loan concentrations in Sacramento neighborhoods well before the housing crisis of 2007 occurred (Casa 2000; CRC 2001; Jones 2001; ACORN 2005).

Even earlier concentrations of toxic credit products in the area’s non-white neighborhoods were observed by this author as far back as 1995 in his role as a practicing real estate broker when early experiments with exotic loan programs, commonly referred to as “B” and “C” paper, made their way into the local credit market. Loans for borrowers with marginal credit histories were approved with little or no verification of income, assets, or employment. Because such loans were approved without regard to the borrower’s creditworthiness, capacity to repay, or property value (collateral), these unsustainable loans led to a flurry of foreclosures in the late 1990s. The neighborhoods of Del Paso Heights, Oak Park, Meadowview, and the greater South Sacramento suffered the highest foreclosure rates in 1997. Ten years later, these same neighborhoods suffer similar outcomes with the current subprime loan meltdown.[5]

The fact that these neighborhoods, historically populated with Sacramento’s highest concentration of low-income and non-white residents, continually bear the brunt of disparate access to credit and housing suggests a connection between the way we sort who lives in our neighborhoods and the market practices employed in these places. Neighborhoods are not created overnight. Instead, they take form over extended periods of time and reflect a series of social, political and economic decisions by public agencies that ultimately affect how a variety of housing market participants interact with and within a particular space. US cities have a long history of using the racial characteristics of its inhabitants to designate neighborhoods where people can live (Drake and Cayton 1945; Abrams 1955; Jackson 1985; Massey and Denton 1993). As a consequence, the merging of race with federal urban policy triggered a series of institutional mechanisms that denied access to housing and housing credit in a manner that actively separated city residents according to racial categories (Bradford 1979; Jackson 1985; Gotham 2002; Hirsch 2006). Therefore, segregation as a form of social closure took root through local acts of racism and discriminatory government policies that reflected the desire for racially separate housing and community (Dean 1947; Weaver 1948; Hirsch 1983; Haynes 2001; Haynes and Hernandez 2008). This paper argues that the resulting social geography, labeled as racial space (Iglesias 2000), racially defined residential space (Haynes 2001), or racially identifiable space (Ford 1994), continues to impact the manner in which we distribute social goods and organize economic and political action in the American metropolis.

The question that guides this inquiry asks why, following decades of social and civil rights reform, do markets continue to produce racial inequality in the distribution of wealth and other social goods? A more specific question is why, if we consider markets as race neutral, are toxic subprime loans concentrated in Sacramento's predominantly non-white neighborhoods? Explanations for the housing crisis and its outcomes generally center on financial innovation gone awry as a result of weaknesses in regulatory framework. Under-regulated financial practices such as excessive securitization, excessive leverage, underestimating systemic risks, and excessively high ratings of subprime mortgaged backed securities left financial institutions exposed to considerable risk (Spence 2008; Coval et al. 2009). When coupled with a highly inflated housing market (Shiller 2008), the (in)actions of regulators and rating agencies (Zandi 2008), and investor and consumer greed (Muolo and Padilla 2008), increased fragility resulted in the financial system leaving the economy exposed to crisis. The problems are customarily presented as economic complexities somewhat beyond the social environment or as deficiencies on the part of individuals unable to properly manage credit opportunities. Both explanations inexplicably omit the significant impact of race on market dynamics.

But Carruthers and Babb (2000) inform us that important preconditions for market exchange indicate the social nature of markets and how they function though social relations. Rules governing property ownership and the ability to exchange are not natural but instead created by groups of human beings. Moreover, the ability to exchange information regarding property allows us to place a monetary as well as a social value on property. The fact that property exchange comes with rights of ownership for a price indicates the dependency of markets on social actions. Groups establish rules for property exchange and the dissemination of information critical to establishing price and value. When these rules limit access to exchange and guide information that affect pricing, market outcomes become skewed and uneven to the detriment of some groups. The point here is that, in contrast to current explanations for the current mortgage meltdown, economic actions are not disembedded from society and that it is absolutely essential, according to Granovetter and Swedberg (1992), to look at the actual, concrete interactions of individuals and groups when analyzing market activity. This socially oriented view of market organization provides the theoretical window to demonstrate the critical role of race in understanding the continuum of racially disparate market outcomes that culminate in contemporary subprime loan activity.

Blumer (1958) and Memmi (1968) argue that racism is a collective process with dominant group members insisting on differences between racial groups, putting these differences to mythical use, and using these generalized differences to justify aggression, separation, and privilege. This process of defining a racially subordinate group takes hold, according to Blumer and Memmi, with the establishing of a complex highly interactive network that reinforces the abstract image, or racial profile, of subordinate groups. The network operates in the public arena as an authoritative voice in legal and legislative matters and with the media. The resulting organized public denunciation of subordinate groups leads to a social order that establishes a race-based group position as a social norm and a social imperative. The eventual acceptance of these norms encourages new rule-making that provides essential institutional protections for group position while denying privileges to non-group members, a process often referred to as creating the "racial other" (see Bonilla-Silva 2001 for example).

Omi and Winant (1994) view this racializing of group position as an ideological road map that guides social, economic, and political relations through a series of interconnected institutional arrangements to achieve a desired racial formation or configuration. They view racial formation as taking place through inequitable exchange and distribution processes – processes normally associated with markets and their operations. Because markets take form over time, racial formation theory remains appropriate to this discussion for two reasons: first, it considers the actions of individuals, groups, and institutional structures; structure and agency are essential to explaining the nature of racial dynamics. Second, it considers how social goods are organized and distributed along particular racial lines. Two goals of this paper are to show how markets can function to protect group interests and group position and how markets develop and depend on the social infrastructure and culture of groups for direction. As we shall see, the manipulation of market rules via racial directives demonstrates how markets became the vehicle for social exclusion though the use of legal rules and policies - social devices that intervene and consequently naturalize market practices of discrimination.

Through this analytical lens, the connection between residential segregation and contemporary lending practices reveals how exclusionary housing market manipulations over the years produced a racially defined system of financial exclusion and utilized space as means to operationalize racial ideology. The result was a bifurcated housing credit market that left segregated neighborhoods without access to mainstream mortgage lending (Bradford 2008). A spatial connection between law and society took form as judicial actors representing the state issued legal decisions promulgating the construction of racially identifiable space (Delaney 1993). Thus, the history of public policy, private action, and judicial rule-making in the service of racial exclusion reveals the context in which racially identified spaces were created - political fragmentation and economic stratification along racial lines to isolate, disempower, and oppress (Ford 1994). One goal of this study is to explore how socio-cultural directives that identified and assigned locations for residential segregation embedded distinct racial and spatial characteristics into housing market practices creating social and physical geographies vulnerable to market exploitation via predatory lending. The mortgage crisis in Sacramento, therefore, appropriately returns our attention to the presence of racially fragmented, or segregated, residential space.

