

THE RELATIONSHIP OF SEGREGATION AND FINANCING  
PRACTICES TO MINORITY HOUSING PROBLEMS IN CHAMPAIGN-URBANA

League of Women Voters of Champaign County

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## THE RELATIONSHIP OF SEGREGATION AND FINANCING PRACTICES TO MINORITY HOUSING PROBLEMS IN CHAMPAIGN-URBANA

### INTRODUCTION

This study asks the question: What special problems do local minority members have in obtaining adequate housing (for their socio-economic level), aside from problems caused by the general conditions of high rent and great demand which exist in Champaign-Urbana?

Ways in which other communities have lessened or solved the problems of minority housing are discussed in a companion study, Trends toward Non-Discrimination in Housing. It describes working citizens' groups which could indicate to local groups methods of solving minority housing problems in local community.

For many years the League of Women Voters of Champaign County has studied local housing conditions, particularly low-income and minority housing in the community.\*

This study was made because the local League of Women Voters found that efforts to improve housing in Champaign-Urbana for low income families had been hampered consistently by severe overcrowding in the segregated Negro area in Northeast Champaign and Northwest Urbana.

### MINORITY HOUSING IN CHAMPAIGN-URBANA

The 6,200 Negroes who live in Champaign-Urbana are restricted, with few exceptions, to housing in one area which includes much of the low-income group. In 1960 only 24 properties in the area were assessed at more than \$5,000, including businesses. Most of the houses are assessed between \$1,000 and \$3,000, fewer at \$3,000 to \$5,000. The area north of University Avenue, from Goodwin Street to the Illinois Central tracks, has been designated by custom for Negroes, although one out of ten residents of the area is white. About 40 Negro families live outside that segregated area of Champaign-Urbana. Most of them live in the so-called fringe areas--Clark Street between Goodwin and Lincoln and the 100 block on Ells Street. A few Negro families live in white neighborhoods. University housing facilities are integrated.

The area from Washington to Park Street has changed to a predominantly Negro area in the period between 1940 and 1960. One or two white residents remain in most blocks.

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\*The League of Women Voters of the U.S. has long supported "protection of minority groups against discrimination" and the "responsibility of government to share in the solution of social and economic problems which affect the general welfare." The League of Women Voters of Illinois has a position supporting general protection of minority groups.

According to the Illinois Human Relations Commission, Champaign-Urbana is the most segregated community among the 15 largest cities in the state. Unlike Champaign-Urbana, the other communities have three or more predominantly Negro areas, with some scattering of Negro housing elsewhere.

Champaign County is one of the fastest growing in the state. Population in the Twin Cities has continued to grow rapidly-- 37 per cent from 1940 to 1950; 25 per cent increase from 1950-1960. The white population was absorbed by several new housing developments on the outskirts of the cities.

During the same 20-year period, the Negro population increased by 4,100. In 1940 there were 2,100 Negroes in the community. In 1950 there were 5,300, and in 1960 there were 6,200. However, the proportion of Negroes in the general population has remained fairly constant--about 8.6 per cent during the past 10 years.

The area in which Negroes are able to live has not increased in proportion to the increase in the Negro population. The area has moved south from Washington Street since 1950 to include additional houses, all of them old. Less than 300 new living units, including 112 public housing units and 3 Negro private housing developments, have been built in this time to take care of the increase in the Negro population.

The strict segregation pattern has intensified the obsolescence and overcrowding of the area. Landlords have continued to raise rents and cut up houses into even smaller apartments because tenants have "no place to go". Rents there are exorbitant.

#### SUBSTANDARD HOUSING CONDITIONS

In 1948-49, the League of Women Voters of Champaign County found that almost all the social problems of the substandard housing areas of Champaign-Urbana were caused by poor housing.

Two further studies were made by the League. The first was (a) a study to determine what percentage of the income of the people in the lower income group went for housing (see section on financing minority housing) and (b) a survey of the substandard housing in the North section of the communities to which Negroes are largely restricted.

The second study was a detailed report on the deplorable living conditions in tar-paper shacks and crumbling structures--a random sampling of many such dwellings in both cities. It described the lack of plumbing facilities, hazardous heating units, termite, roach and rat infestations of the housing in the area.

