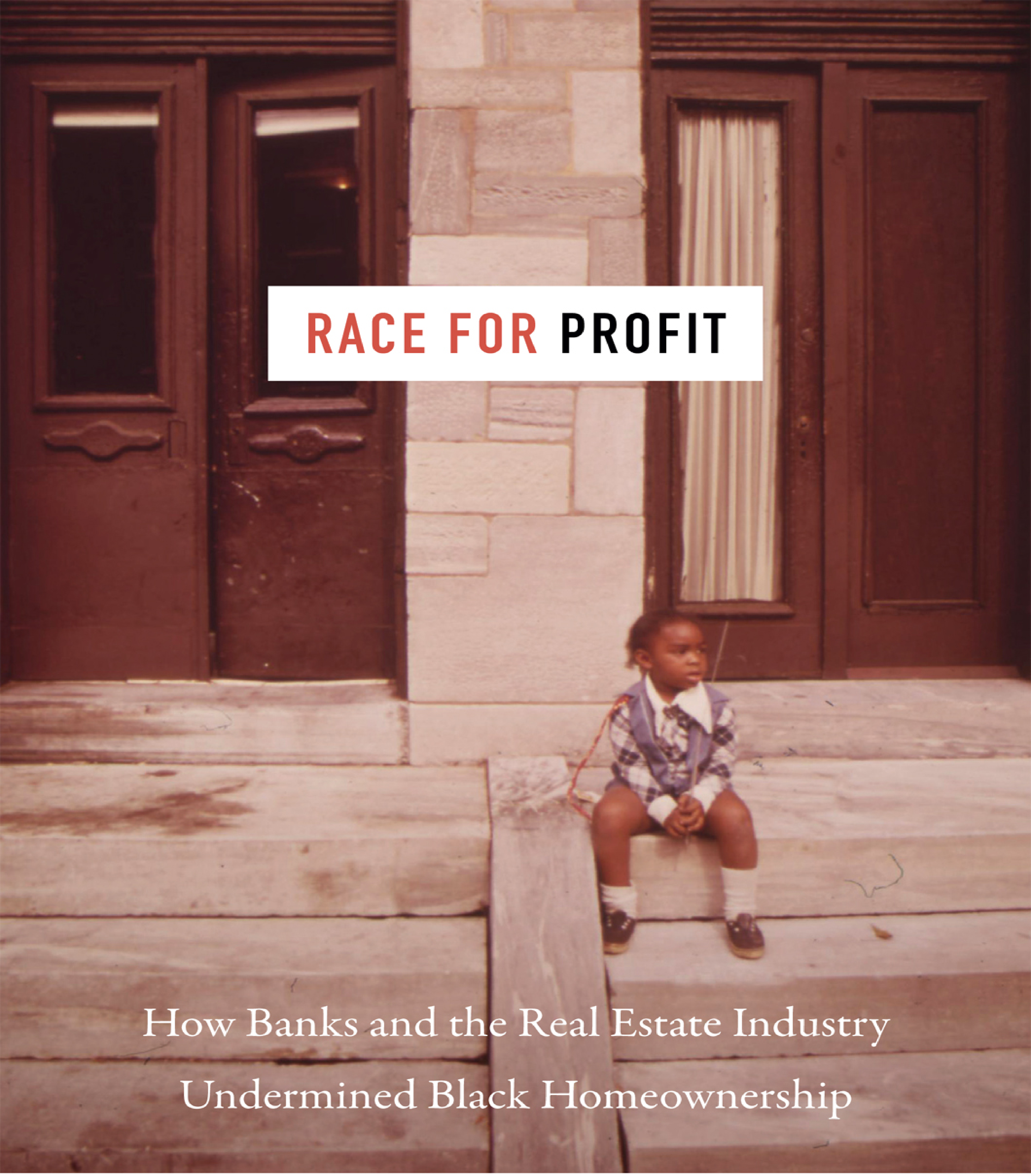

RACE FOR PROFIT

How Banks and the Real Estate Industry Undermined Black Homeownership

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The Business of the Urban Housing Crisis

> The progress and stability of our free society have been firmly rooted in a harmonious and creative partnership of public and private actions, and the constructive cooperation of public and private institutions.
>
> —President Lyndon B. Johnson, speech at Government-Business Conference on Urban Problems, August 19, 1966

"TODAY, AMERICA'S CITIES are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present."[1] In February 1968, with this subtle allusion to the rebellions of the prior summer, President Lyndon Johnson began his nationally televised special address to Congress on the crisis in American cities. In the speech, titled "The Crisis of the Cities," Johnson declared poverty and the dilapidated conditions of American cities "the shame of the nation" and vowed to undertake unprecedented action to "change the face of our cities and to end the fear of those—rich and poor alike—who call them home." Even after all of the civil rights legislation he had shepherded through Congress, including the War on Poverty and the creation of the Department of Housing and Urban Development, Johnson observed that "almost 29 million people remain in poverty" and American cities continued to deteriorate. In a proposal Johnson called the Housing and Urban Development Act (HUD Act), he laid out an ambitious legislative program. He described the act as a "charter of renewed hope for the

American City,"[2] mapping a new direction in the ongoing battle against urban crisis.

Later in the summer of 1968, this new direction would culminate in the passage of the HUD Act, which called upon Congress to approve legislation to build or rehabilitate 26 million units of housing, including 6 million units of low-income housing, all within ten years. It also approved a program to facilitate low-income and poor people in becoming homeowners. To accomplish these historic goals, the legislation called for unprecedented participation among bankers, real estate brokers, and homebuilders in an urgent effort to avert the spiraling urban crisis. Johnson and other Democrats proclaimed there were limits to what government could accomplish as they summoned what Johnson described as the "genius of private industry" to do what government, thus far, had been unable to achieve. Intended to fulfill ongoing demands for suitable and decent housing for all, the partnership between private enterprise and government agencies was, in some ways, a continuation of public-private partnerships that had always been at the heart of American housing policies.[3] The legacy of the Johnson administration is one of large government-directed programs. The War on Poverty and the Great Society were considered the quintessence of "big government liberalism." These public-private partnerships, so essential to Johnson's formulation of housing policy, complicate the history and popular conceptions of the Great Society as the "era of big government."[4]

Though the Johnson welfare state would become a foil for conservative politicians to run against—and for the Democratic Party to run away from—for Johnson, private industry was central to constructing the Great Society.[5] To create conditions conducive to the success of business while continuing to invest in areas that required a massive infusion of resources and development, state power was needed. This was especially true in cities across the country where banks and the insurance industry had written off the urban core as too "risky," causing the development of urban housing for the poor and working class to stagnate. Subsidies, tax relief, and government guarantees could create the conditions for those institutions to reverse course and help stem the urban crisis. While leveraging state power in this way created pathways for business to capitalize on new ventures, including in housing, the dearth of good, affordable housing was a persistent problem that could easily be described as too big for government alone to solve. This chapter looks at how business came to shape Johnson's housing agenda—specifically, the way that homeownership became the centerpiece of the most important housing legislation of the era.

A "PUBLIC INTEREST PARTNERSHIP"

A 1960 Democratic National Convention report described the challenge of rebuilding "our cities and cop[ing] with explosive suburban growth."[6] Between 1960 and 1966, the white urban population decreased by 900,000 while the white suburban population increased by 10 million. A report from the National Committee Against Discrimination in Housing showed that, by 1967, two-thirds of Americans were living in metropolitan areas. Within this majority, 57 percent of whites lived in the suburbs, while 75 percent of nonwhites inhabited the "central metropolitan area."[7]

The plight of American cities and the growing visibility of urban poverty complicated the assumption that soaring profit rates in business could determine the well-being of the country as a whole. Urban conditions, particularly for African Americans, stood in contrast to overall claims of American affluence. African Americans had continued their postwar trek to American cities throughout the 1960s and had become a critical component of the Democratic Party's electoral coalition, meaning that the conditions of the places they called home were politicized. Johnson's War on Poverty and Great Society programs were, in part, a response to the intensification of an "urban crisis" and its potential political perils.

Though Johnson would become known for addressing the crisis, he was far from the first to recognize it. Just weeks before the presidential election pitting John F. Kennedy against Richard Nixon in 1960, Kennedy had affirmed a report produced out of a conference held on urban affairs. The report defined the contours of what would become popularly known as the urban crisis: substandard and slum housing, under-resourced schools, inadequate means of transportation, and discriminatory treatment of "minority groups." The heart of the report was focused on poor housing conditions in American cities. It dramatically calculated that more Americans lived in slums than on farms, that 40 million Americans lived in substandard housing, and that 5 million Americans living in cities had inadequate plumbing facilities. According to the report, this housing crisis was caused by the "the inability of the American city, with its limited taxing powers, to finance unaided the massive rebuilding programs and level of municipal services required to prevent decay." African Americans and other "minority groups" suffered, disproportionately, "much worse housing conditions than their fellow citizens." The consequences of these "worse conditions" were "over-pricing, overcrowding, and profiteering, and these practices accelerate decay in the neighborhoods in which minorities are forced to live."[8]

By 1972, the Department of Commerce and the National Planning Association calculated that rebuilding the cities would cost $191 billion annually well into the 1970s.[9] As whites continued to move out of cities, the tax base needed to pay the costs of reversing the condition of American cities was dwindling. Complicating matters further was the fierce competition for federal dollars by the mid-1960s, pitting domestic programs against the mushrooming costs of war in Vietnam.[10] These financial tensions created the conditions for unprecedented partnerships. The collaboration between business and the state in the provision of low-income housing was one new result. It was a new partnership that would fundamentally reshape housing policy in the United States.

In the previous three decades, federal policies had notoriously privileged suburban investment and development to the peril of urban America. Indeed, private enterprise had ignored the housing needs of low-income and poor people and led a vociferous fight against policies business leaders believed would compete with their industries. But when urban rebellions threatened to lay waste the core of American cities, urban rehabilitation became a new frontier for the housing industry—with the full backing of the federal government.