I use the county of Sacramento, California, an area populated by 1.2 million residents at the time of the 2000 Census, as the site to examine conditions that led to increased subprime loan activity and its concentration in geographies historically organized along racial categories. Sacramento provides a typical example of urban processes such as segregation and sprawl that shaped the social and physical landscapes of cities throughout the US. For this reason, Sacramento provides an opportunity to understand contemporary housing credit markets as part of a larger historical process that takes form socially as well as spatially. Moreover, events in Sacramento reflect how social processes at a national level influenced local narratives of place-making. Accordingly, this case study explores the connection between contemporary housing credit and residential segregation by examining the conditions that led to a massive racial sorting of residents in Sacramento and the formalizing of residential segregation - the essential condition necessary for a racialized concentration of subprime lending to take place.

This paper isolates the use of racially restrictive covenants, mortgage redlining and urban redevelopment as economic and legal devices necessary to operationalize the cultural directives and racial ideology predominant in the US during the formative years of urbanization. The use of these devices illustrate organized exclusionary social actions at the institutional level where formal structures reinforced group desires for racially homogenous residential space. The proactive use of such devices to promote social closure, therefore, calls our attention to the formation of a geopolitical collective process that ties together social boundaries, legal rulemaking, and economic policy into everyday practices of defining racially identifiable space (Ford 1994; Delaney 1998). These exclusionary devices were a key part of a multi-scaled historical process of organizing space in the US - a spatial organization which I argue remains essential to understanding the racial dimensions of contemporary subprime loan activity, the associated rate and location of current mortgage defaults and foreclosures, and the consequences of these local dual credit markets on today's global financial network.

This case study focuses on how the fusion of federal housing policy with multi-scaled private actions shaped segregated space and created the economic and social conditions necessary for future subprime market vulnerability in Sacramento's predominantly non-white neighborhoods. The paper concludes by recommending that fair housing advocacy can benefit from contextualizing predatory lending within the historical record of racialized housing thereby linking economic catastrophes brought on by the subprime mortgage meltdown to past episodes of racially disparate market action. Fair housing advocates can use this evidence to justify improvements to federal mortgage reporting requirements that can lead to more effective monitoring of financial institutions. The improved lender monitoring will aid in demonstrating how the spatially and racially concentrated loss of homeownership seen today represent a continuum of housing discrimination in segregated residential space. In turn, practical and expedited solutions for crisis relief can be targeted to those places and populations most affected by the on-going financial crisis.

From Community Builders to New Deal Financing

One of the earliest signs of organized race restrictions on residency in Sacramento appeared through the use of property deed restrictions on non-white occupancy - restrictions commonly referred to as racially restrictive covenants. As in other US cities, the use of these race covenants in Sacramento began with home builders associated with the local real estate board, which became affiliated with the National Association of Real Estate Boards (NAREB) in 1918.[6] Despite a relatively small non-white population in Sacramento during the early 1920s, local developer J.C. Carly, who also served as the president of the local NAREB affiliate, began using race covenants in new residential subdivisions located just south of the central business district. The city's fairly small non-white population did not pose any major threat of integrating the city's all-white residential neighborhoods, thus calling into question the need for race covenants. The use of distinct racial boundaries by Carly and other local builders therefore more closely reflected the influence of the NAREB on local builders and realtors.[7]

The NAREB, a coalition of local and state real estate associations throughout the US, formed in 1908 (Davies 1958: 59). The organization's agenda was highly influenced by the needs of community builders since most large community developers in the early 1900s headed real estate brokerage firms and were also leaders in their state real estate associations (Weiss 1987: 43). Developers during this time were adamant that building successful communities required strict long-term building restrictions on all lots, established uniform building standards, and non-Caucasian racial exclusion (Monchow 1928: 47; Weiss 1987: 45). Consequently, NAREB adopted an agenda that advocated for strict residential segregation.

Beginning in 1913, NAREB instructed its members not to contribute to race mixing through the sale of property (Meyer 2000: 6). Property owners associations led by members of local real estate boards formed in a number of cities to retroactively place race covenants on homes in established neighborhoods (Drake and Cayton 1945: 178; Vose 1959: 8-9; McKenzie 1994: 71). In California for example, realtors incorporated racially restrictive covenants not only into property deeds but also into the actual purchase agreements (Lincoln 1913: 58). A 1913 edition of California Real Estate Law (Lincoln 1913: 84) contained templates of covenants and purchase contracts for use by realtors with the following clause. "No part of said premises shall be sold, leased, or rented, or suffered to be occupied by as tenants for hire or gratuitously, any persons not of the white or Caucasian race."

During the 1920s, the NAREB, with community builders in leadership roles, actively worked to make residential segregation a priority in residential development (Weiss 1987; McKenzie 1994). The NAREB imposed on their membership a strict code of ethics that forbade realtors from engaging in home sales to non-whites and actively promulgated segregated housing (McMichael 1949: 208). The NAREB sponsored a series of publications on appraisal techniques that, although advanced the financial sophistication of methods used in determining the economic value of real estate, made important references to the essential role of race in property valuation. These publications instructed appraisers that the spillover of blacks into neighborhoods naturally had a decidedly detrimental effect on land values and that recognizing the racial heritage of residents was of paramount importance when calculating land values. Moreover, the literature advocated for rigid segregation to control the potential for race-related declines in property values and instructed that using private restrictions in deeds, leases or agreements may accomplish racial zoning in a manner that would not violate an excluded individual's constitutional rights. [8] One highly influential publication actually provided appraisers with a list described as the ranking of races and nationalities with respect to their beneficial effect upon land values (Hoyt 1933: 316).

The use of race as an important intervening variable in determining property value directed a nationwide network of realtors, community builders, mortgage lenders and appraisers to be race-minded in land development, property exchanges, valuation, and in determining access to housing credit. Consequently, race became an important organizing factor for the real estate industry, its affiliates, and its clients. Exclusionary industry directives signaled to real estate professionals that a positional or "natural" order existed between racial groups and that the order required protection. This protection would soon come via Federal mortgage programs and the creation of the Federal Housing Administration (FHA).

In Sacramento, Carly, along with a number of prominent community builders such as Wright and Kimbrough, followed NAREB directives by placing racial deed restrictions on a number of residential developments throughout the Curtis Park and East Sacramento neighborhoods, thereby creating the city's first legally recognized racial boundaries for residency. By 1928, the use of race covenants became a standard practice expected by both residents and local real estate interests. A story in the local newspaper dated April 13, 1928 commented on how buyers carefully look for deed restrictions on new homes to see if inappropriate building will take place near by. The reporter also noted how buyers actively "looked for a more striking recent restriction, so he [buyer] may be sure what the color and race of his next door neighbor will not be." [9]

Prior to the creation of federal mortgage programs during Roosevelt's New Deal administration, well-to-do individuals constituted the greatest source of mortgage funding in Sacramento. Access to mortgage credit for working class borrowers came through local real estate brokers who, acting on behalf of individual investors, arranged for the majority of residential loans.[10] As a result, obtaining housing credit in the city was contingent upon the screening and sorting of potential borrowers by realtors committed to a national race-based code of ethics to exclude non-whites from property transactions and ownership. By 1927, individuals in Sacramento made an aggregate of $4,000,000 in home loans annually through real estate firms acting as mortgage brokers.[11] Local NAREB affiliates, therefore, played a significant role in determining who had access to mortgage credit in the city.