Housing conditions in the segregated area of Champaign-Urbana have been reassessed by the League of Women Voters as of 1959. The study compared conditions with those found by the League in 1948 and 1949. (1)

In 1959 the League found that the general appearance of the area had somewhat improved. Streets which were lakes and mudholes on rainy days 10 years earlier had been drained and paved. Many homeowners along these streets had improved their properties. Some dilapidated barns and outbuildings had been removed. The worst shacks in the area were no longer inhabited, and many had been torn down. (However, those shacks still standing uninhabited have sometimes been taken over by other families, often those recently arrived from the South.) Most of the dwellings had electricity and indoor plumbing in 1959.

However, overcrowding was more severe than in 1949 and rents for marginal accommodations continued high. Except for the 300 new living units, space for the increased Negro population has been made by dividing old houses already in the area into smaller and smaller units.

#### CONDITIONS OF PRESENT FACILITIES AND NUMBER OF UNITS COMPARED WITH 1949

	1949	1959 Urbana	1959 Champaign
Water Faucets in House	35-45%	75%	90%
Toilet facilities shared with other families or outside facilities	10% no toilet 60% privies	2 families per toilet average both Urbana and Champaign*	
Number of houses per lot	**	20 worst shacks removed	110 worst shacks removed
Percentage of dwellings marginal in passing the housing code	**	10%	25%
Electricity	50%	almost 100%	almost 100%
Rent	\$32 to \$35	\$50 for 1 1/2 to 2 1/2 rooms, plus utilities (approx.)	

\*There are still some outside toilets, the non-freezing flush type.

\*\*The 1940 study was a random sampling of substandard housing in the area and did not give accurate figures for these. Occupants of about 85 shacks in the area were interviewed. This sample represented only part of the substandard housing at that time.

Substandard housing creates many problems. The health of the occupants is endangered by poor living conditions and the danger of fire; social problems are intensified, and costs to the occupants and the taxpayers are increased.

Fire hazards in local substandard housing include:

1. Cooking and heating units in each section of a subdivided house increase the danger of fire.
2. Poor or make-shift equipment for cooking or heating, bad chimneys and little or no insulation to protect the building from the equipment create a fire hazard. Kerosene was often found stored in the house within easy reach of children.
3. Inadequate and/or poorly protected wiring was found.
4. Many mothers, in order to pay high rents, are forced to work and leave children unsupervised.

Dangers to health in local substandard housing include:

1. Extreme overcrowding is a health hazard in itself. The incidence of TB and pneumonia is much higher in substandard housing than in average housing. Lack of space makes it impossible to isolate sick members of a family.
2. The dampness of inadequate basement apartments is a contributing factor to TB and pneumonia.
3. Inadequate or non-functioning plumbing causes disease.
4. Piles of junk and trash, tumbledown shacks, etc. are breeding places for rats, as well as being a fire hazard.

Social implications of substandard housing.

Lack of privacy, mixture of sexes in close quarters, inadequate study and recreation facilities are, to say the least, not conducive to good family life. High school students are forced into the streets for social activities. Local fire and building inspectors have often been called by school authorities who blame a child's poor performance in school on home conditions. One social worker for the Champaign public schools has said that poor housing is probably the cause of 90 per cent of the problems among students. These are but a few of the social implications of substandard housing. The problem is too complex for adequate treatment here.

Cost of substandard housing.

1. To the individual renter--Because of the segregation in housing, landlords have a "captive market". They can and do charge exorbitant rents. In addition to basic rent for the rooms, some tenants have to pay extra for use of kitchen and toilet facilities. Few houses are properly insulated, and heating costs are high. When the occupant is on relief, it is actually the taxpayer who pays the exorbitant price for substandard housing.
2. To the City--Service costs to overcrowded, poorly built housing are high. Such areas require more fire, police and welfare services and more counseling services in the schools than other areas of the city. The tax assessment for the area is low; consequently tax returns to the city are minimal. A landlord may receive as much as \$250 per month from rent of one house, yet only 24 properties in the area are assessed at more than \$5,000, including businesses.