For some, the promotion of homeownership and access to credit in neighborhoods and communities that previously had been ignored was appealing as a new means of social control. Desperate federal and local officials believed that greater investment and inclusion in mainstream society would stem the tide of rebellion and property destruction. Herbert Northrup, the director of the Department of Industry at the Wharton business school at the University of Pennsylvania, said in an interview, “A job does wonders. First thing, you know, he’s got a mortgaged house and a mortgaged car like the rest of us—he’s part of the system—and he’s got to stay on the job like all the rest of us to meet the payments.”[11]

For other reformers, specifically businessmen, formerly neglected urban markets were oases of new investment opportunities—under certain conditions. Generous subsidies and government guarantees would bring private investment and the extension of credit on widespread, conventional terms into Black urban communities for the first time. In a meeting with corporate leaders, President Johnson described his vision of the *new* partnership with business and government:

> The progress and stability of our free society have been firmly rooted in a harmonious and creative partnership of public and private actions, and the constructive cooperation of public and private institutions. … American business has a large stake in resolving the problems of urbanization. … Our cities have been built on a partnership between government and private business in the past. … The partnership is, as *Fortune* magazine recently called it, “the new interdependence” and is based on wide areas of mutual interest. The areas must be broadened and deepened if the interdependence is to be of lasting benefit for all Americans.[12]

Johnson’s special assistant Joseph Califano believed the accusations against Johnson of facilitating “big government” and federal excess wrongly created the perception of the president as “some kind of Machiavellian sugar daddy—bent on dominating the process of change in American schools, in the cities, and in the life of individual citizens, spending money as fast as it can be printed.”[13] A 1965 *Washington Post* article queried how a “liberal, reformist, big spending Democratic president … has more conservative supporters than Teddy Roosevelt could ever shake a big stick at.”[14] Of course, one answer was that the conservatism-cum-fanaticism of Barry Goldwater drove business into the arms of Johnson. But it was also the case that Johnson kept “the national climate pretty favorable to private enterprise. He doesn't scold business or businessmen. Profit is no longer a naughty word." A second explanation was more significant: "If LBJ ha[d] built a bridge to the business community, it is equally evident that business ha[d] built a bridge to the Administration and to economic policies it used to consider unorthodox and unacceptable."[15]

As Califano explained, the Great Society was a "truly significant [partnership] in our society, [an] alliance between the private sector and the government."[16] The partnership between business and government was not new; over time, the symbiosis between business and the state had become a fact of American life. But during the Johnson administration, Califano described the collaboration as a "creative revolution" born out of a "deepening involvement of the private sector in our public and social problems." By the late 1960s, the United States was entering a period of "Public Interest Partnership" involving the "private sector in the process of shaping the nation's legislative and administrative programs." These partnerships worked because "profits to stockholders coincided with the government's urgent need to fulfill its most basic responsibility to the people it serves: the survival of their society."[17]

These partnerships with government were not just good for business; for some industry leaders they presented new opportunities to rehabilitate the image of corporate America that had come under withering attack over the course of the 1960s. McGraw-Hill, in a 1968 special report addressed to business leaders concerning the urban crisis, described consequences and potential advantages to developing the urban market:

> In the wake of the riots that focus attention on the angry frustrations of American slum dwellers, business faces a choice: Let the anger take its course or act now to relieve it. For rational men that's no choice at all. … If you ignore the crisis, slums could siphon off more and more of your profits: slums are a luxury few cities can afford and much of what it costs comes from taxes and business. Costs multiply from police and fire insurance. … If you ignore the crisis, you may be overlooking a potential big market: The city has always been a social and economic necessity for businessmen. If today's sick cities can be cured—if ghetto dwellers can be better housed, better educated and above all, better employed—new and profitable markets will

open up for business. Even the process of saving the cities creates new business opportunities.[18]

Guns, Butter, and Business

"Time may require further sacrifices," Johnson had acknowledged in his 1966 State of the Union message, "and if it does, then we will make them. But we will not heed those who would wring it from the hopes of the unfortunate here in a land of plenty. I believe that we can continue the Great Society while we fight in Vietnam."[19] By the end, the U.S. government spent almost a trillion dollars on the Vietnam War.

The disparity between domestic spending and war spending became known popularly as the "guns and butter" debate. In 1966, the deficit had been what was considered a manageable $3.7 billion, but by 1967, it had more than doubled to $8.2 billion. Johnson's budget proposal for 1968 was an astonishing $172 billion, the largest in American history. As the urban rebellions surged in intensity, so too did the federal government's spending in response. Between 1963 and 1966, welfare spending had been $14.5 billion, but in 1966 and 1967, it increased rapidly to $35 billion. The costs of the Vietnam War were quickly catching up, reaching $40 billion between 1967 and 1968, and Johnson's advisors feared that number could climb to $72 billion by the end of 1968—a figure not seen since World War II.[20]

The economic and political tensions over budget priorities shaped the context in which proposals for the economic intervention of private enterprise in the cities materialized. Greater participation by the private sector could resolve multiple problems for Johnson. It would allow him to sidestep a Congress reluctant to continue paying for antipoverty legislation. In the 1966 midterm elections, Johnson lost the congressional coalition that had delivered his wish list of antipoverty programming, civil rights legislation, and his historic 1964 tax cut. Ultimately, political strife stoked by persistent demands for civil and economic rights by African Americans, along with deepening fears about the creep of inflation, led to the collapse of the congressional coalition that had produced the historic civil rights legislation of 1964.

Following the 1966 election, Democrats continued to control Congress, but they lost forty-seven seats in the House and three in the Senate. Johnson was no longer the maestro of a sympathetic legislative body. The turn to private enterprise in fulfilling the promises of the Great Society became even more necessary as Johnson's electoral coalition unraveled. But involvement for business was more straightforward. If corporate power could not stem the mounting frustration in the United States, it would be faced with the possibility of growing taxation for the continued build-out of the American welfare state. As one writer put it, business could willingly assist in the effort to rebuild American cities or "business will find itself forced to change in ways far more repulsive … than any of the social alternatives."[21]

The strains of Johnson's dual agenda of expanding the war in Vietnam while simultaneously ramping up the War on Poverty were also evident in his plummeting approval rating. The number of his "strong supporters" dipped from 25 percent to 16 percent, and his approval rating hovered beneath 50 percent. His support for a 6 percent income tax hike to generate more revenue was exasperating in a climate of growing inflation that cut into the gains of historically low unemployment and high wages.[22] Senator Robert F. Kennedy captured the dilemma when he told *Life* magazine, "Because of Vietnam there just isn't enough federal money available to do the job. … So we must convince the private sector that it is their responsibility too. They can create dignity—not welfare handouts—for the poor."[23] As destructive riots became a seasonal phenomenon, there was tremendous pressure on the federal government to do more. The turn to business seemed necessary because to many, the federal government not only was not doing enough but also seemed incapable of doing more.

African Americans were also disappointed in the performance of government, evidenced by persistent uprisings but also by the turn to business, for some, in search of lasting solutions to the urban crisis. Kenneth Clark testified before the Kerner Commission that "business and industry are our last hope. They are the most realistic elements of our society. Other areas of our society—government, education, churches, labor—have defaulted in dealing with Negro problems."[24] Even some Black militants welcomed the investment of the private sector in the inner cities. In Detroit, Black militant Frank Ditto organized a meeting between white corporate leaders and neighborhood activists to discuss what business could do for the city. Ditto said to the businessmen, "If you cats can't do it, it's never going to get done."[25]

Not everyone welcomed the role of business in rebuilding American cities. Robert Allen, in his important book *Black Awakening in Capitalist America*, decried "corporate imperialism" as a vehicle to undermine developing Black radicalism in the ghettos. Academic activists Frances Fox Piven and Richard Cloward warned that corporate influence would undermine democracy in rebuilding cities. They argued that "the new corporate role will help to erode the power of municipal government at a time when the black is about to obtain control of the city. … Since these new administrative complexes will be largely removed from popular control—the blacks of the ghetto cannot hope to control them."[26]

Over the course of the decade, while a sharper focus on the role of business developed, critiques of capitalism more generally concluded that the economic system was incompatible with attending to the human need that appeared to be everywhere. These critiques were also leeching into the developing student movement and the emergent "New Left" as well. The consciousness of these formations was not only shaped by the Black urban insurgency but also impacted by the widening war in Vietnam and the perception that the war "meant military contracts for the companies that built napalm bombs and the airplanes that strafed the jungles of North Vietnam … [and] was a crusade for capitalism devoted to protecting American institutions."[27] As New Left activist Staughton Lynd wrote, "We need to find ways to lay siege to corporations."[28] Meanwhile, a study done by Oklahoma Christian University in 1973 ranked businessmen last for ethical standards. Henry Niles, a former executive of a life insurance company complained, "A lot of young people are disoriented and have lost confidence in the economic and political system."[29]

This deepening disillusionment was most brutally evident when several banks were bombed and set afire in the late 1960s and 1970s, including a Bank of America branch in southern California and Chase Manhattan Bank in New York City. In a fifteen-month span, thirty-five Bank of America branches were bombed or set afire.[30] After the bank bombing in the town of Isla Vista in southern California, Bank of America claimed that it created a $100 million pool for mortgage loans to be made available to prospective African American homebuyers.[31] Bank president Robert Truex conceded, “We don’t deny we’re part of the establishment,” but, he continued, “we have to dispel wrong notions of what we stand for.”[32]

By the mid-1960s, business had become a popular target for boycotts and protests.[33] In Philadelphia, Leon Sullivan organized “selective patronage” to punish businesses that refused to hire and promote African Americans despite the fact that Blacks were their regular patrons.[34] In Chicago, civil rights organizers created Operation Breadbasket to pressure businesses to hire African Americans.[35] Northern businesses with segregated outposts in the South were subjected to boycotts, pickets, and other forms of protest. When cities went up in flames, businesses with poor reputations in a given community were targeted for looting—or worse. In the wake of these events, corporate leaders hoped that job training programs or the building of new housing in the inner city would change perceptions of business. One banker explained, “Business must move from the defensive to the offensive and begin pushing the boundary line between the public and private sectors the other way. Both business and society stand to gain from the doctrine of socio-commercial enterprise.”[36]

In 1968, Charles Lazarus, president of the American Retail Federation, said in a speech to the National Retail Merchants Association, “Our very profit system is on trial today. We have not been sufficiently sensitive to the cries and shouts for change in our society. We’ve got to recognize our own shortcomings and do something about them.”[37] The decisions of business leaders to engage in what many of them referred to as “socio-commercial enterprise” was intended to recast business as a vehicle for social change.