But the year 1935 marked a very pronounced shift in local residential mortgage financing. Prior to this time, none of the local banking institutions were particularly active in the residential mortgage field until the creation of the Federal Housing Administration (FHA) in 1934. Created to stimulate the housing industry during the Great Depression, the FHA made federally insured long-term, low-interest loans available through local lending institutions. Following the start-up of FHA mortgage programs, banks and trust companies quickly dominated the housing credit market in Sacramento making approximately 60% of all loans between 1936 and 1938. More than 85% of these loans were FHA Title II loans totaling nearly $6,500,000.[12] Banks, offering housing credit available via Title II loan programs, quickly supplanted individuals and their real estate brokers as the principal source for mortgage funding in Sacramento. Borrowers now sought out banks and trusts where FHA loans were available and relied less upon credit from individual lenders.

By December 1937, individual lenders represented by real estate brokers now only accounted for 27% of all mortgages in Sacramento. This important shift to institutional lending took place as a result of the more favorable terms offered by FHA programs to both borrowers and lenders. Longer payment terms, lower interest rates, and higher loan amounts made access to credit easier for borrowers while mortgage insurance against default effectively shifted the risk of loss from local banks to FHA. Moreover, the creation of the Federal National Mortgage Association (known as Fannie Mae) in 1938 for the sole purpose of purchasing FHA mortgages originated by banks, now assured the immediate return of funds plus profit on home mortgages made to borrowers under FHA Title II guidelines. Local banks no longer waited for a loan to mature over the years to realize a return on investment. Fannie Mae loan purchasing effectively recycled funds to local banks and instantly increased the availability of credit. Thus the innovation of New Deal programs to stimulate the post-Depression economy quickly reduced the need for the short-term, high-cost alternative credit provided by individuals and their brokers.[13]

Figure One: Comparison of mortgage credit terms in Sacramento by lender type (1938)[14]

Lender	Max loan based on appraisal	loan period	interest rate
Federal savings and loan	70% -75%	10 yrs	6% - 6.5%
State chartered	60%	10 yrs	6.6%
Banks and trusts	60%	5 - 10 yrs	5% - 7%
Insurance companies	60%-67%	5 yrs	4.5% - 6%
Other non-resident institutions	60%-80%	10 - 20 yrs	5% - 6.5%
Individuals (Realtor brokered)	50%-60%	2 - 6 yrs	6% - 7%
FHA Title II Loans	**80%-90%**	**25 yrs.**	**5%**

Of course the steady increase in FHA Title II loan activity during the 1930s led to a rush on home financing in Sacramento with 40% of these loans used for new construction, another 30% for home purchase, and 20% for refinancing old debt.[15] More important to this discussion, the boom in FHA financing meant the increased use of race covenants on new residential development. The FHA, under the guidance of long-time NAREB member Frederick Babcock, who served as the chief underwriter in charge of drafting FHA loan approval guidelines, specifically required racial restrictions on home occupancy as a condition of loan approval and home purchase.[16] These guidelines reflected NAREB policy and Babcock's instructional materials on property valuation that called for restricting real estate purchase and financing to whites only.[17] New FHA financed developments using race covenants appeared in the East Sacramento and Land Park areas and accounted for 60% of Sacramento's residential construction in 1937 in just two years following the start-up of FHA financing programs.[18] FHA-financed developments fueled residential development beyond the city limits into the northeastern portion of the county such as Arden Park, Fair Oaks and Carmichael.

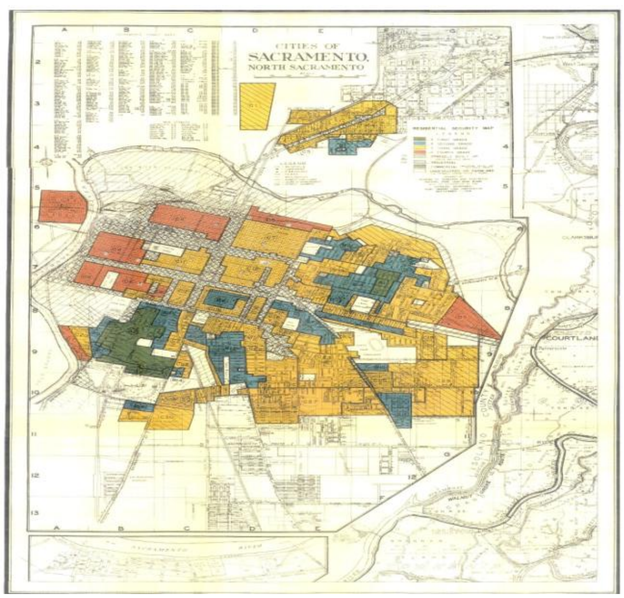
The mandated use of race covenants by FHA also embedded race in the organizing of Fannie Mae secondary market loan purchasing activities and were sternly enforced by local real estate professionals and community builders through the area. Consequently, race covenants in property deeds became a standard practice and a necessary condition in the Sacramento housing industry. The critical shift in the source of housing credit from individuals to banks coupled with the shifting of risk for loan default from banks to FHA signified the institutionalizing of informal racial categories previously initiated by realtors in the gatekeeping of access to home loans and homeownership. Moreover, the creation of FHA and the interdependent Fannie Mae secondary mortgage outlet formalized the practice of a dual credit market and resulted in an abundance of capital available for new home construction and purchase. In Sacramento, this practice produced a distinct geography of racially homogenous suburban space.

While Sacramento's new suburban communities enjoyed a post-Depression housing boom, other parts of the city experienced a different fate. Informal race restrictions, first practiced by realtors then formalized by FHA, restricted the flow of housing capital to racially integrated neighborhoods. The City Survey Program, a federal assessment of neighborhoods in 239 US cities during the period 1935-1940 provides evidence of a dual mortgage market in Sacramento. Conducted under the authority of the

Homeowners Loan Corporation (HOLC), an agency created by New Deal legislation to protect homeowners from the foreclosure wave of the Depression, the City Survey Program studied local real estate and economic trends. The survey also included detailed information regarding the location of residents by race and ethnicity and graded each neighborhood surveyed according to the perceived risk for mortgage default. The results of these surveys were cartographically captured on what are now known as the Residential Security Maps (Hillier 2003; Jackson 1985).

The HOLC survey for Sacramento, released in 1938, identified the area known as the West End, that area west of the State Capitol bordered by the American River to the north and the Sacramento River to the west, as the area most unsuitable for mortgage lending. Reports from HOLC field agents made reference to the high concentrations of non-whites in the West End and noted that the "predominance of subversive racial elements" constituted the area's principal hazard. Field agents determined that area lacked deed restrictions sought by FHA and noted the limited availability of mortgage funds to area residents, an indication that mortgage redlining was occurring prior to the HOLC survey. Although agent field notes indicate that much of the West End was in fair to good condition with occupancy rates above 95%, the area was designated a security grade of "D," or "Low Red," a grade that indicates the highest risk of default for FHA mortgage insurance programs.[19]