PUBLIC HOUSING AND MINIMUM STANDARDS ORDINANCES

The findings of the League of Women Voters about substandard housing conditions are particularly disturbing because much effort to improve the situation has been made by local city governments and civic organizations.

As part of that effort, 265 public housing units were constructed in 1950 for low-income families--95 units for Negroes. Local social workers say there is a desperate need for more public housing locally.

The local public housing has been segregated since it was built. Policy is set primarily by the director, Harold Sloan, with the advice of a board appointed by the County Board of Supervisors.

Prior to 1949 there was tacit acceptance of the segregation pattern in public housing nationally because the Public Housing Authority policy was to build projects into existing neighborhood patterns. The 1949 Housing Act removed such provisions; each subsequent act has made more definite demands for desegregation. In 1963 an executive order by President Kennedy proclaimed that all new Public Housing must be rented on an open basis since it was supported by general tax money. In recent years, even before this order, the majority of projects have been interracial and the integration has been peaceful in most cases.

In 1953 ordinances setting minimum standards for rental housing were passed in both Champaign and Urbana. Enforcement of the ordinances has been fairly effective. Many rental properties have been improved. Regular inspections by qualified inspectors have removed the most flagrant violations. Landlords who refused to cooperate were brought to court. Some landlords escaped compliance by selling their properties to the tenants on long term purchase contracts so that the cost of the upkeep falls on the tenant-owner. In 1963 the City of Champaign passed a comprehensive housing code which covers both rental and owner-occupied units.

Local fire inspectors have had difficulty enforcing the space requirements for minimum rental standards set forth in the local ordinances because of the pattern in Champaign-Urbana which prevents Negroes from moving freely in the community. Thus, the overcrowding in the area has not been eliminated by the ordinance.

Other efforts to improve the situation have been unsuccessful. Private rehabilitation programs have not solved the many problems. Establishment of a conservation district was defeated. A local ACTION Committee, a rehabilitation workshop organized by the Chamber of Commerce, workcamps of the Religious Workers' Association; clean-up efforts of the Mothers' Group in the Negro area have bogged down for want of a complete attack on the housing problem.

#### THE NEGRO COMMUNITY

The segregation pattern confines most Champaign-Urbana Negroes to an overcrowded area which has little or no division into neighborhoods according to economic and social levels, as there is in other areas of the city. This, despite the fact that social class lines are as sharply drawn among Negroes as among whites.

In all cities, people of similar economic and social levels tend to dwell together. It is to be expected that Negroes should wish to live among people of similar interests--interests not based on race (that class should become more important than race).

This has been increasingly emphasized by those few local minority families who have been trying to move to better housing and who deeply resent the pressures in the general community which keep them from moving up in the social scale.

At meetings with local law enforcement officials, local Negroes have expressed concern with the inadequate control of disruptive elements in the Negro community and have objected to a situation which allows shacks next door to well-kept, modern homes.

A previous study showed that housing segregation of the Negro minority was being enforced by the general community more than by preference of the Negroes, although many do prefer to live near churches, social centers and relatives.

Relatively few Negro families in Champaign-Urbana are financially able to move outside the Negro area and are anxious to do so. Locally, most of the homes which have been available on an open occupancy basis have been above \$19,000. Few Negro families are in this market because of the employment situation which is discussed below.

Many "Real estate and other business groups act to limit the choice of housing through exorbitant prices, refusal to show property for rent or sale, refusal to make loans available for house purchase except in restricted areas, and assurance to prospective white buyers that the area is restricted."(2)

#### MINORITY EMPLOYMENT IN CHAMPAIGN-URBANA

Although much of the segregation in schools, recreation facilities and churches is determined by housing segregation, discrimination in employment in Champaign-Urbana has had great effect on the overall development of the Negro community.

The local pattern of discrimination has held in check the development of leadership among Negroes here and thus slowed the breaking down of barriers. In many communities, professional men provide leadership for the Negro minority and a channel of communication between Negro and white residents.

There are few Negroes in the professions living in Champaign-Urbana. The group is confined almost entirely to public school teachers and employees of Chanute Air Force Base.