Investment in the inner city also provided business with an opportunity to remake its image in the public eye while capitalizing on an emerging profit source. Despite the relative impoverishment of African Americans when compared with whites, their move to the cities improved the resources of many Black families, and the mass migration of Blacks into cities and those rising incomes created the conditions for a new market to be developed. The *Pittsburgh Courier* described African Americans as a $24-billion market and posed the question, “Why ignore this market?”[38] This, of course, had been the case for much of the postwar period, but by the late 1960s the urban rebellions had created an urgency for its development. Consequently, many businesses found that engaging African Americans as a community of consumers could improve their balance sheets as well as public perceptions. A pamphlet written by and for businessmen on the turn toward an urban market recognized that “the enormous need for city housing is a staggering problem; to business, that need represents a huge market—but only if some way can be found to make it profitable.”[39] The riots compelled them to look harder than they had in the 1950s.

An Urban Coalition

In 1968 Robert Wood, undersecretary of HUD, spoke directly to business leaders about the Johnson vision of the new partnership necessary to resuscitate American cities. Woods said, “Private enterprise must be the actual builder of the renewed city and the new city. … Business has a vital stake in the stability of our urban system and its orderly growth. … It is in the long range interest of the business community to assist in the rebuilding of our cities to preserve those basic conditions on which business’s own growth and profits depend.”[40] Many of the country’s most successful corporations took up the call for greater involvement in urban affairs and formed the Urban Coalition. Founded in the winter of 1966, “during the off season between summer riots,”[41] the Urban Coalition held an emergency convocation in Washington after the summer of 1967, convening more than 1,200 businesspeople, local officials, labor leaders, heads of antipoverty groups, nonprofit organizations, and a small number of African American civil rights advocates to discuss urban problems.[42] It was co-chaired by the chairman of Time Inc., the media conglomerate, and African American trade union leader A. Philip Randolph. Other participants included the chief executive officer of Litton Industries, a defense industry conglomerate; David

Rockefeller, the president of Chase Manhattan Bank; Henry Ford II, the chairman of the Ford automotive corporation; the president of the Aluminum Company of America; and many others. They represented some of the most powerful companies in the nation. The Urban Coalition's mission was clear: "The crisis requires a new dimension of effort in both the public and private sectors, working together to provide jobs, housing, education and other needs in the cities. We believe the private sector of America must vigorously involve itself in the crisis of the cities by a commitment to investment, job training and hiring, and all that is necessary to the full enjoyment of [the] free enterprise system and also to its survival."[43]

The Urban Coalition established committees in major cities all over the country. The centerpiece of its program was a "massive emergency jobs program" of at least 1 million jobs for the "hardcore unemployed" in the inner cities. It also pledged to build at least 1 million units of low-income housing a year. The moralizing undercurrent shaping much of the public discussion on the role of private enterprise obfuscated the more direct conversation about the urban frontier as a new marketplace to conquer. As Henry Ford II put it, "Some may feel it unseemly to mention cost and profit when urgent human needs are involved, but the profit motive is a powerful force."[44] As *Life* pointed out, "With five million substandard homes in US cities, slum rehabilitation represents a potential $50 billion market."[45] At a conference on private enterprise and the urban crisis, the organizers explained, "It remains true that the biggest undeveloped market in the United States today is in the city. It is an economic opportunity of immense proportion."[46] A former commissioner of the Internal Revenue Service compared the process of investing in urban America to the way multinationals looked at investment in developing nations, once again acknowledging the colonial relationship between business and the inner city: "Let us not forget that the government offers businessmen incentives to invest in underdeveloped countries rather than the advanced nations of Western Europe. In fact … if the government wants an oil refinery at a particular location, it offers still further incentives to get a businessman to put it up. … Isn't a program to direct investment to our urban ghettos essentially a matter of encouraging private capital to gravitate to the underdeveloped areas of our own nation?"[47] The crux of the new partnership in response to the urban crisis rested on the ability of the government to ensure profitability by eliminating risk. Or as a HUD administrator put it, "Frankly we must bribe business into the slums."[48] Capitalists liked to talk about "risk" as a central feature of their economic system, but when it came to the business of urban reform, they wanted no risk, just the profit derived from investing there.

The Joint Committee on Urban Problems (JCUP)

Even before the crisis of the summer of 1967, its arrival was anticipated. Predicting a long summer, executives representing more than 300 insurance companies from across the country began meeting at Columbia University in November 1966 to discuss what could be done to address the crisis in American cities. The meeting included "leaders in the life insurance industry [and] leaders of the intellectual and academic and sociological fields" who came together to consider "the growing difficulties of urban life, urban problems and how they affected the individual in society."[49]

The serious consideration of these issues was not just an intellectual exercise; it was seen as self-preservation. As one executive put it, "This is no corporate do-goodism. It is a long-range attempt to promote a social environment in which business can continue to operate with public consent."[50] In fact, the objective of the meetings was to chart a course for housing rehabilitation projects that the private sector could dictate and direct throughout multiple cities while forestalling the possibility of an additional government program or agency further insinuating itself into urban affairs. James Oates, chairman of the board of Equitable Life Insurance, mobilized the framework of "socio-commercial enterprise" to explain why and how the insurance industry would reverse its long-standing aversion to urban investments in the service of African Americans. According to Oates, "The criteria of sound investment for a life insurance company should include service of the public interest, as well as the security and soundness of the investment."[51] Out of the meetings that began at Columbia, the two largest insurance associations, the American Life Convention and the Life Insurance Association of America, representing 92 percent of life insurance holdings in the United States, formed the Joint Committee on Urban Problems.

Prudential Insurance and Metropolitan Life Insurance Company (MetLife) were the two largest participants, but there were 349 life insurance companies across the United States that agreed to "assume a larger role in seeking solutions to the serious problems that confront our urban areas."[52] On September 13, 1967, Gilbert Fitzhugh, president of MetLife, the nation's largest life insurance company, and new chairman of JCUP, announced the formation of an "urban investment program" with pledges from hundreds of insurance companies totaling $1 billion "for investment in the city core area to improve housing conditions and finance job-creating enterprises."[53] The insurance companies had agreed to divert $1 billion of their normal investments toward this new, socially motivated venture in American cities. Prudential Insurance and MetLife made the largest and most significant pledges of up to $200 million each to create low-income housing and inner-city jobs.

President Johnson was ecstatic about this timely intervention. The money would instantly provide life for the moribund "rent supplement" program. JCUP, after months of meeting with HUD and Johnson, had agreed to finance several rent-supplement buildings that had already been approved by the FHA for sale but which no private investor had been willing to finance.[54] Johnson heartily praised the new endeavor, thanking the insurance executives for "a historic contribution to your country."[55] The parameters of the program, however, were much more expansive than investment in "rent supplement" buildings alone. There were four distinguishing characteristics of the urban investment program. The first was that this program was not going to be mistaken for an additional government program or bureaucracy. JCUP would coordinate its own clearinghouse to independently vet financing inquiries and proposals, and each company, on its own, would decide which projects it would fund. There was no centralized pool of money or a central, decision-making body to allocate funds. This way, each company retained its autonomy and made business decisions based on what was in its own best interest.[56]

Location was also critical in determining which projects to finance. Financing was only available in areas "of blight or near blight" where life insurance investments would not normally have been made. The insurance companies also made clear that no financing would be available at the below-market interest rate of 3 percent, which federal programs had used for years to keep prices low for nonprofit or other developers. But the insurance companies were lenders, not developers, and the higher the interest rate, the better the return. JCUP promised not to raise its rates above the FHA rate of 6 percent in 1967. It considered this a discount rate because of the risk it claimed was inherent to lending in these new locations. The linchpin of the new arrangement, though, was the FHA's guarantee of all of the multifamily and single-family mortgage loans that were to be financed going forward.[57]

The introduction of mortgage insurance into the central cities for single-family homes marked the beginning of the end of federal "redlining" practices that had been encouraged by the FHA since the 1930s. What was perhaps most ironic was that life insurance companies that had played a key role in restricting the flow of mortgage funds and financing more generally to Black communities were now facilitating this historic economic intervention in those very same communities and neighborhoods. A booklet published by life insurance companies touting their urban investment programs described this shift in housing policy in the following way: "Until life insurance companies made their urban commitment, most financial institutions deemed inner city areas too risky for investment. … The Federal Housing Administration, which for 20 years had approved mortgages only in better neighborhoods and suburbs … modified its approach. Many people of the inner cities … now became eligible for mortgage loans, insured by the FHA when their homes were financed by the life insurance companies … and social progress was begun."[58] JCUP spokesperson Kenneth M. Wright insisted that the insurance industry's earlier lending practices were driven by place and not by the race of those who lived in the cities. Wright explained to the Kerner Commission, "I think you can understand this as a necessary fact of financial life, where many investments in or around slum areas would be subject to sufficient hazards of one sort or another."[59] In words that seemed to echo sentiments that ran throughout the finance and banking industries, he described the "inner city" or “ghetto” as an “area which is normally not undertaken because of this high risk. Similarly, on the question of location, I think you will find that private investors typically avoid areas where there is a deterioration of both the values of the property and the maintenance produced abnormal risks in an area that is going downhill for one reason or another.”[60] Undoubtedly, there may have been concern about the depreciating value of older and deteriorating urban areas, but the erasure of race as an additional disqualifying factor reinforced the perception that poverty and location were the driving factors for marginalizing Black residents.