Figure Two: 1938 HOLC Residential Security Map for Sacramento

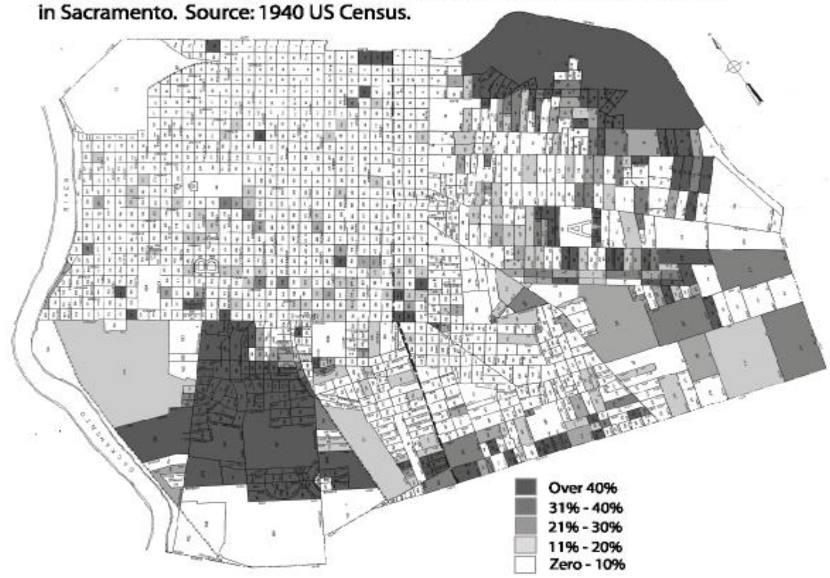


Red areas in the northwest portion of the city indicate redlined areas of the West End.

West End property owners, excluded from the mortgage market by real estate brokers and FHA lenders, were unable to participate in normal market exchanges. With financing options limited and restrictions on non-white residency enforced throughout the city, the West End became a rental neighborhood as landlords converted single family residences to multiple units to capitalize on the lack of available housing for non-whites.[20] The lack of access to financing also led to negligent landlords who let properties fall into decay. Hence, the financial abandonment of the West End through redlining resulted in its eventual decline and the formation of ghetto like conditions. As a consequence, West End property values plummeted while values in suburban tracts steadily increased.[21]

The combination of restricted covenants and mortgage redlining effectively locked non-whites in the West End. Census data for 1940 confirms the findings of HOLC field agents that non-white residents were concentrated in the West End. Some blocks contained over 90% non-white residents. Figure Three shows how new construction fueled by FHA financing with demands for racial covenants moved development away from redlined racially concentrated space documented by HOLC field agents. The HOLC survey and the 1938 Residential Security Map served to cartographically document the racial dynamics that helped to shape the Sacramento housing market during its formative years and demonstrates how public policy and private implementation of said policy created a designated segregated space for non-whites.

Figure Three: Percent Homes Built in Each Census Block During 1930-1940 in Sacramento. Source: 1940 US Census.



Urban Renewal and Relocating the Boundaries of Mortgage Redlining

The combination of capital disinvestment and non-white resident concentration in the West End created a number of problems for Sacramento city planners. With only 7.5% of the city's population, the West End had 26% of all building fires, 42% of adult crimes, and 76% of the city's tuberculosis cases in 1949. Forty-one percent of the city's police budget and 50% of the city's health budget were spent in the West End, an area that made up only 8% of the city's total land area prior to 1950. With property values in a steady decline, the civic load to the city generated by West End blight now far exceeded its property tax revenues. In retrospect, the physical and financial segregating of non-whites in the West End created slum-like conditions right outside the doorsteps of the state capitol.[22]

Similar to Sacramento, racially segregated conditions also characterized a number of major urban centers across California. A coalition of city planners aligned with groups such as the California Real Estate Association, the California Savings and Loan League, and the National Association of Home Builders, lobbied for state and federal assistance to remove blight from California cities, a concept set into motion at the national level back in 1935 by NAREB.[23] In 1945, California passed the Community Redevelopment Act that called for the formation of local redevelopment agencies. These agencies would acquire blighted properties, assemble them into larger parcels then clear them of existing buildings. In a plan that closely followed NAREB proposals, the land in turn would be offered to private enterprise for redevelopment. The 1949 and 1954 federal housing acts encouraged the expansion of redevelopment projects by providing federal funds to local agencies to use in financing property purchase and development while encouraging the use of eminent domain – the ability of the state to seize private property to serve the greater needs of the public.[24]

In Sacramento, redevelopment agency planners designated the West End, an area containing over 70% of the city's non-white population by 1950, as the site for urban renewal projects.[25] Not surprisingly, the redevelopment survey area consisted of the very same census blocks federal regulators "redlined" as a high mortgage risk in the 1938 HOLC city survey and in the resulting Residential Security Map for the city.[26] Land acquisition and clearance associated with these projects commenced in 1956 and required the mass relocation of non-white communities from the West End. According to the 1950 US Census, the Redevelopment Survey Area was home to about 4,900 Asian residents, 3,000 black residents, and 3,500 Mexican residents classified as white-Spanish Surname (Hernandez 2009). Many residents moved out of the area upon hearing of the proposed evictions while others waited until receiving eviction notices. Others moved to affordable housing at the fringe of the redevelopment area where construction was scheduled for later years.[27]

Displacement came at a high cost to non-white residents. The West End had become the center of their cultural, social, and economic activities.[28] The West End also functioned as an employment center for migrant workers filling about 15% of California's agricultural jobs each year. Moreover, the overwhelming majority of residents were gainfully employed and relied on their West End contacts to seek out work opportunities. Approximately 70% of the West End's working age population received its primary source of income from wages or self-employment. But the forced relocation from redevelopment projects effectively dismantled and neutralized the strong support networks for families and non-white businesses that made the West End a vibrant and vital community. Minority entrepreneurs, who constituted 49% of the redevelopment area's business owners, were forced to relocate to areas of town with higher rents and no longer enjoyed access to previous West End clientele. Most of these businesses failed upon relocation or just ceased operating.[29] West End redevelopment projects ultimately resulted in an ethnic cleansing that initiated a steady stream of emigrants and triggered an immediate need for affordable shelter in a city organized by segregationist housing policies.

Non-whites moving from the West End encountered limited options for housing as real estate professionals acting as gatekeepers pushed prospective renters away from predominantly white neighborhoods. During the period 1954-1966, local civil rights and housing activists produced ample documentation of discrimination against non-whites attempting to rent or purchase homes. Rental surveys and paired housing audits showed that up to 90% of apartment owners and managers in the Downtown area and the Northeastern portion of the county would not rent to blacks.[30] Realtors and mortgage lenders also discouraged non-whites from purchasing homes in neighborhoods with race covenants and in new suburban developments.[31] In *Ming v. Horgan*, a number of real estate brokers, developers and the Sacramento Real Estate Board were sued for discriminating against non-whites in FHA financed housing developments. Ruling against the defendants, the local Superior Court found that real estate operators uniformly refused to sell to blacks even though they could qualify for FHA financing. The Court clearly recognized the "various methods of consistent discrimination used by realtors, subdividers, owners and builders in the absolute prohibition of Negros from buying new housing in the area."[32]