No Negro doctor has practiced here for some years. Although the University of Illinois employs on merit, only one Negro holds academic rank at the University. Several Negro professors have refused employment at the University (at least one near the \$20,000 level) because of discrimination in housing and other segregation in the community.

Most of the Negroes in Champaign-Urbana (72 per cent) are employed as laborers or in service occupations. Unlike Champaign-Urbana, other northern cities usually have Negroes at many levels of employment--judges, doctors, lawyers, engineers, businessmen, teachers, technicians, as well and skilled and unskilled laborers.

Many middle class Negroes have moved from Champaign-Urbana because they were unable to find jobs in the skilled trades and retail trades for which they trained. Local union membership has often been closed to Negroes in the building trades, making it impossible for them to accept the skilled jobs for which they trained elsewhere. They are also excluded from the local apprenticeship program. In industrial type unions membership is open to Negroes and a number are members.

For a more complete assessment of the local employment situation, see Report on a Study of Civil Rights in Champaign-Urbana, 1960, League of Women Voters of Champaign County. (3)

#### COMMUNITY PRESSURES PRODUCING AND MAINTAINING SEGREGATION

It is important to remember that the pressures producing and maintaining segregation are not unique to Champaign-Urbana. The same pressures are found across the country and have been studied and summarized by many groups, e.g., the Manhattan Commission of Civil Rights.

Two kinds of pressure produce and maintain the segregation pattern:

1. The passive pressure which gives tacit support to that segment of public opinion which favors housing segregation comes from citizens apathetic or unconcerned with the problem.
2. In most cities the most active force supporting segregation comes from certain practices of real estate agents, lending agencies, builders and others dealing in real property. This is true in Champaign-Urbana.

Although there has been no violent public opposition to open occupancy in Champaign-Urbana, obviously tacit community approval of housing segregation has maintained the pattern over the years.

Many local residents are unaware of active discrimination practices, are even unaware that a segregated area exists in Champaign-Urbana, or believe that local Negroes are segregated by preference. This was indicated in discussions with local civic groups.

However, there are indications of a change in the climate of local opinion. An increasing number of local organizations have announced support of freedom of residence. Many local churches have made strong statements within the past year as have the United Church Women. An open occupancy statement was signed by 47 area ministers. At this writing at least 6 churches have organized all our campaigns to win full support for open occupancy from their members.

Opposition to open occupancy locally often seems to be based on fears about the social class level of possible Negro residents in white areas. This agrees with opinion elsewhere, expressed in national opinion polls.

Several local residents have said that their opposition to the idea of Negro neighbors is based on a concern with the possible difference in neighborhood and family standards. They say they would accept local Negro teachers as neighbors

A local incident has borne this out. When a Negro working class family with several children rented in a neighborhood of small homes, strong neighborhood opposition was organized. The family remained, however. A few months later a nearby house was rented to a Negro professional couple with means. Several neighbors said they were glad to have "people like you living here," and asked the couple's help in forcing the other Negroes out of the neighborhood.

#### REAL ESTATE PRACTICES

In practice, many dealers in real estate take it upon themselves to enforce a condition of housing segregation which the United States Supreme Court has ruled cannot be enforced by the courts. According to a 1948 Supreme Court decision, (4) restrictive covenants are no longer binding, but many real estate agents still try to insure restricted areas by various other means.

Until 1953, the Code of Ethics of the National Board of Real Estate brokers stated that it was the responsibility of the realtor to maintain the "homogeneity" of a neighborhood in terms of background of prospective buyers. This section of the code has been removed.

The Real Estate Code of Ethics now in effect, Section 33 of Part II, reads: "A Realtor should not be instrumental in introducing into a neighborhood a character of property or use which will clearly be detrimental to property values in the neighborhood." "Clearly" has been variously interpreted by real estate boards in many communities. Interpretation range from the view that any non-white purchase depreciates real estate values, through the view that such purchase has no effect, to the view that values are increased because minority members increase the number of potential buyers of property. Several factual studies made by realtors and appraisers in an effort to answer this question are summarized in the companion study, Trends toward Non-discrimination in Housing.