During the Kerner Commission, Wright attempted to recast the racially discriminatory practices of the insurance industry as prudent and colorblind business decisions. Ernest Stevens, who was the director of the FHA in Chicago, by the mid-1960s went so far as to say that “no area was ever redlined, as the saying goes. No area was precluded in Chicago.” Instead, he credited the business acumen of the life insurance companies for “start[ing]” an expanded program of providing mortgage money for us to insure. This is what led to expanded FHA mortgages in the area.”[61]

A HISTORY OF DISCRIMINATION

MetLife, however, had a history that would not be easily forgotten. For more than twenty years, the largest company involved in JCUP had been the subject of pickets, boycotts, and lawsuits because of its hostility to Black renters and buyers. The urban investment program of JCUP was not MetLife’s first foray into urban development. In 1943, MetLife entered an agreement with the city of New York to create Stuyvesant Town, “the largest urban redevelopment housing project in the United States.”[62] The creation of Stuyvesant Town was a classic public-private venture. Buildings were razed by the city of New York under the pretext of slum clearance, and eventually MetLife received a $53-million tax exemption for twenty-five years as part of its agreement with the city. Despite the enormous number of public resources afforded to build Stuyvesant, MetLife demanded sole control over tenant placement, and that included the right to discriminate against Black tenants. The president of MetLife, Frederick Ecker, insisted that “Negroes and whites don’t mix. … If we brought them into the development it would be to the detriment of the city, too, because it would depress all of the surrounding properties.”[63]

In the postwar climate of growing demands for Black rights, Stuyvesant Town became a battleground in the national struggle for “justice, fairness and democracy.” MetLife fought for the right to discriminate against Black tenants all the way to the Supreme Court. Ultimately, the Supreme Court of the United States did not hear the case, but in 1947, the New York State Supreme Court took MetLife’s side and ruled that Stuyvesant Town was a private development and thus could rent to whomever its owners wanted. The essence of the ruling was that “the dollars of Black taxpayers and policyholders would be used to subsidize homes that Black people could not occupy.”[64] One year after the battle was ignited over Stuyvesant Town, in 1944 MetLife announced construction of an all-Black development in Harlem called the Riverton Houses. The NAACP opposed the Riverton Houses as “Jim Crow” housing, but the development showed that MetLife did not have a problem with Black tenants; it was just opposed to them living alongside white tenants. Historian Martha Biondi credits the struggle to integrate Stuyvesant Town with helping to “launch the modern fair housing movement [including] the creation of the National Committee Against Discrimination in Housing in 1950 which campaigned for fair housing across the country.”[65]

MetLife’s reputation for segregation did not end in the 1950s but continued for years after. In the early 1960s, MetLife was the nation’s largest landlord, with 34,170 units in East and West Coast housing developments owned by the company.[66] In 1963, New York City college members of the NAACP sent a protest letter to MetLife president Frederick Ecker accusing his company of maintaining a “racially restrictive and discriminatory policy [that] has served effectively to reinforce a pattern of segregated living in certain areas in the city of New York, and has deprived thousands of persons of an opportunity to live in democratic, diversified communities.”[67] MetLife vociferously denied that it discriminated against Black tenants, claiming that “with respect specifically to its apartment development

… no bona fide applicant is denied housing there because of race, creed or color."[68] It was an incredible statement. MetLife's Parkchester housing complex in the Bronx in New York City had 38,000 tenants, but not one Black family or individual was among them. Stuyvesant Town and Peter Cooper Village, which together offered shelter to 11,250 inhabitants, housed only 11 Black families.[69] The students from the NAACP had planned to launch a campaign of pickets and protests at MetLife offices to pressure the organization into renting to Black tenants. In the weeks before the March on Washington, led by Martin Luther King Jr., officials from MetLife met representatives of the NAACP in New York City and offered only a vague response to the housing struggle. The company never admitted to any discriminatory practices even as its housing developments remained lily-white in one of the most racially diverse cities in the country. Instead, officials affirmed that "Metropolitan is fully cognizant of the trend of the times, and in recent months has again been reviewing its operations to further insure that its policy [of nondiscrimination] is being carried out."[70]

In 1965, MetLife housing in New York continued to be dogged by complaints of discrimination, as Black tenants remained few. MetLife also became the focus of a campaign led by Black mortgage bankers in Chicago "to make mortgage money available to Negroes on a nondiscriminatory basis."[71] Dempsey Travis, a pioneer Black mortgage lender in Chicago who led an organization of Black mortgage bankers called the United Mortgage Bankers Association (UMBA), had initially raised concerns about MetLife in 1963 and had attempted to organize a boycott of the insurance giant.[72] Mortgage banking was different from traditional banking. Mortgage bankers were middlemen who made loans to the general public only to then quickly sell them to investors. Prior to the completion of the sale, mortgage bankers serviced the loans and made collections and other adjustments for a fee to the originator. Once the loan was sold, however, the mortgage banker was completely done with the loan and moved on to the next.

Travis complained that even as MetLife continued to be the recipient of tens of millions of dollars from African Americans in the form of insurance premiums, the company still did next to nothing to make financing and mortgage money available in Black communities. Travis and UMBA launched a campaign to target the lending practices of MetLife in the winter of 1965.[73] When media queried why he was targeting the insurance industry instead of banks and savings and loan associations that also notoriously excluded Blacks from home financing capital, Travis explained, “Because we have found that the life insurance companies are the most flagrant violators, and because they have greater assets. This is particularly true of Metropolitan Life Insurance Company, which has more Negro policy holders than all other insurance companies combined including Negro companies.”[74]

By late spring, the Chicago NAACP (the largest chapter in the country) along with the Chicago Congress of Racial Equality and the Amalgamated Cutters and Butcher Workmen endorsed the boycott and agreed to participate in pickets of MetLife’s Chicago offices.[75] In the tension-filled political atmosphere of the mid-1960s, MetLife was quick to respond to charges of racial discrimination—much quicker than it had been in New York in 1963. Shortly after the announcement of the Chicago boycott, president of MetLife Gilbert Fitzhugh convened a press conference in Chicago where he insisted, “We have no policy that would prevent a Negro buying anywhere. Our policy of nondiscrimination has been published and announced and we live up to it.” He explained that the company’s policy of nondiscrimination had existed “since 1959 in housing, investments and employment.” Fitzhugh stridently denied any discrimination and claimed that the company’s local correspondent, Great Lakes Mortgage Company, had “many loans on residences owned by Negroes, perhaps the highest percentage of any insurance company, and these loans are in white and Negro neighborhoods.”[76] Despite Fitzhugh’s insistence, MetLife apparently kept no records of the racial identity of people who borrowed from it. The company held over $5 billion in loans for single- and multifamily homes but could not say what percentage went to African Americans. It did not matter if MetLife had a written policy against discrimination; the proof of nondiscrimination would be borne out in the actual number of mortgages awarded.

The truth about MetLife’s reception of African Americans was challenged when the president of Great Lakes Mortgage, Howard

Green, was asked by the media to corroborate MetLife's claims that its local affiliate did not discriminate in its lending practices. Green seemed confused and then contradicted Fitzhugh, explaining that Great Lakes, a MetLife subsidiary, had a "few" mortgages in a Black neighborhood on the South Side of Chicago. When asked if Great Lakes had any Black employees, as Fitzhugh had insisted in his press conference, Green responded, "At the present time we have no Negroes on our payroll. … I won't hire a Negro just because he is a Negro or turn one down on that account."[77] He went on to confirm that Great Lakes had never hired an African American.

MetLife's defenses withered quickly, as the mood in the spring and summer of 1965 was not as it had been in 1963, when the conflict with the NAACP over MetLife's segregated housing practices in New York had been ended with a watered-down agreement. Within a month of the Watts Rebellion in Los Angeles, MetLife entered into a more substantial settlement with the NAACP, UMBA, and the all-Black National Association of Real Estate Brokers regarding its distribution of home mortgage funds. MetLife and the NAACP released a joint statement that placed into context the significance of their agreement: "Achievement of a free market in housing has been, and remains, one of the most difficult phases of a long struggle for equality of opportunity. Racial prejudice and stubborn myths regarding the alleged results of Negro occupancy underlie the barriers, but the discriminatory policies of many lenders have provided the solid backing which makes them so invulnerable. In no case is this more true than when the Negro wishes to buy residential property in a white neighborhood."[78] The company agreed, for the first time, to place its nondiscrimination policies into its "compliance control" routine to ensure company oversight. MetLife also agreed to a plan to introduce African Americans in the real estate industry to various representatives within the company as a way of developing relationships between the two. By the late 1960s, there were entirely separate networks of Black real estate operatives with their own organizations, agents, and lenders operating in the shadows of the conventional, white real estate world. The UMBA boycott had intended to unite this Black real estate world with white capital. To that end, the effort appeared to be a success. MetLife conceded on the central demand of Travis and UMBA: that the insurance company assign its coveted “correspondent” status to bankers associated with UMBA to “further [enlarge] the placement of mortgage funds in the Negro market.”[79]

The agreement marked the end of the Chicago-inspired boycott but also provides some insight into MetLife’s motivation to organize the JCUP it helped to initiate two years later with the other attendees of the Columbia meeting. Obviously, a massive, privately financed urban investment program would help repair the reputation of MetLife, in particular, as well as the insurance industry more generally. If ever a business needed to pivot toward “social responsibility” to redefine its image, it was MetLife, a company that for twenty-five years had been embattled over its racially discriminatory practices.

The threats of protests and boycotts in 1963 and again in 1965 had produced inconclusive results, but the longer the protests persisted through the long, hot decade of the 1960s, the greater the potential for more dramatic and, perhaps, costly confrontation. These calculated business interventions were designed with this very thought in mind. But despite MetLife’s efforts, the company’s racial and housing woes continued right through the formation of JCUP. In May 1968, the New York City Commission on Human Rights, which had formed in the 1940s during the Stuyvesant Town struggle, charged MetLife with practicing discrimination in four large housing developments. The commission asserted that the company engaged in the “deliberate, intentional and systematic” exclusion of Negroes and Puerto Ricans from its New York housing developments.[80] The commission also accused MetLife of treating the Riverton Houses in Harlem as a “Black building,” meaning that African Americans were discouraged from applying to live in MetLife’s other, white apartment buildings. Once again, MetLife reaffirmed its official policy of nondiscrimination in an effort to put its best face forward.