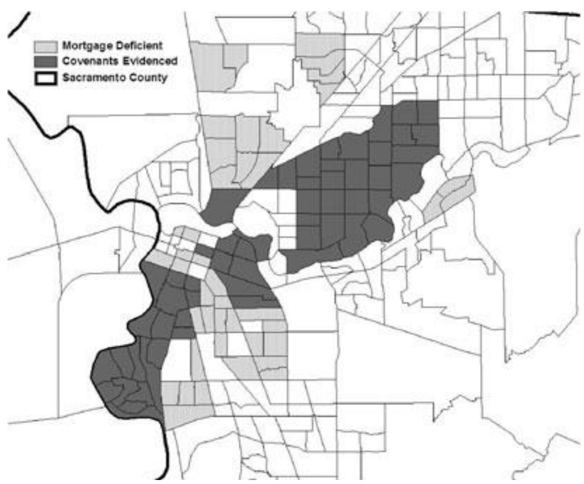
But despite the *Ming* decision in 1958, non-whites continued to be denied access to new homes. In 1962, a three-month long protest by community groups took place outside of new developments in South Land Park Hills, an exclusive all-white area historically off-limits to non-whites. The protest prompted investigations on housing discrimination in a number of Sacramento area subdivisions by the State Attorney General's Office.[33] And black federal employees also resorted to legal action against local builders and owners for the right to purchase new homes; court actions that although successful, took many years to reach resolution.[34] Despite legal and political challenges to housing discrimination, new racial boundaries took form to accommodate the city's demand for segregated space lost in West End urban renewal projects.

Census data from 1950-1970 documents the shifting of racial boundaries to older neighborhoods in the Sacramento area without race covenants. In 1950, the neighborhood of Oak Park consisted of 94% white residents while 54% of West End residents were white. But following the early stages of West End redevelopment and displacement in 1970, only 52% of Oak Park residents were white reflecting the large shift in non-white population from the West End to Oak Park. In the Post-redevelopment West End, white residency increased to 95% with the median income increasing from 41% of the city median in 1950 to 127% in 1970. In Oak Park, the median income fell from a high of 105% in 1950 to 60% of the city's median income in 1970 again showing the shift of low-income non-white households from the West End. Meanwhile, the percent of owner-occupied homes owned by West End non-whites during the same period dropped from 56% to zero.

During this period of redevelopment, white residency rates remained consistently high in Sacramento areas with race covenants and in those protected by realtors. In East Sacramento whites constituted 99% of the population in 1950 and just over 97% in 1970. Similarly, the neighborhoods of Land Park and Curtis Park combined had a white residency rate of 98% in 1950 and 92% in 1970 – a full twenty years following the outlawing of race covenants by the US Supreme Court in the 1948 *Shelley* decision.[35] Suburban tracts in the Northeast portion of the county, an area that relied on a combination of restrictive covenants, FHA financing, and realtor gatekeeping during development, also repeated residential patterns of racial homogeneity. Containing over 190,000 residents, or approximately 1/3 of the county's 1970 population, whites constituted 98.5% of the population in this area.

Although *Shelley* prohibited the use of race covenants, it did not prohibit the use of race as a determinant of mortgage credit, nor did it end decades of open and blatant policies of segregation. Moreover, *Shelley* and the flurry of civil rights legislation at both the state and federal levels during the 1960s, failed to provide any statutory prohibition to discriminating in financing on the basis of neighborhood. Thus anti-discrimination laws that appeared in the 1960s provided no basis for attacking mortgage redlining. The open use of racial categories in property valuation and as a result, credit approval, did not officially end until a federal lawsuit against the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers, the United States League of Savings Associations, and the Mortgage Bankers Association of America in 1976 legally terminated the use of race in property appraising and mortgage underwriting.[36] The defendants in this case agreed to instruct its members and the real estate industry that it is improper to base a conclusion, an opinion of value, or determine neighborhood trends, upon stereotyped or biased presumptions relating to race, color, or religion. Although this court action ended the overt use of racial categories in instructional texts, real estate sales, and in approving housing credit, by this point in time racially segregated communities and the accompanying economic and political fragmentation were now commonplace in Sacramento and in cities across the US.

Figure Four: Preliminary Map of Census Tracts with Racially Restrictive Covenants and Mortgage Deficiency in Sacramento[37]



By the 1970s, distinct boundaries for residency and access to housing credit were firmly entrenched in the Sacramento landscape/geography. Neighborhoods that housed West End emigrants and an increasing non-white population pulled to the area by labor demands became the new sight for mortgage redlining and segregation. A 1977 report by the California Department of Savings and Loan identified census tracts in Sacramento County where an abnormally low volume of loans were made by state licensed mortgage lenders.[38] Figure Four above overlays these mortgage deficient tracts in Sacramento with census tracts known to have racially restrictive covenants obtained from a search of public records. The result is a geography of redlined neighborhoods that includes much of the north and south areas of Sacramento County. Conversely, we see a west to east geography of neighborhoods with restrictive covenants that firmly established white residential boundaries shaped by the race-based privileged access to mortgage credit.

The new racial boundaries for residency that imposed rules of financial segregation and disinvestment also shifted capital flows to suburban space reserved for white residents. Although redlining is a concept of exclusion tied to a particular place, cumulative events to this point show that such boundaries are not fixed but instead can be shifted or rearranged to meet the social and economic needs of dominant groups. It is the formation of this hybrid geography of credit and race that is critical to understanding the racial dimensions of contemporary housing finance, mortgage default, and foreclosure.

Racial Spaces, Bank Deregulation and Subprime Concentration

During the 1960s, Sacramento, as well as most of the nation, experienced an active civil rights movement and a series of race riots that brought to the forefront generations of inequality and racial segregation. This civil unrest came as a direct response to long-standing patterns of racial discrimination, the lack of access to housing, employment, and social goods that characterized segregated space. The resulting violence in city streets across the US, coupled with "Alinsky-type" community organizing to fight housing discrimination led by Gail Cincotta and others, essentially moved federal regulators to open credit markets as one strategy to placate riot-stricken redlined neighborhoods. The Home Mortgage Disclosure Act of 1975 (HMDA) and the Community Reinvestment Act of 1977 (CRA) provided for the monitoring of lending activity by neighborhood and the threat of sanctions for lenders failing to underwrite loans in previously underserved areas. And by 1980, federal legislation aggressively extended access to mortgage credit markets for residents of areas once redlined by banks during the 1960s and 1970s.