Certain local real estate practices, similar to those in many communities, are based on the assumption that property values fall when a Negro purchases a home in a white neighborhood, a premise which has proved false in many communities as cited below and more fully summarized in the companion study.

Two factors have helped to keep the local situation from exploding. First, the proportion of Negroes in the community has remained about the same in the last 10 years (8.6 per cent of total residents), although the number has increased along with the general population growth.

Second, because there have been so few breaks in the segregation pattern locally, few real estate agents have tried to solicit sales and capitalize on the situation when Negroes have been able to buy houses outside the restricted area. This practice found in other cities has been attempted only sporadically here. Recently such activity has increased by some brokers who are not members of the Real Estate Board. In the cases where such tactics were tried, investigation has shown that panic sales did not result. The Negro community itself sought to prevent any "inundation", and stabilizing efforts were made within the area effected. Neighborhood sales which did follow Negro purchases of home in white areas were the natural result of increased income, increased family size, or job change of the seller.

Property values have remained stable in such areas. Some real estate agents and some loan companies will handle Negro purchases on homes in fringe areas (Clark street between Goodwin and Lincoln and the 100 block on Ells street). The areas have been found to be stable, and thereby more attractive to investors.

On Clark Street, over a 16-year period, four Negro families bought homes for permanent residence in an area fast becoming a rooming house neighborhood. White families who have purchased homes on the street since have said that the Negroes have appreciated property values and neighborhood stability there.

Between 1940 and 1960 a large proportion of property sales to Negroes have been in a former fringe area--from Washington to Park Street. One or two white residents remain in most blocks.

The few Negroes who have bought homes outside the restricted area have made the purchases privately, not through agents. Most have obtained their financing out of town or have been able to make a cash purchase, but several local lending agencies have been willing to make such loans.

Many cases of discriminatory real estate practices in Champaign-Urbana have been brought to the attention of the League of Women Voters and the Champaign Human Relations Commission, but a few examples will serve as illustration. The examples cited below have been described to the League of Women Voters by the individuals involved.

One real estate practice is the attempt to guarantee all-white neighborhoods.

In an older, settled Champaign neighborhood, a Negro inquired of the owner about a house which the tenants showed him. The house was removed from the market the next day. A local contractor, with a development some blocks away, told neighbors he had bought the house to maintain the racial pattern and "save them from a terrible fate."

Impeding a sale when both buyer and seller have agreed is another local real estate practice.

A Negro army officer had made all arrangements with an owner for purchase of a house. When the officer returned for final settlement, he found that the house had been bought by the original contractor. The contractor told a back-yard gathering he would better the price offered to anyone in the neighborhood by any Negro, in order to guarantee an all-white neighborhood (as he had guaranteed in sales statements). The contractor also told the original owner, who wanted to honor his contract with the Negro, that he could and would have him fired from his job if he insisted on completing the sale.

A Negro professional man wanted a lot in a new subdivision; one realtor (of a partnership) and the owner agreed and accepted his check. The check was returned two days later with the explanation that the other business man involved refused the sale.

In another instance, the owner was willing to sell to a prospective Negro buyer, and the immediate neighbors agreed with his decision. The realtor with whom the owner had originally listed the house said that such listing was a contract, and that he (the realtor) must approve the buyer and collect the commission even though the arrangements had been private. The realtor then threatened to bring legal sanctions against the owner and to prevent the sale. At that point the owner became frightened and refused the Negro buyer. The realtor soon found a white buyer, although, prior to the incident, the house had been on the market for some time with little interest from prospective buyers.

Refusal by realtors to handle sales to Negroes of houses outside the restricted area is a third local practice of enforced segregation.

Most realtors refuse to list, show, or in any way, transact such sales. A few real estate agents have been willing to show homes to certain Negro professionals, but generally the agent shows only a small sample of the homes available, to a Negro prospect.

Two Negroes who were offered assistant professorships at the University of Illinois found no suitable housing after considerable inquiry. They turned down the appointments. The only houses they were shown were in fringe areas, which were neither the types of houses nor of neighborhoods they preferred. They were able to find the kind of housing they wanted at other universities.