But no business entity invests hundreds of millions of dollars just for the sake of good public relations alone. The Chicago campaign against MetLife opened the eyes of its executives—and those of the industry more generally—to the viability of the Black housing market. The still-rising income of African Americans overlapped with the continued out-migration of whites, thereby opening new housing opportunities for an emergent class of Black homebuyers. Dempsey Travis's argument with the big mortgage lender was driven, in part, by the existence of a housing market in the Black neighborhoods of Chicago with precious few mortgage lenders to serve it. Indeed, the Black mortgage lenders of UMBA said they "held or manage[d] about $120 million in one-to-four family home mortgages" in Chicago. Travis estimated that only 3 percent of $194 billion invested in mortgages nationally was invested in "Negro-owned property."[81]

The financial vacuum created by the demand of Black buyers and the dearth of available financing meant that predatory lenders—like the notorious contract sellers—were able to prey upon potential Black homeowners.[82] It was not that the Black housing market in Chicago was "untapped." Instead, exploitative economic transactions made the Black housing market very lucrative for those positioned to extract capital from Black communities. Even for MetLife, Black housing was a desirable investment as long as it was kept separate from white housing.

From Redlining to "Acceptable Risk"

In the summer of 1968, JCUP took out a full-page ad in *Ebony* to call attention to its new attitude toward doing business in the inner city. The ad posed the question, "Why are the life insurance companies so concerned?" and answered, "Unless the problems of our cities can be solved, we are dismayed at the prospect of greater personal tragedy and at the economic consequences."[83] It had been one year since the urban investment program began, and most deemed it a success, with almost the entire billion dollars accounted for and allotted by the end of 1968. Within months, JCUP was lending tens of millions of dollars to cities across the country: California received over $80 million to finance projects; New York received $46 million; Illinois, $56 million; and Texas, $67 million—just to name the recipients of the largest loans early in the program's life.[84] In announcing its second billion-dollar pledge, JCUP insisted that "this is not a welfare program. This is a business response to a business problem, the health and welfare of the cities."[85]

JCUP's $2-billion investments in housing and jobs programs were intended to meet the obligation that Johnson's administration was straining to fulfill. Two billion dollars was not an insignificant sum of money. It dwarfed the $600 million Congress had allocated for the Model Cities program in 1967. In fact, it was twice as much as Congress allocated for the original War on Poverty legislation or the Economic Opportunity Act in 1964. By the spring of 1969, JCUP had claimed responsibility for financing housing developments in 227 cities across four states to the tune of $900 million. Francis Ferguson, president of Northwestern Mutual, provided details showing that within the first year of the program, $631 million had been used to finance 63,000 units of low-income housing, "ranging from sizable rent supplement housing projects to single-family homes for low- and moderate-income families from the inner city."[86]

In 1965 Congress first began to relax the federal government's redlining practices to help the flow of capital into the nation's cities. An internal FHA memo detailed the impact of the redlining policies it had pursued for years:

> In some instances, there has been hesitancy on the part of insuring offices to make FHA programs available in older neighborhoods. An automatic exclusion of neighborhoods merely because they are older can result in the shutting off of capital investments in these neighborhoods. Unavailability of capital, in turn, accelerates decline. … Directors should at all times be aware of the characteristics of changing patterns of residential areas within their jurisdiction. They should be alert to situations in which values can be stabilized and property upgraded by an infusion of capital in older residential sections and should help bring this about by seeing that such areas are not denied the benefits of mortgage capital.[87]

This was the same year that legislation had been passed to create HUD, along with the introduction of specific programs intended to increase the participation of private institutions in the government's housing programs. These programs included lowering interest rates to induce private organizations to develop more housing in urban areas, as well as the first-ever plans to promote the sale of public housing units to public housing tenants. In 1966, there was the creation of Section 221(h), designed to facilitate the rehabilitation or sale of existing units to low-income buyers by nonprofit organizations that financed the purchase of the properties at 3 percent interest rates.[88] Johnson hoped that these kinds of partnerships would lure the private sector into playing a role in building out the Great Society.

But the dependence of the state on business to be the main producer of housing distorted the meaning of partnership. Business, in fact, was stepping in to perform the services of government when the state had fallen short, and therefore business had its own rationale for asserting its own agenda. What would happen when the objectives of business and the state clashed? Orville Beale, the president of Prudential, illuminated this conflict when he discussed how JCUP, in dealing with HUD, could make bureaucracy and red tape simply disappear. Beale assured legislators bewildered by the apparent seamlessness of the JCUP operation that "whenever we have encountered procedural problems on FHA lending, we have discussed them with FHA officials [at] the national level and they have cooperated promptly in making a number of regulatory changes."[89] The FHA's default position was to accommodate business by eliminating "red tape" and other perceived obstacles even when they were intended to monitor or regulate the actions of business, and by the late 1960s, the federal government welcomed the resources of private companies and their potential investment into troubled areas with open arms and few questions. Vice President Hubert Humphrey explained how "public need" could be satisfied if it turned into a "profit making venture for private enterprise." Humphrey continued, "We ought to create markets in meeting these needs for which companies can compete just as they do in designing automobiles and television sets."[90]

At a critical moment, when Johnson was in a politically weakened position that limited his ability to secure the necessary funding for a massive housing program, he defused the potentially contentious issue by allowing JCUP to invest its own funds supplemented with federal subsidies and guarantees. JCUP touted the absence of controls or inputs in the distribution of its funding. Beale emphasized that the loans were made "by the individual effort of the participating companies, rather than through a central fund or pool." Beale elaborated further: "Each life insurance company retains full responsibility for the interest rate and other lending terms on the loans it makes. … These companies also retain full control over the choice of cities in which their funds shall be invested and the types of urban core loans they choose to make."[91] For all of the program's decentralization, it was also completely reliant on federal protection of its mortgage loans. After years of government abandonment of urban areas and prioritization of suburban development, the state would now use its power and resources to protect the investment of private capital in the inner city. A partnership based on insuring investments in housing would unleash capital into urban areas while not dramatically adding to the deficit. And the federal government would only be on the hook if defaults and foreclosures began to mount. JCUP's urban investment program was a forerunner to the more general approach to low-income housing that would become the standard with the passage of the HUD Act in 1968. The federal government essentially relinquished control of a major part of its low-income housing program, including enforcement of its antidiscrimination regulations, to lure a lender into Black urban communities. This established a dangerous precedent where federal officials were willing to jettison fair housing principles for the expedience of private sector participation.

ENSURING SEGREGATION

Funding and financing were not, however, the only questions of concern regarding housing in the 1960s. A growing chorus had identified the tiered and segregated housing market as the root cause of the deterioration of urban housing. Without opening access to the metropolitan housing market, could the conditions of deterioration be stopped?[92] JCUP's intervention was taking place in the midst of intense debates concerning how cities should be rebuilt. Should the focus be on rehabilitation or new building? Should the rehabilitation of housing be limited to the inner city while new building took place elsewhere? Perhaps the most important question was where African Americans could expect to live.

The debate existed among African Americans as well as white elected officials and residents. For many Black people, the prolonged violence and racism of white people in an effort to keep African Americans out of their neighborhoods dampened enthusiasm for

Black movement into white suburban neighborhoods. More importantly, as political opportunities began to open for African Americans in communities where they constituted the majority, some Blacks were reluctant to move to areas where they would return to minority status. The sentiment was reflected in the influential essay from Detroit radicals James and Grace Lee Boggs titled, "The City Is the Black Man's Land."[93] The authors noted that despite the fact that African Americans financed almost everything in American cities where they were a majority, Black people had little control over how the city was governed. This dynamic began to change in the late 1960s and into the 1970s as the out-migration of whites, combined with the continued pace of Black in-migration, led to the election of the first African American mayors.[94] Black urban concentration offered the possibility of Black political control that many believed would pave the way to greater economic and even social opportunities, if not equality.

The debates within Black communities about whether to integrate or remain separate were amplified by discussions happening within Congress about where to focus its funding efforts. White politicians as diverse as Richard Nixon and Robert Kennedy converged politically on the importance of developing the urban core, and not only to stem the fury of Black uprisings. If the cities became desirable places to live, then perhaps the "fair housing" discussions, which threatened to breach the suburban racial barrier, could be stemmed. This was, of course, paramount to Nixon's backing of "Black capitalism" and his support of housing options that remained in segregated locales.[95] By encouraging development of Black business, supporting the creation of a Black housing market, and promoting Black schools, Nixon embraced Black capitalism on segregated terms. Nixon vigorously supported JCUP precisely because the organization embodied his vision of Black urban development anchored to an aspirant Black business class. Not only was JCUP financing housing, but it provided financing for the development of hospitals and medical facilities, grocery stores, nursing homes, banks, and a host of other Black businesses in urban commercial districts.[96] When JCUP announced it was committing an additional billion dollars for urban reinvestment, Nixon praised the insurance companies for having an "effective way to bring more jobs and better housing to many Americans who need them." Nixon went on to describe "the cooperation" between private enterprise and government as a "creative partnership" and thanked JCUP for its "farsightedness and sense of responsibility."[97]

Democrats championing this "separate but equal" approach to urban development described their support as an "urgent" response to the urban crisis. They argued that pressing housing concerns in the cities dwarfed "abstract" debates concerning integration and Black access to white, suburban communities. In a hearing on fair housing in 1966, Senator Robert Kennedy argued for a strategy of rehabilitation of the ghetto as opposed to fair housing and access to the suburbs. He explained:

> To seek a rebuilding of our urban slums is not to turn our backs on the goal of integration. It is only to say that open occupancy laws alone will not suffice and that sensitivity must be shown to the aspirations of Negroes and other nonwhites who would build their own communities and occupy decent housing in the neighborhoods where they now live. And, in the long run, this willingness to come to grips with the blight of our center cities will lead us toward an open society. For it is comparability of housing and full employment that are the keys to free movement and to the establishment of a society in which each man has a real opportunity to choose whom he will call neighbor.[98]

Kennedy spoke of the "aspirations of Negroes" to "build their own communities" while simultaneously developing housing comparable to that of whites as evidence of the readiness for an "open society." But many African Americans actually desired housing wherever they could find it. For that reason, over the course of the 1960s, African Americans were concerned not only about the condition of urban housing but also about the prevalence of housing discrimination in general. In 1967, *Jet* magazine conducted a survey of 700 Democratic Party leaders in thirty cities.[99] When asked to identify the issue on which the Johnson administration had least satisfied their own and their constituents' expectations, respondents replied that it was housing discrimination. In another survey on housing, this one conducted in Harlem, residents were asked whether they would rather solve their housing issue by leaving Harlem or by remaining there. Only 17 percent of respondents said they would choose to stay in Harlem. A Harris poll conducted in the weeks following the Detroit and Newark uprisings found that 84 percent of Blacks believed that the ghetto should be "torn down."[100]