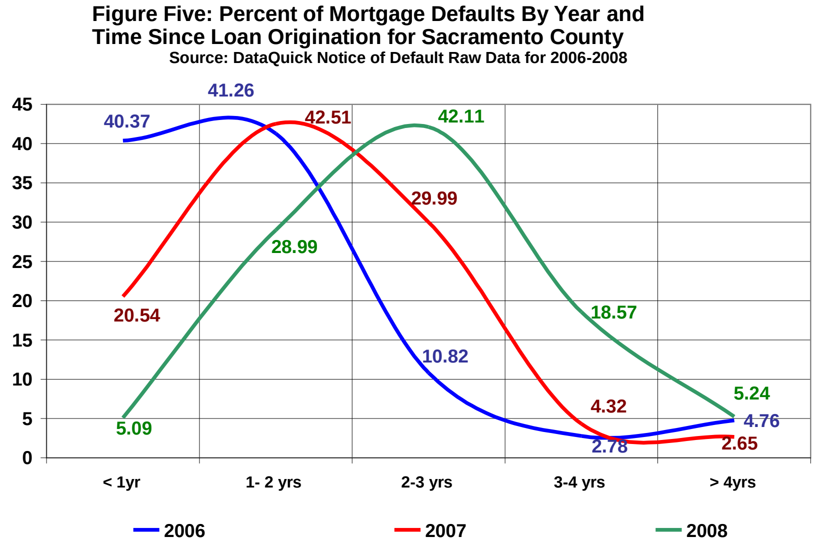
But the response from the financial sector to legislative demands for broader access to credit came in the form of financial deregulation. During the period 1980 - 2000, the push by institutional lenders and banks for federal deregulation of lending activity laid the foundation for the new subprime mortgage market we see today. Briefly, a series of industry-sponsored legislative acts promoted the use of adjustable interest rates on mortgages, allowed the use of balloon payments, and overrode local government restrictions on high-cost, high-risk lending products. More important, deregulating the banking industry allowed for the bundling of these high-risk loans into loan pools that could be sold as securities on Wall Street, a process more commonly known as securitization.[39] Banks now obtained an immediate return on investment via excessive origination fees and immediate sale of promissory notes as mortgaged-backed securities. Finally, the sale of these mortgages allowed lenders to pass along the risk of default to Wall Street investors. Loan originators were no longer on the hook for losses associated with loans in traditionally redlined neighborhoods. More important, they no longer concerned themselves with a proper assessment of a borrower's capacity to repay. Instead, the concern for lenders was to meet the demand for subprime loans from Wall Street investment bankers (Shiller 2008; Zandi 2008).

It is the major shift in risk that accompanied the opening of credit markets to traditionally underserved segregated space that capitalized on the financial and social vulnerabilities embedded in urban development by intergenerational processes of race-based financial and social segregation I have documented above (see also Dymski 2007).

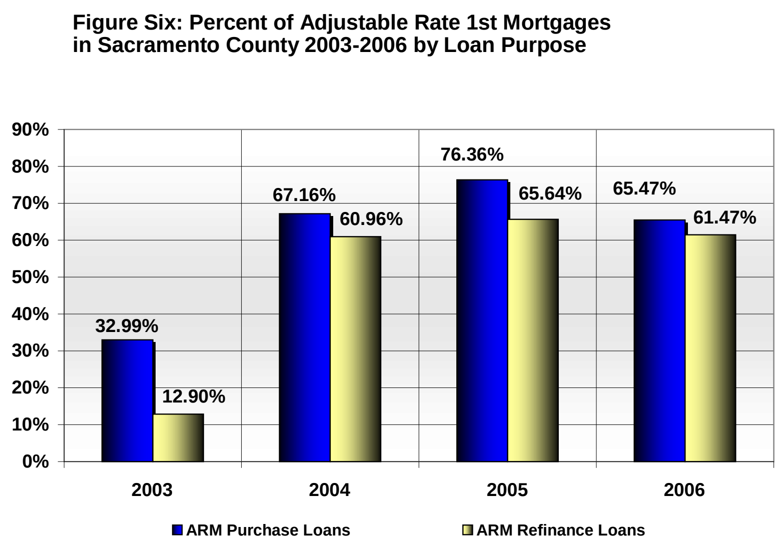
When coupled with the shifting of risk, subprime lending became a risk free method for extracting profit – an extremely dangerous process that pushed mortgage lending away from the traditional fixed rate mortgage to high-risk adjustable rate mortgages (ARMs). This switch from long-term, low-profit products to fee-based high-risk products with adjustable interest rates provided an immediate return on investment lending but encouraged predatory actions in historically credit starved neighborhoods that led to racially disparate concentrations of toxic credit and intense profit taking. Bank deregulation, therefore, played a key role in converting racially defined residential space from a place of exclusion to the new site for capital extraction. Despite proactive approaches to opening credit markets, state policy-makers once again established the market conditions necessary for disparate lender activity in low-income, racialized neighborhoods and institutionalized the subprime mortgage industry.

As I noted earlier, Sacramento, as in other parts of the nation, experienced a high concentration of subprime loans in predominantly non-white neighborhoods. In past research (Hernandez 2009), I have shown that subprime loan activity in Sacramento County was for the most part concentrated in areas that experienced mortgage redlining during the 1970s. But we still know little about the characteristics of the subprime loans that triggered the mortgage meltdown in Sacramento as HMDA reporting does not collect data on interest rates and loan type (i.e. fixed or ARM). These loan characteristics are important to showing how rapidly adjusting interest rates on toxic subprime products resulted in the wave of foreclosures now taking place in Sacramento. I use a data set provided by DataQuick consisting of 49,977 Notices of Defaults (NOD) recorded against delinquent mortgages in Sacramento County for the period 2006–2008 to determine the actual length of time between loan origination and the date of default. In California, the Notice of Default serves as the first legal notification to homeowners that their property may be sold via foreclosure auction. In calculating the time since loan origination, we can identify and confirm the vintage of subprime loans that led to mortgage defaults and gain some indication of how quickly the adjusting interest rates of loans resulted in unsustainable mortgages.

In 2006, 40% of all NODs recorded in Sacramento County occurred less than one year from the date of origination. Incredibly, 81% of all 2006 NODs occurred less than 2 years from loan origination. The short period of time between origination and default places the date of origination for the bulk of 2006 defaulted loans between 2004 and 2005. Hence the NOD transaction data provides some indication that these rapidly defaulting loans were originated at the time when subprime loans with low “teaser” introductory interest rates and short adjustment periods (also referred to as the interest rate reset period) were the primary credit products in the mortgage industry during the period 2004–2006 (Schloemer et al. 2006; Zandi 2008).



In 2007, 63% of NODs in Sacramento County took place less than two years since loan origination and an astonishing 94% occurred less than three years from the origination date. Again we can see payments on loans from the 2004-2006 vintage becoming unsustainable within a short period of time, a good indication that these loans featured rapidly adjusting "teaser" interest rate. Finally, in 2008, we can see that slightly over 76% of NODs, or three out of four defaults, occurred less than three years from loan origination. Again we see a strong indication that the defaulted loans were ARMs originated in 2004-06, the period when subprime credit products and adjustable rate mortgages dominated the Sacramento housing market (see Figure Six below).[40]



Even more alarming is that these mortgage defaults were concentrated in the same neighborhoods previously denied housing credit during the 1960s and 1970s. By mapping mortgage default data by census tract, we can see the connection between toxic subprime loan concentration and past episodes of housing discrimination. Figures Seven and Eight show the pattern of mortgage defaults concentrated in the northern and southern regions of the county, a pattern quite similar to the geography of mortgage deficient or redlined areas previously identified in Figure Four. Moreover, we can now clearly see that the housing crisis in Sacramento actually started from unsustainable credit products concentrated in previously segregated residential space.

Conversely, in comparing the rate of NODs in redlined space to neighborhoods with racially restrictive covenants (shown in Figure Four), we can see a very low frequency of NODs occurring thus indicating that access to decent credit was abundant in racially restricted space. These toxic loan products in Sacramento resulted in an unprecedented loss of homes, relocation of residents, and the reconfiguration of communities. Here the mortgage default data for Sacramento provide a clear indication on when the high-risk loans that triggered the mortgage crisis were originated and how they were geographically concentrated - in neighborhoods shaped by a history of racially discriminatory housing policy.