A faculty couple of mixed marriage has been consistently unable to buy outside of fringe areas. A house in a white neighborhood, offered them privately, was above their price level.

A Negro landscape architect whose bid for landscaping had been accepted by a new local company was unable to get either a load to carry out this business service, or a load on property available at the edge of town for growing the necessary stock. He was told he should confine the business and the property to the restricted area, although no suitable property was available there.

A Negro professional couple with an excellent credit rating answered an ad for houses in a new subdivision. The subdivider agreed that they met all the qualifications, and that he would build them a home in the restricted area, or help them get financing on "anything reasonable" within the area. He refused to sell them property outside the restricted area and told them they could get no loan on such property. Other builders as well as loan companies have made the same statement to them. They finally bought a re-sale house in Carver Park. The house is smaller than they desire. Another Negro couple with an excellent credit rating was told the same thing by realtors and builders.

A Negro businessman has been unable to buy a lot anywhere on the edge of town for his business or to get a load for an accepted bid for his business services.

Some real estate agents attempt to return homes outside the restricted area which are owned by Negroes to white ownership, when the houses come up for sale.

In one instance, the Negro seller is holding out. In another, the white sale was completed.

#### RENTAL PRACTICES IN STUDENT HOUSING

Discrimination in rental practices is influenced by general real estate practices and by the owners' estimate of public opinion. Apparently, some owners assess public opinion as being less discriminatory against Negro foreign students than against American Negro students. Some are willing to rent to foreign students because, they say, the neighbors are less

likely to object, and/or such rentals do not break the accepted pattern. Generally, however, students from Africa have some unpleasant experiences trying to find apartments for their families.

In the years when there was sufficient student housing in Champaign-Urbana and many of the less desirable rooms and apartments were vacant (approximately 1957-59) there was a noticeable increase in the number of Negroes and non-white foreign students living in the campus area, particularly between Lincoln and Race. In other words, given the choice of loss of income or minority renters, many landlords chose the money.

Several owners of apartment houses, both large and small houses, are willing to rent to Negroes. At least two rentals to Negroes have been handled by agents at the request of the white owner. Other rentals to Negroes have been privately arranged.

Owners say they have found no bad effect from their open occupancy policy, no complaints from tenants, no lack of renters, and no difficulty in obtaining loans for other business projects because of their rental policies.

There are many local examples of discrimination in rental practices as influenced by real estate practices, but two will suffice. In two days of searching, the student wife of a serviceman was turned down at 32 apartments, some of which were listed at the University housing bureau. Two graduate students, one white, one Negro, located an apartment after many rebuffs. They were notified at the last minute that only the white student was acceptable. The owner said that a neighbor threatened pressure on his job, in spite of support from other neighbors.

The University of Illinois has adopted the following policy:

1. That the University decline to approve any new rooming house unless the operator pledges to make the facilities available to all students regardless of race or religion.
2. That whenever ownership or resident management of a presently approved house is changed, the facilities should no longer be approved unless the new owner or manager pledges to operate them in accordance with the University's policy against racial or religious discrimination.
3. That the University will not continue its approval for any rooming house whose facilities are not available without discrimination after September 1, 1965.

4. That all apartment and rooming house owners listing units with the University sign a non-discriminatory statement. (Many have done so, a few have withdrawn their listings).

#### FINANCING MINORITY HOUSING

Most of the home financing agencies in Champaign-Urbana are willing to grant loans to Negroes to build in the segregated area, but not outside it. The agencies also enforce certain other restrictions. To understand how the restrictions operate, a review of general financing procedure is necessary.<sup>(5)</sup>

Mortgage loan agencies have requirements which every borrower must meet. Savings and Loan companies can lend a maximum of 55 per cent of the appraised value of the house, often less; FHA and VA insure loans can be made at nearly 100 per cent of the appraised value of a new house, less on older ones. The borrower must also fulfill the following requirements:

1. His income must be stable.
2. His monthly mortgage payments may not exceed a certain proportion of his income (one-fourth or one-fifth).
3. The house should not cost more than about three times the family's annual income.
4. Family income may not include the wife's income, unless she is past the child-bearing age, or her husband is in certain professions. This is local FHA policy, not part of the FHA law.