These polls were not wholly representative of debates about where African Americans should live, but they show that it should not have been assumed that Black people were only interested in remaining in Black, segregated communities. Moreover, conflating the issues of neighborhood choice with segregation obscured reality. When violent opposition to Black rights in the South began to subside, the perceived threat of residential integration in the North inspired new waves of white violence directed at the homes of African Americans. As late as 1966, white racists bombed the homes of three Black families living in Cleveland Heights, a white suburban neighborhood bordering Cleveland. As the local paper reported, the bombings were "believed connected with integration."[101]

When Martin Luther King Jr. campaigned against housing segregation in Chicago, he was met with as much violence as he had ever experienced in any of his southern campaigns. During a march through a segregated, white neighborhood, Gage Park, King and other activists were confronted by hundreds of whites chanting, "White Power," "Up with Slavery," and "Kill Niggers." This white mob attacked the Black activists, and by the end of the rampage forty-four cars had been burned and fifty people were injured.[102] In 1967, the recently purchased home of a Black couple on the mostly white southwest side of Chicago was firebombed.[103] In December of the same year, three Long Island, New York, youths used a crude pipe bomb in an attempt to destroy the home of a Black real estate broker.[104] There had been two other bombings in the New York area, including one of a city pool used by African Americans and one of an "all-Negro apartment building." In the East Flatbush neighborhood of Brooklyn, a Black family "was blasted out of its home in a predominately white area."[105] In the summer of 1967, weeks after rioting in Detroit, whites voted down a fair housing ordinance in Flint, Michigan, fueling racial tensions. These tensions boiled over when three firebombs were detonated in a Black neighborhood after the ordinance was defeated.[106] The means by which residential segregation was maintained had nothing to do with "choice" and everything to do with violence and hatred prompted by the racist views that Blacks kept property values down and were physical markers of inferior status. Maintaining segregation was about the power of white institutions and white residents to combine and dictate where Black residents should live. This was reflected in the length of time it took to secure a law against housing discrimination in the first place. In 1966 and again in 1967, federal bills against housing discrimination were defeated after intense lobbying by the housing industry, especially the real estate establishment, that produced the fear of political reprisal for senators and representatives who voted for such legislation.

The life insurance industry managed to avoid these thorny issues by simply ignoring federal rules against housing discrimination. JCUP was determined to control its investment in urban and Black communities. In the absence of federal oversight, there would be no particular compulsion to adhere to the new rules regarding antidiscriminatory lending practices. It is true that among JCUP lenders, there would be no discrimination against mortgagors—that was the point of the program. But the lenders could limit loans based on their location and the requirement that the homes or buildings to be purchased had to remain in the "city core." Federal housing regulators—led by Robert Weaver, who had spent his entire working life trying to dismantle housing discrimination—showed no special interest in applying those rules to the life insurance industry. JCUP representatives presented racial discrimination and urban redevelopment as parallel discussions, as if the two had no relationship to each other. JCUP representatives made no mention of race as an explanation for why life insurance companies in earlier years had ignored lending in urban—and Black—communities.

Indeed, in announcing its second billion-dollar investment in 1969, JCUP once again turned to *Ebony* with another full-page ad. In this ad the industry touted its accomplishments while exonerating its historical role in the problems of the cities. The text-laden ad lauded the insurance industry's "new and special case of investment." The ad continued, "It went into … the inner cities … where capital was not readily available on reasonable terms, because of risk and location. Our business felt this commitment was essential. … If those cities crumble, people are going to crumble … and business is apt to crumble along with them."[107] The new initiative also avoided any discussion of race, only describing the new projects as "housing investments … primarily designed for the benefit of low-and-moderate-income families presently residing in city core areas."[108] Erasing the history of racial discrimination as a factor in the industry's own treatment of Black citizens, along with denying the role of race discrimination in the urban condition, undermined the principles of and necessity for "fair housing." If race played no role in the refusal of banks or other lenders to do business with African Americans, then why was fair housing necessary at all?

JCUP did not need to answer this or any other question, because the federal government required nothing from it, except to lend the hundreds of millions of dollars in mortgage funds at its disposal. In doing so, JCUP effectively created a shadow HUD with its own rules but armed with a guarantee that the federal government would protect all of its investments while requiring nothing in return, including adherence to civil rights laws. This put the facts on the ground directly at odds with the federal government's stated intentions. By 1967, HUD was in the process of clarifying existing policies and creating new ones that prohibited racial discrimination in federally sponsored housing programs. In a memo marked "confidential" sent to the assistant secretaries of HUD, Weaver gave them thirty days "to report action taken to conform all programs and operations under their jurisdiction to HUD policy on equal opportunity." The memo was intended to demonstrate unequivocal support for antidiscrimination measures. For example, Weaver clarified that "if unimaginative site selection or bad relocation practices … should result in further disadvantaging Negroes or other minorities … it can effectively be contended that the locality was using Federal funds to discriminate."[109] Weaver wanted to implement new policies that would "facilitate [HUD's] equal opportunity objectives of inclusive participation patterns in HUD-assisted programs and activity, and thereby afford members of minority groups the opportunity and choice of locating outside the areas of their own minority group concentration."[110] For example, a letter from Weaver's assistant, written during the same time that JCUP was collaborating with HUD on the launch of its new program and sent to the director of the Leadership Conference on Civil Rights, clarified HUD's rules concerning "equal opportunity" in housing, explaining that proposals to "locate housing only in areas of racial concentration will be *prima facie* unacceptable."[111]

Could this happen to us? To our families? To our way of life? Could this happen to America the beautiful?

Well, look around. You can see signs of it this very moment in every major city in this country. You can see it in the slums, in the jobless, in the crime rate. In our polluted air, in our foul rivers and harbors and lakes. You can see it in our roads strangled with traffic.

You know the problems confronting our cities. Now we must all do something about it. While there is still time. Before our cities become unfit places in which to live.

Why are the life insurance companies so concerned?

Our business involves people. Our service is security for their future. Unless the problems of our cities can be solved, we are dismayed at the prospect of greater personal tragedy and at the economic consequences.

The alarm has already been sounded. By the President of the United States. By concerned people all over America. America's life insurance companies—so long a part of the American scene and quite probably of your own life—are adding their voices to a call for action. We hope that call can help persuade men of good will, as businessmen and as private individuals, to act and act now.

Concerted action *now* can be effective. For the very cities that are suffering most have at their command human and economic resources unmatched anywhere else in this world. Now it is up to all of us to see to it that these resources are put to constructive use.

What can business and industry do?

The job of rehabilitating our cities, of making them fit for all to live in, must rest primarily with government. But it's a job too big for government alone.

It's everybody's problem. Business, labor, private citizens. Negro and white alike.

So everyone is needed to solve it. Help is needed in building and improving housing, creating job-training centers, re-evaluating hiring practices, participating in community programs of health and education.

Here are some efforts already under way:

As a start, Detroit auto companies have hired some 30,000 ghetto residents.

As a start, Aerojet-General Corporation bought an abandoned plant in Watts, staffed it with 430 unskilled employees and secured a 2.5 million-dollar Defense Department contract.

As a start, United States Gypsum Company has rehabilitated 12 slum tenements (250 units) in Harlem and is now engaged in other projects in Chicago and Cleveland.

The Avco Economic Systems Corporation recently opened a printing plant in Roxbury, Massachusetts, with 69 employees. The operation marks the beginning of a training and permanent-employment program for an eventual 232 hard-core unemployed.

The Fairchild Hiller Corporation, working with the Model Inner City Community Organization, is establishing a wood products plant in Washington D.C. that will eventually be community-owned, with newly employed slum residents sharing in profits.

A group of life insurance companies has made a commitment to invest 1 billion dollars for housing and jobs in slum areas. More than one-third of this has already been earmarked for specific projects.

Many other businesses throughout the country are taking up this call to action. But it's only a beginning. To make a truly effective beginning all businesses and industries must help. For the cost will be huge.

What can the individual citizen do?

First, the private citizen must educate himself to the dimensions of the problem. By reading. By listening to what his own civic leaders have to say. By pondering what responsible broadcast and newspaper leadership recommends.

He can take a further step in joining citizens' organizations, working with local educational and planning boards, and lending his support to community efforts to lick the problem.

And there are things he can do personally.

As a start, interested groups are working in cooperation with local labor unions in helping young ghetto residents of Newark, Cleveland, Buffalo and Brooklyn to enter the building and construction trades. By recruiting, screening, counseling and tutoring, they have already helped 250 men from the Brooklyn area alone to gain union membership.

As a start, a former auto worker has formed a committee which will soon have Watts citizens farming some 30 acres for themselves for profit.

As a start, individuals, local businessmen, and corporations in St. Louis have contributed over $150,000 to a neighborhood organization to rehabilitate slum dwellings and make possible resident ownership.

It's up to all of us.

Our cities have now become one of the greatest challenges facing this country. We feel America has the means to face this challenge and win.

What about you? Whether you are moved to act out of compassion or self-interest, do act. For whoever you are, whatever you do, you, in your own way, can help. And you can begin today.

For suggestions about kinds of constructive action you, your business, religious, social, or civic organization can take, send for the free booklet, "Whose Crisis? . . . Yours."

Institute of Life Insurance
277 Park Avenue
New York, N.Y. 10017
On behalf of the Life Insurance Companies in America

An ad placed in *Ebony* advertising the life insurance investments by the Joint Committee on Urban Problems. (*Ebony*, June 1968; Institute of Life Insurance)

When you invest a billion dollars to help the cities, you learn some things.

A lot that is said about urban problems is pure myth.

Myth: "You can't save the cities. If backlash doesn't beat you, Blacklash will."

Myth: "Government can solve the urban problem all alone."

Myth: "Big business can solve the urban problem all alone."

Choose your cliché and come out swinging. So many myths have sprung up around the problems of the cities that the myths themselves have become part of the problem.