Figure Seven: Percent of Single Family Residential Parcels Receiving Notices of Default in Sacramento County by Census Tract - 2006

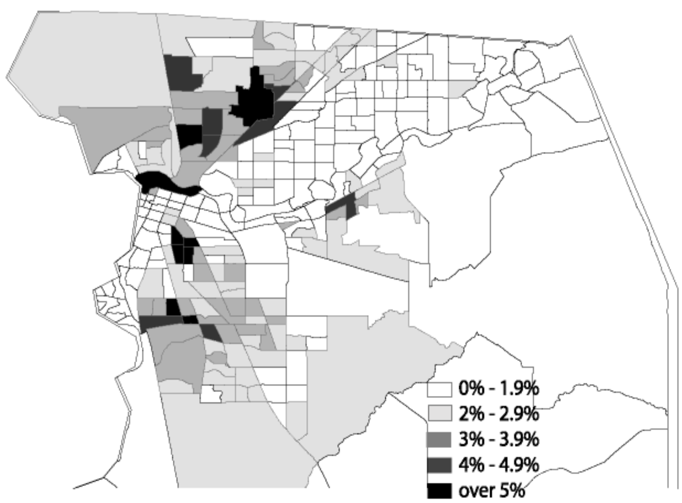
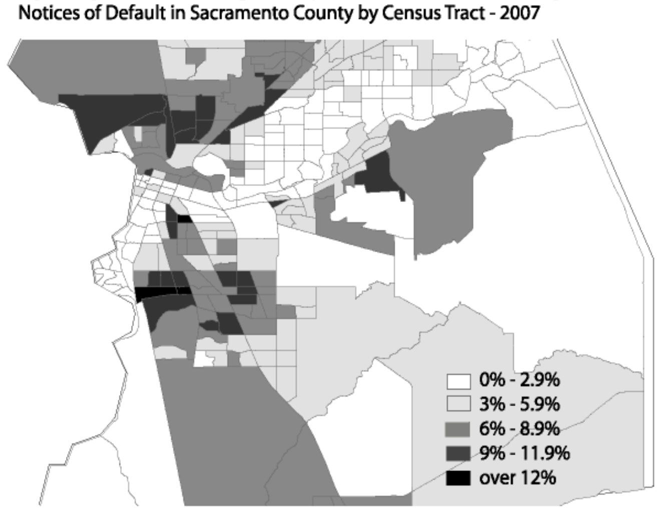


Figure Eight: Percent of Single Family Residential Parcels Receiving Notices of Default in Sacramento County by Census Tract - 2007



In sum, the combination of no-risk predatory lending and a history of financial exclusion articulated by socially constructed market imperatives left racialized space vulnerable to subprime mortgage expansion. Despite serious efforts by local housing agencies in recent years to revitalize these segregated areas, racialized subprime loan concentration and the accompanying mortgage defaults now reverse years of work spent mitigating the effects of past discrimination.

Conclusion

This case study demonstrates that the uneven effects of the housing crisis in Sacramento were contingent upon historical processes of state intervention in urban development and the deregulation of housing credit – seemingly complex and placeless global financial market processes that invariably act with local narratives to produce spatial and racial inequality. The housing crisis, therefore, reveals long-standing relationships of power embedded in social constructions. Here, markets and race are shown as primary examples of such constructions that corroborate how social and political directives work over extended periods of time to shape the spatial and social configurations of our cities. Accordingly, race remains a salient factor in understanding the current housing crisis as it played a central role in triggering the wave of foreclosures that eventually froze Wall Street credit markets.

The significance of race-based market manipulation that led to the formation of racially identifiable space in Sacramento and in cities across the US cannot be overstated. Because the mortgage meltdown remains rooted in long-standing patterns of housing discrimination that shaped segregated space, racially defined residential space should be seen as “ground-zero” for the foreclosure crisis. Although current federal policy regarding the fallout remains proactive towards stabilizing the economic sector, we must not ignore the place where the crisis originated as it remains a critical piece of evidence in building the case against racialized credit practices. The task before us, therefore, is to clearly articulate how the uneven effects of subprime lending, a seemingly place-less and colorblind market phenomenon, continues the intergenerational practice of housing discrimination in the very neighborhoods initially shaped by race-based housing policies.

Fair housing advocacy can benefit from contextualizing predatory lending within the historical record of racialized housing. Making this connection exposes the inadequacies of federal financial monitoring policies designed to keep discriminatory mortgage lending practices in check. Because these monitoring practices failed to detect in advance the disparate lending practices seen today in segregated space, connecting the history of housing discrimination to the current wave of foreclosures becomes the starting point for justifying changes to federal monitoring policy that can aid in stabilizing neighborhoods undergoing stress.

Housing advocates should now push for three broad changes to federal monitoring that can improve access to fair credit and fair housing. First, expand HMDA reporting requirements to keep pace with industry innovation. The list of lenders required to report should now include all financial institutions and their affiliates that generate loans for securitization and eventual sale on Wall Street. Also, expand HMDA reporting to include data on borrower interest rates, credit scores, loan reset periods, balloon payments, adjustable rate mortgage margins and indices, and loan product underwriting (e.g. stated income or low-documentation loans). These data will help identify racial and spatial concentrations of dangerous credit products that strip away home equity and cause financial instability. Simply monitoring high-cost loans as the primary indicator of predatory lending fails to capture data on important loan characteristics that help identify abusive lending practices.

Finally, housing advocates should push for transparency and enforcement of loan modification reporting requirements imposed by federal bailout programs. Loan modifications are critical to stabilizing neighborhoods experiencing stress from concentrated subprime lending and mortgage foreclosures. Proper reporting of loan modification activities remains essential to monitoring the actions of lenders and asset managers who are unwilling to move quickly to modify unsustainable loans. When used with HMDA data on subprime lending and mortgage default data, the tracking of loan modification applications and outcomes can help demonstrate long-standing disparate patterns of treatment by lenders. Thus housing advocates can gain leverage against lenders by showing how the number of approved loan modifications in segregated space fails to keep pace with their mortgage foreclosure rates thereby inhibiting federal efforts to stabilize communities in stress. Such leverage can be used to push these same lenders to remedy past practices by improving access to safe financing products designed for home buyers in crisis neighborhoods. The resulting increase in homeownership opportunities will slow the pace of investors "bottom-feeding" on repossessed homes. This will expedite the rebuilding of communities with stable families and support networks rather than encouraging investor-owned neighborhoods of unstable renters.

Keeping an innovative global credit market accountable for abusive racialized lending practices is a process that relies upon public scrutiny for its effectiveness. Improving the data available for fair housing practitioners can be a valuable strategy in revealing predatory credit practices, advancing fair credit and fair housing enforcement, and act as a pre-emptive strike against dangerous profit-taking from financially vulnerable communities in the future. These steps will go a long way in reversing the effects of the new global financial infrastructure now operating as a Plessy-type credit market that continues to separate and divide our communities.

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Endnotes

[1] Author's calculation of DataQuick Raw Foreclosure Data 2003-2008.