How does this affect local non-white families in the housing market. Many Negroes in Champaign-Urbana are in the low-income group. The Negro is usually the last hired and the first let go in a fluctuating job market. Also, the job discrimination practiced in skilled trades and retail trades means that a high proportion of Negroes are in the unskilled group in which work tends to be seasonal.

In Champaign-Urbana, where costs are high, a family in the low-income group is forced to spend a much higher proportion of its income for housing than a family in the middle or upper-income group. Locally, families in this group averaged at least 1/3 of its income on rent in 1949. Since then, rents have increased as incomes have increased. In 1959, 22 per cent of local residents had incomes below \$3,000.<sup>(6)</sup> Houses can seldom be bought for three times that--\$9,000.

The Downs Report, a market survey made in 1949 at the request of the Champaign Housing Authority, showed that, among local Negro residents, the wife was the principal and most stable wage-earner. This is still true. Furthermore, there is a much larger proportion of Negro wives than of white wives who work.

Thus, the non-white borrower finds it much more difficult to meet the regular credit requirements for stability and size of income and the wife's income does not count.

A local illustration of the point was seen in Attucks Place. Of the original 30 applicants, eight looked as if they might qualify for loans; three finally qualified with mortgage lenders. House and lot were \$10,000. All applicants expected to be homeowners eventually.

The Chicago Human Relations Commission has said that many large national companies (Metropolitan Life, et al.) refuse to take secondary mortgages on minority loans, or have limited quotas, thus tying up the money of small local companies who will make such loans.

Until 1957, general statistics showed that Negro loans were required to be amortized almost twice as fast as white loans, often at higher interest rates.

When money is tight these practices are intensified, since the loan agencies can afford only the most secure risks.

In spite of these penalties, companies which have handled large numbers of Negro loans have found Negroes as good, or better, credit risks than the average of applicants. People's Bond and Mortgage Company of Philadelphia found no difference between Negro and white borrowers in the number of defections on 12,000 loans. Ten Chicago firms found overall delinquency on Negro loans less than 1 per cent, over a 20-year period.<sup>(7)</sup> These companies have also found Negro borrowers willing to make sacrifices to keep up payments on their homes.

Locally, only 1 out of 82 Carver Park residents ran into payment trouble; he sold his home at no loss to the mortgage company.

Negro applicants in Champaign-Urbana who have the necessary down payment and are able to overcome the difficulties described above are able to obtain a loan--to build in the Negro area. Most of those who have applied for loans to build in other areas have been turned down.

In one case, a local bank granted a loan to a Negro family who built a home in a previously all-white neighborhood. A local contractor offered to build the home when he heard the family was having difficulty. He negotiated the loan. Acceptance in the neighborhood has been excellent.

Since panic selling has not resulted when Negroes have moved to white neighborhoods in Champaign-Urbana, and the price level of homes in the areas has not been affected, the areas are considered stable loan areas if they have existed for several years. At least two local loan agencies made loans to Negroes buying in white areas in other communities.

However, in most cases Negroes have been refused loans to build outside the restricted area. Several reasons for refusal are given by lending agencies, both local companies and branches of national companies. Often national companies have a policy allowing minority loans, but local representatives say they cannot go against local practices.

Basically, the attitudes of lending agencies can be summarized in two viewpoints: One group sincerely believes that residents will panic and sell their homes when one Negro family moves into a neighborhood and that other buyers will refuse to buy there, thereby putting the company's loan in undue jeopardy. Another group feels that there is no undue risk, but do not want to be the first to loan money for purchase of a home outside the restricted area by a Negro, nor be pointed out as having opened a given area. However, an increasing number of local lending agencies are willing to make such loans if all other requirements are met.

To counteract the difficulty of minority members in getting home loans for either segregated or open occupancy areas, the federal government developed the Voluntary Home Mortgage Program, under which a minority member may appeal to a VHMC-regional office to find a lender, after two local lenders refuse to lend to a qualified applicant.