But when you actually get in and grapple with the problem, the myths just fall away. For example, it might seem very gratifying to businessmen if all they had to do was apply some corporate mind and money to make the cities bloom again overnight. Or, alternatively, if they could simply hang a "For Government Only" sign on the subject and walk away from all responsibility. We in the life insurance business found from experience that neither response is valid.

We found this when we got involved.

Back about 18 months ago, a lot of life insurance companies got together to try to solve some of the inner cities' problems. We felt there was a job we could do there, with our knowledge of investing in housing and in projects that create employment.

So the life insurance companies pledged a billion dollars for the effort.

To keep the record clear, this was no normal, business-as-usual investment. Our business knew that capital for homes, businesses and services in the inner cities was not readily available on reasonable terms, because of risk or location. But nonetheless the need for such funds was very great.

After all, our business is intimately involved with people, with their health and safety. And people live in the cities. You might say that people *are* the cities. The health of one means the health of the other. And both together mean the health of business. Any business.

The billion-dollar investment is now almost completely committed.

And in the process is debunking some myths. Like those we mentioned above about government and business. Like the myth that either backlash or Blacklash is going to prevent any constructive action.

Like the myth that "those people never do anything to help themselves."

Like the myth that "the poor are always with us."

Quite the contrary. We found constructive people in the cities. Our involvement exposed us to responsible leaders. To people eager to build and improve. In short, we found people.

Not myths.

We found reason to invest still further.

To pledge a second billion.

A second billion dollars with the same aims as the first.

A second billion that will help utilize what we learned from the first.

To help others learn some things they might do, we've prepared a booklet: "The cities...your challenge, too."

So more people can become involved.

People like you.

Write: Dept. M

Institute of Life Insurance
On behalf of the life insurance companies in America
277 Park Avenue
New York, N.Y. 10017

An ad placed in *Ebony* extolling the accomplishments of the life insurance investments after a second billion had been made available by the Joint Committee on Urban Problems. (*Ebony*, August 1969)

It was against HUD's own rules to approve the financing of segregated housing, but the agency turned a blind eye to local housing authorities soliciting financing from JCUP to fund those projects. When HUD would not approve financing for segregated developments, declaring them prima facie unacceptable, some local housing authorities simply went to JCUP directly for financing. Local housing authorities were able to circumvent their legal responsibilities of antidiscrimination as required by the 1964 and 1968 Civil Rights Acts. For example, JCUP touted its support of a project in the "inner city" of New Orleans for "low-income minority families" with $463,000 in financing.[112] There was also a $660,000 loan to finance "100 multifamily units for minority occupants in a blighted area of Winston-Salem." The project was to be leased to the local Winston-Salem housing authority and then sublet to families.[113] JCUP preemptively muted criticism of its segregated life insurance loans by extending relatively large loans to Black lenders and real estate agents. JCUP provided $750,000 for sixty loans to finance single- and multifamily houses in Black neighborhoods in New York City.[114] The loans were originated by a Black savings and loan association, and as part of the agreement, the homes would be owned by members of "the minority group."[115] A $5.5 million loan went to a Black bank on the promise of lending to minority groups in the core areas of Los Angeles.[116] At a meeting in Indianapolis organized by the U.S. Commission on Civil Rights to bring together representatives of the FHA and African American real estate agents to discuss JCUP, the Black agents asked whether the new JCUP program would "promote integration." They were told that while the "programs [were] not specifically designed for this purpose," there could also be "some positive effect."[117] There was no elaboration on how those positive effects could be instituted when the program was going to be implemented *exclusively* in "city core" neighborhoods and their immediate periphery.

JCUP's activities reinforced segregation and demonstrated, once again, the federal government's complicity in discriminatory practices. More than this, JCUP's dealings helped to establish a troubling precedent that would reappear on a much larger scale in the years that followed. Orville Beale boasted that the FHA removed a stipulation that when a lender foreclosed on a property, it remained the lender's responsibility to maintain that property until it was sold again. This, in fact, was a critical regulation that compelled lenders to help the owner at all costs so as not to have to deal with the added expense of property maintenance. Importantly, it discouraged lenders from foreclosing on properties. When JCUP asked the FHA to drop this requirement, it meant that the "lender no longer [had] to look forward to the possibility that he might have to restore the apartment to good condition in order to qualify" for federal guarantees.[118]

The life insurance industry's financial investments were hailed far and wide, but it is important to take stock of the full implications of this intervention.[119] The insurance industry's investment in urban development was a small price to pay for an industry whose earlier exclusion of the "city core" had contributed to its deterioration. But the blind praise of the insurance companies accepted the logic that there was a choice to be made between the urgency of repairing the cities and opening up housing options for African Americans beyond the city core. This was a false choice contingent on accepting the establishment idea that only one option was available. This false dichotomy ignored how the continuation of racial segregation in the real estate market preserved the potential for exploitative real estate practices targeting African Americans. It also meant keeping African Americans trapped in a real estate market with inferior housing perpetually valued less than the properties found in exclusive white neighborhoods regardless of class. For the multibillion-dollar life insurance industry, the investment was not asset creation for African Americans; it was crisis management.

Combatting racism was never the objective of JCUP, even as that was the formal goal of "fair housing" legislation. JCUP evaded the debates concerning where Black people should live. This reflected a broader trend within socio-commercial business reform that ignored racial discrimination as a driving force in the urban crisis. A *Forbes* editorial in a special edition on business and the urban crisis articulated this perspective directly when it argued that "a good deal of what is commonly thought of as racial prejudice has less to do with race than with class: the animus is directed toward people mainly because of their occupations, grammar and mode of dress."[120] This explanation bordered on the absurd, given that by 1968, when the edition was published, the depth and breadth of racial discrimination experienced by all African Americans, irrespective of class, was well documented in congressional reports as well as in government-commissioned studies of the problem, including the Kerner Commission report. Detroit's Urban Coalition leader, Joseph Hudson, whose family owned a chain of department stores across Michigan, was asked whether or not he should resign his membership from a country club that excluded African Americans. His response showed the continuing contradiction of "solving the urban crisis" without addressing the racial discrimination that was its central feature: "I myself have never met a Negro who asked to become a member of any of these clubs, or who thought it would be significant."[121]

The actions of the International Ladies' Garment Workers' Union in 1965 demonstrated the possibility of a different way. The union pledged $7.65 million for loans to provide low-cost housing for Black families in the South and Midwest. It stipulated that the money "be used solely for construction of one-family homes for Negro families in desegregated neighborhoods."[122] The union's mortgage funds were distributed through Black mortgage bankers, including companies represented in UMBA, to ensure that the money made its way to Black borrowers. Union president David Dubinsky said the primary purpose of the loans was "to foster the development of integrated residential sections, and … to avoid the creation of additional Negro ghettos."[123] This endeavor was certainly smaller in scale than JCUP's, but it specifically challenged the notion that one could not both advocate for urban redevelopment and pursue low-income housing in nonsegregated communities.

The billion-dollar project that quickly morphed into a $2-billion project appeared to resolve the long-standing barriers to financing. The quickness with which JCUP was able to allocate money to various projects reinforced the perception that private capital, as opposed to the state, was a more efficient player in urban redevelopment. The supremacy of business was made obvious in other ways as well. Whatever the stated motivations of politicians, it soon became apparent that the end of redlining was intended to create greater penetration and mobility for capital, not people. As Orville Beale explained in a congressional hearing on JCUP, "Ideally, private business would direct its resources and energies to new ventures in the urban core area in the expectation that a reasonable profit could be earned without extraordinary risk of losses." Beale went on to explain that without this clear profit motive bolstered by the federal government, there were "very few inducements for private promoters" to build in the "urban core," as opposed to more profitable "ventures outside of the center city."[124] This was partially borne out in the increasing number of FHA-insured homes in previously uninsured areas. In August 1967, the FHA was insuring up to 200 properties a week in "riot-threatened areas," but by June 1968, it was insuring between 1,600 and 2,000 properties a week in "in blighted areas in central cities."[125] As Brownstein put it, "We have made the task of providing housing for the low income and moderate-income family the primary role of the FHA today."[126]

A Growing Consensus

Meanwhile, homeownership, which was in sync with the trend toward privatization and private ownership, was increasingly prioritized in the nation's housing policies. It was in sync with a greater emphasis on private ownership in low-income housing, away from what had been an earlier emphasis on public housing. Black homeownership in the urban core was also seen as a social palliative against the annual summer rioting. Several politicians spoke in favor of the social benefits of homeownership as much as they described the need for housing. Freshman Republican senator from Illinois Charles Percy repeated a common refrain when he said, "If we can give homeownership to poor people we can cut out the rot that is infecting our cities. … A desire to own exists in millions of American families who want to own their own homes. Private enterprise and private money should be put to work through banks and savings and loan associations to bring this problem to a solution."[127]

Over the course of the 1967 legislative season, both Democrats and Republicans had compiled more than thirty-five different pieces of legislation concerning homeownership in the urban core.[128] Percy himself had sponsored the aptly named National Homeownership Foundation Act in the spring of 1967. When he took to the floor of the Senate on April 20, he prefaced his promulgation of the act by describing it as not just another housing bill but, instead, a moral calling. Percy framed homeownership as a vessel to deliver the moral imperatives of “human dignity, self-esteem, the motivation to achieve, a feeling of security and roots, individual and community responsibility … [and] participation and leadership in community activities.”[129] The act would authorize the creation of a Homeownership Loan Fund as a private foundation to raise money for urban homeownership. The foundation would rely on private funds by issuing debt certificates guaranteed by the Treasury. Despite its lofty language, Percy’s bill called for homeownership opportunities on a relatively small scale, facilitated mainly by churches and other smaller nonprofit organizations. St. Louis had attempted a similar pilot program for low-income homeownership on a limited scale in 1966, and even though it secured only 2,000 homes, it was widely considered to be a success.

Percy’s bill also called for homeowners’ insurance to cover mortgage payments in the event of illness or unemployment. It included a “sweat equity” stipulation allowing homeowners to reduce their costs if they worked to rehabilitate their own property. Finally, the bill included providing nonprofit organizations with the tools to counsel potential homeowners about the rigors of owning their own home. The bill was intended to subsidize homeownership for a relatively modest number of 200,000 homes in a three-year period and with an interest subsidy payment of up to 3 percent of the interest rate, calculated to limit the number of people eligible for the program.[130] There was widespread bipartisan support for Percy’s bill, including 39 Senate cosponsors and 112 House sponsors. Percy even vetted the proposal with Andrew Young, a lieutenant of Dr. King in the Southern Christian Leadership Conference. But not everyone was enthusiastic about the new proposal.