[2] See The Sacramento Bee "Some houses in Sacramento area now cost less than $25,000." April 26, 2009; The Sacramento Bee "Interactive Map: A plague of vacant homes." April 21, 2009; The Sacramento Bee "Interactive Map: A grand tour of Sacramento's cheapest homes." April 16, 2009.

[3] Ibid.

[4] The countywide average was 16% while the rate in upper-income areas was much lower than the county average. Source: Report to County Board of Supervisors: Approval of the 2009 One-Year Action Plan. Attachment VI. October 21, 2008. Sacramento Housing and Redevelopment Agency.

[5] The author analyzed foreclosure data obtained from DataQuick for the period 1997-2008 to confirm trends noted in 20 years of local housing market observation.

[6] The Sacramento Real Estate Association formed in 1911 and became a member of the NAREB in 1918. Source: Sacramento Association of Realtors Archives and interview with SAR Archivist October 22, 2008.

[7] The 1920 US Census for Sacramento County shows that the non-white residents constituted only 9% of the total population. The total number of black residents was only 675, less than one percent of the County's population. See Fourteenth Census of the United States, State Compendium California.

[8] For example see McMichael and Bingham, 1923, p.181. McMichael and Bingham 1928, p.343; Babcock, F. 1924 p.74; Babcock, F. 1932, p. 86-91; Hoyt 1933: 316.

[9] The Sacramento Bee. " Subdivision trend shows lot purchasers demand restriction." April 13, 1928.

[10] See Report of a Survey of Sacramento California, Home Owners Loan Corporation, Division of Field Research and Statistics, December 2, 1938. p. 36. Records of the Federal Home Loan Bank Board, National Archives: Record Group 195.

[11] Ibid.

[12] Ibid. p. 38.

[13] See Summary – Survey of Sacramento, California, Home Owners Loan Corporation, Division of Field Research and Statistics, December 2, 1938. p. 6.

[14] Ibid, p. 9.

[15] See note 10 at p 42.

[16] See Underwriting Manual: Underwriting and Valuation Procedures Under Title II of the National Housing Act, With Revisions to June 1, 1935. Federal Housing Administration, Washington, D.C. See also Weaver 1948:72; and Jackson 1985:208.

[17] See Babcock. F. 1924. The Appraisal of Real Estate; and Babcock. F. 1932. The Valuation of Real Estate. Babcock also emphatically clarified that race was indeed an integral component of property

valuation and determining FHA loan approval. In 1938, Babcock, in his role as FHA Chief Underwriter, wrote an article for the NAREB affiliated Journal of the American Institute of Real Estate Appraisers that advocated for the complete segregation of racial groups in residential housing. He writes, "If a neighborhood is to remain stable, it is necessary that properties shall continue to be occupied by the same racial and social classes. Changes in social or racial occupancy contribute to neighborhood instability and the decline of value levels." See Babcock, F. "Techniques of Residential Location Rating." The Journal of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards", Volume VI, April 1938, Number 2, p. 137.

[18] See note 10 at p. 31.

[19] See Summary of Economic Real Estate and Mortgage Survey and Security Area Descriptions of Sacramento, California, Home Owners Loan Corporation, Division of Research and Statistics Federal Home Loan Bank Board. 1938. p. 6-61. Records of the Federal Home Loan Bank Board, National Archives: Record Group 195.

[20] Source: Sacramento Urban Redevelopment: Existing Conditions in Blighted Areas. Sacramento City Planning. October 1950.

[21] From 1938 to 1949, property values in Sacramento experienced a 46% increase while West End values declined 30% - 65%. Source: Sacramento Urban Development: Existing Conditions in Blighted Areas. Sacramento City Planning. October 1950. p.3.

[22] Source: "The People of Sacramento Plan for 1960 Through Redevelopment." Sacramento City Planning Commission, 1950.

[23] See Davies 1958: 183-184; also see "Blighted!" California State Reconstruction and Reemployment Commission, January 1946.

[24] See Redevelopment Ideas for California's Capital: Preliminary Ideas and Recommendations. Sacramento City Planning Commission. June 1950; Gelfand 1975.

[25] Author's calculation of 1950 US Census data.

[26] For a comparison of HOLC redlined areas and Sacramento redevelopment sites, see Hernandez 2009.

[27] See Final Relocation Report, Project No. UR Calif. 5-1 Capitol Mall. Redevelopment Agency of the City of Sacramento. March 1963.

[28] See Avella 2003; Redevelopment Ideas for California's Capital: Preliminary Report and Recommendations. Sacramento City Planning. June 1960.

[29] See "Sacramento Redevelopment." Sacramento City Planning Commission. May 1959; "Site Occupant Survey Summary Report, Capital Mall Project Area No. 2-a." Redevelopment Agency of the City of Sacramento. September 18, 1957; "Relocation Plan: Slum Area Labor Market, Sacramento." Redevelopment Agency of the City of Sacramento. January 1959.

[30] See Sanders, Leah. "Public vs. Actual discriminatory Policies in Sacramento." Research Bulletin Number Two. Sacramento Committee for Fair Housing, January 1962; "Racial Exclusion in Apartment Houses in Downtown Sacramento, Survey Number One." State Employees for Equality, Summer 1965. See also Mueller, P. and M. Crown 1965; Mueller, P. 1966.

[31] See "Buying Home in Sacramento is 6 Months of Humiliation." The Sacramento Bee. December 19, 1963; Mueller, P. "Effects of Housing Discrimination on Residential Segregation Patterns in Sacramento 1960-1966." The Sacramento Community Integration Project. February 1966; "Owner Denies Sale Intent of House in Rights Case." Sacramento Bee. August 22, 1967; "Realty Agent Testifies." The Sacramento Union. August 24, 1967.

[32] See *Ming v. Horgan*, et al. California Superior Court, Sacramento County #97130.

[33] See "Mosk is Checking Housing Discriminations in Capital." The Sacramento Bee. September 20, 1962; "Race Discriminations in Housing Probed." The Sacramento Union. September 21 1962; "Home Sale is Probed by Mosk." Sacramento Union. September 25, 1962.

[34] See " Trial Opens in $65,000 Blocked Home Sale." The Sacramento Bee. June 5, 1962; "Two Home Suits Filed." The Sacramento Union. June 8, 1962. See also Duff 1963.

[35] See *Shelley v. Kraemer* 334 U.S. 1 (1948).

[36] See *US v. AIREA*. 442 F. Supp. 1072; 1977 US Dist. LEXIS 12760; 24 Fed. R. Serv. 2d (Callahan) 880.

[37] Source: Hernandez 2009:306.

[38] See Fair Lending Report No. 1, Volume II. California State Department of Savings and Loan. October 1, 1977. Also, in the first known study on Sacramento mortgage patterns using HMDA data, Dingemans

(1979) confirms the lack of mortgage activity in similar areas identified by the Department of Savings and Loan study.

[39] See Hernandez 2009, for a more complete description of bank deregulation, its role in transforming the banking industry, and predatory lending. See also the series of articles on the global subprime crisis in the Symposium on the Sociology and Geography of Mortgage Markets in the International Journal of Urban and Regional Research, Volume 33, Number 2, June 2009.

[40] Source for Figure Six: Author's calculation using data from DataQuick aggregate reports on mortgages by loan type for Sacramento County.

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