HUD secretary Weaver expressed reservations about the supposedly transcendent potential of homeownership for the urban poor. He agreed about the benefits of homeownership but raised concerns about the ability of poor people to handle the financial commitments involved:

> For the ill prepared, the misadvised, and the unsuccessful, participation is a frustrating and disillusioning experience. If a low-income family loses its home when temporary unemployment or serious illness strikes and only a burden of debt remains, its loss is great and its disappointment is severe. Nor will a low-income family's loss or disappointment be less when the breadwinner's job requires that it move to another locality—and the family finds that it owes more on the home than it can get for it on the market. This may be due to the lack of equity in the property or to the rundown condition of the neighborhood. If any substantial numbers of low-income families—led into unstable home ownership by misleading promises of ineffectual government programs—suffer these losses, their bitter disillusionment will be harmful to the country.[131]

Despite Weaver's concerns, Johnson recognized the political popularity of low-income homeownership being advanced by many of his political rivals and outlined his own vision to expand urban homeownership. In Johnson's "Crisis of the Cities" speech, he called for 100,000 low-income families to purchase or rehabilitate their own homes. He described homeownership as "a cherished dream and achievement of most Americans. … Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a home has something to be proud of and good reason to protect and preserve it."[132] The Senate Banking and Currency Committee combined the different elements of the varied housing bills and produced a plan for government-subsidized, low-income homeownership that would be incorporated into the HUD Act of 1968.

"The Magna Carta of the Cities"

During an outdoor ceremony on a warm August day in the garden of the new, $20-million HUD building, Johnson signed the HUD Act into law. It was almost four months after passage of the more celebrated Fair Housing Act (as the Civil Rights Act of 1968 came to be known), but Johnson praised his new legislation as a "Magna Carta for the cities." He went on to say of the new bill, "Today we are going to put on the books of American law what I genuinely believe is the most farsighted, the most comprehensive, the most massive housing program in all of American history."[133]

The HUD Act was a watershed event in American housing policy. Johnson described earlier efforts as enlarging "the government's role to bring decent houses into the reach of families with moderate income."[134] The HUD Act was going to be different. Instead of continuing to expand "government's role" in housing low- and moderate-income people, Johnson called for bringing "the talents and energies of private enterprise to the task of housing low-income families through the creation of a federally chartered private, profit-making housing partnership."[135] Johnson described multiple ways to combine the efforts of private institutions with government to resolve the long-standing urban housing crisis. Declaring that "a new partnership between business and government" was needed to end the urban housing crisis, he called on the "homebuilder, the mortgage banker, the contractor, the nonprofit sponsor, the industrialist" to recognize the "new opportunity for American business" in the city.

The centerpiece of the new legislation was a program for homeownership among low-income and poor people: Section 235 of the Housing Act marked a turn in the history of American housing policy. Mortgage insurance in the "city core" opened up the possibility of homeownership through affordable and conventional means to African Americans for the first time. Families making between $3,000 and $7,000 a year could buy homes for as little as $200 down and monthly payments of 20 percent of their income. The federal government paid the additional costs and subsidized interest payments beyond 1 percent.[136] At a time when interest rates regularly topped 6 to 7 percent, the federal government's subsidization of all but 1 percent of the interest for participating homeowners was quite generous. The rock-bottom interest rate subsidy put the program within the reach of hundreds of thousands more participants than the original suggestion of a 3 percent interest subsidy. Families could purchase homes for up to $15,000, unless they were in a high-income area, where the amount increased to $20,000.[137]

More generally, the bill was a true bipartisan collaboration that enjoyed broad congressional support as well as that of industry leaders from the NAHB, who celebrated the bill's emphasis on building new housing developments. The president of the NAHB described the HUD Act as "the first real response to the growing unrest among the poor for better housing and living conditions," an unsurprisingly positive reaction, given the bill's mandate for the construction of millions of new units of housing within the coming decade.[138] Its driving force was the prioritization of "maximum private interest input," exemplified by a reliance on private builders, private real estate agents, and private financing for properties that ultimately were to be owned privately. The legislation called for 26 million units of new housing to be built over the following ten years, including 6 million units of subsidized housing. If successful, this would be a dramatic and unprecedented increase in housing production. In 1966, only 49,000 units of subsidized housing had been built; in 1967, 57,000 units; and in 1968, 128,000 units. Johnson was calling for those numbers to leap to 600,000 new units a year. The projected increase in housing starts reflected a new focus for HUD, one that made production the primary goal.

Across African American communities, the legislation was hailed as a dream come true. The NAACP's official magazine, the *Crisis*, editorialized, "For Negroes the new law means that homeownership can now become a reality instead of a dream for nearly 500,000 families."[139] Black operatives in business and politics saw the passage of the historic legislation not only as a housing bill but also as an opportunity for job creation and business development. The NAACP threw its weight behind organizing a National Housing Producers Association for "Negro builders, architects, brokers, planners, financial agents, insurance men and housing experts" to stimulate "Negro enterprise in the housing field."[140] William R. Morris led this effort. A former developer and real estate broker, Morris became the NAACP's newly designated director of housing after the passage of the HUD Act. His position was to liaise between different sectors of the housing industry in the hope of utilizing the new tools created by the HUD Act to develop new housing and business opportunities for African Americans. The NAACP established an incorporated housing organization to facilitate these relationships within the organization. Morris explained the NAACP's strategy: "We want a piece of the action. … Far too often housing and other improvements are developed in black communities, and the profits and related economic benefits leave our areas. … We want to reverse that tide and stimulate the flow of money and long range benefits back into our communities."[141] George Romney, soon to be secretary of HUD, affirmed to the press that "black enterprise is essential to achieve this administration's goal of good housing and good job opportunities for everyone."[142] Not only would this particular approach put the NAACP in the literal business of real estate, but it raised potential challenges to the organization's long-standing commitment to integration. It was a dilemma not only for the NAACP but for the entirety of Black organizations faced with building up segregated urban and suburban areas or fighting for access to white suburban enclaves.

The HUD Act also privatized the Federal National Mortgage Association (FNMA) and created the Government National Mortgage Association (GNMA) in its place. The Johnson administration wanted the FNMA's debt off its books, especially as it was preparing to massively expand homeownership to people of low income. Privatizing the FNMA was the culmination of several debates over how to bring the rapidly expanding federal deficit under control. Privatization would make the FNMA debt disappear from the federal budget overnight. The federal government would still influence the FNMA by appointing its board and lending it money from the Treasury to keep its buying capacity as a secondary market intact, but its balances would no longer show up as debt. The GNMA was to play a similar role to that historically performed by the FNMA, except that its funds would be used to purchase low-income FHA mortgages. A secondary market for low-income mortgages would become an important source of revenue, especially considering the regular peril of federal appropriations for housing programs. It would also have a multiplicative effect on monies made available for low-income homeownership. "Mortgage-backed securities" were introduced in the HUD Act as a way to increase the flow of mortgage credit into the newly developing urban housing market. Securitization turned consumer, in this case mortgagor, debt into investor bonds that would then be bought and sold on Wall Street and beyond.[143] Transforming debt into liquid cash ensured the stability of the market from the interests of the builders, brokers, and bankers. There would be no shortage of mortgages; the industry had to produce the houses. As noted by the *Crisis*, “Though the Section 235 program [as the program came to be known] was created in Washington, it was funded on Wall Street.”[144]

The contradiction between the goals of profit and public welfare quickly rose to the surface. Real estate brokers had scoffed at the bill’s emphasis on new housing but were pleased with its calls for the rehabilitation of 1.7 million homes and apartments over the first three years of the legislation. The California Real Estate Association enthusiastically supported the HUD Act because it called for the creation of more new housing, offering new business opportunities throughout the industry. The association’s president said about the new HUD legislation, “We’re going to work with city and county government, civic groups, and private enterprise generally … to attack this problem [of low-income housing].” While it welcomed the new real estate business to be drummed up by the HUD Act, the organization also voted to continue its campaign against fair housing in California, claiming, “We have no discrimination problem within our own membership. … Our emphasis has always been on voluntary solution of the equal rights problem.”[145]

The HUD Act was poised to amplify the successes that were initially spurred by the life insurance industry’s urban investment program. However, while the ban on government redlining indicated a shift in policy, it did not address the residential segregation that had, in fact, been created by the policy in the first place. In fact, moneylenders like JCUP, as well as the mortgage bankers and savings and loan associations that worked in tandem with the FHA, denied that racial discrimination had ever been a factor in their decisions to exclude Black communities from home financing. Now they acted as gatekeepers, with the full backing of the FHA, allowing for the broader real estate industry’s penetration into Black communities while still ensuring that Blacks remained locked in ghettos. Allowing capital to move freely while Black people could not helped to fortify the conditions of predatory inclusion as HUD’s multiple homeownership programs—Section 221(d)(2), Section 221(h), Section 223(e), and

Section 235—began to take hold. The urban investment plan demonstrated the unevenness in the partnership between capital and the federal agencies that were at the heart of the revamped housing policies that culminated in the HUD Act. Just as African Americans had finally secured a guarantee of a right against racial discrimination in the housing market, the government was devolving responsibility for achieving its goal of providing a “decent home” for Americans to the “genius” of private enterprise. Nevertheless, housing integration remained a volatile issue, as evidenced by the continuation of bombings of African American homeowners who violated the racial boundaries that separated Black from white. The offer of business to intervene in the housing crisis was not to undo segregation and expand the housing choices of African Americans. There was no reason why there could not have been new building and rehabilitation of urban housing alongside new building of homes affordable to low-income and working-class Black families in white suburban enclaves. These, along with rigorous enforcement of new federal fair housing rules, could have transformed Black housing conditions. Instead, business used its billions of dollars to keep Blacks locked into cities, but perhaps with their own homes. Chapter 3 explains why using fair housing as a tool to shape urban and suburban development efforts did not take hold.