VHMC is a clearing house to bring together eligible borrowers and willing lenders. No funds are advanced by the federal government. Robert C. Weaver, director of the Federal Housing and Home Finance agency has power to release district federal mortgage funds for housing for minority families, if lending agencies do not cooperate voluntarily.

One weakness of the program is that the local representative of one of the large regional or national companies which cooperate in the program evaluates the proposed house plans and the borrower's finances, and refuses or grants the loan. He is under the same local pressures as the loan agency which originally refused the loan. Appeal to VHMC is a lengthy

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process. The League found only one local person who applied to VHMC. He began his appeal in 1957 and gave up in late 1959 when he found other financing. Since the President's executive order, homes financed with FHA and VA insured loans are supposed to be available on a non-discriminatory basis.

#### WHY DO THESE PRACTICES EXIST?

The reasons for discriminatory practices have been stated or implied in the foregoing discussion, but to summarize them--

First, is the tacit community support for maintaining the status quo which is the easiest thing to do, unless pressures for change are extremely strong, as in cities like Chicago where the Negro population increased by 80 per cent between 1940 and 1950 while the white population dropped by one per cent.

Second, is the reciprocal effect between the community and the practices of real estate and loan agencies. Discriminatory real estate practices produce the predicted effect of maintaining segregation, and community beliefs are reinforced.

Third, current practices are financially profitable to owners of rental properties, lending and real estate agencies. Negroes are limited in their choice of housing to the restricted area. Purchase prices of houses in the Negro community are inflated by demand; rents there are exorbitant, yielding an investment return far above that possible from comparable properties in other parts of the cities. Less maintenance is provided by landlords of properties elsewhere in the community.

Fourth, because of the continued rapid growth of Champaign-Urbana and the County, builders, subdividers, realtors and loan companies have, up to now, had enough business to make it unnecessary for them to change their policies. If and when the white housing market reaches the saturation point, dealers in real property may find it necessary to handle open sales in order to maintain their current profit level.

#### HOW VALID ARE THE REASONS FOR DISCRIMINATORY PRACTICES?

A look at experience in other communities will help to put the local problem in perspective and, perhaps, point the way to solutions. Much research has gone into the complex problem of housing discrimination--research by business

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groups (including loan companies, real estate groups, builders' associations and others); public opinion studies; and studies by state and city human relations commissions. Results of this research are outlined more fully in the companion study, which is recommended as a guide for citizen action.

The most important conclusions of the research are summarized here.

1. A comprehensive study for the Commission on Race and Housing (members of the commission are primarily prominent businessmen) concludes that segregation and discrimination in housing must be eliminated because of the increasingly severe effects of present discrimination on the composition and economic stability of most American cities and because of the greatly changed socio-economic position of the American Negro. The study strongly recommends that real estate and lending agencies and builders' associations take leadership in ending discriminatory practices.
  2. The National Opinion Research Council found in a 1956 study that more than half of the American public would not object if a Negro of similar education and economic level moved into his block. The study indicated that many fears of integration in housing seem to be based on class distinctions, rather than on race distinctions. Other studies show that only a small proportion of those who oppose integration take action.
  3. There is a wide-spread belief that most neighborhoods which become "open" become thereby less desirable to prospective white buyers and eventually become all-Negro neighborhoods. Detailed studies by the housing industry and others have shown this to be untrue, except under certain conditions. In many cases (in Connecticut; Chicago; Seattle, Washington; Madison, Wisconsin; the Mount Airy section of Philadelphia; the San Francisco Bay area and others) Negro entry into white neighborhoods has not caused panic selling.
- Various studies (including one by the Manhattan Committee on Civil Rights of 41 communities in 20 states which have changing neighborhoods) indicate that panic selling and inundation or "taking over" of a neighborhood by Negroes occur only when precipitated by some active force such as unethical real estate practices or by organized action of residents, usually a small group. Evidence supports the contention of many experienced workers in the field of race relations that, while unrest and opposition may exist in a changing neighborhood, actual violence needs a leader, just as development of true understanding does. In the cases cited, white sales followed Negro entry into a neighborhood and the area remained open unless opposition was strongly organized, often by outsiders.

4. Studies indicate that property values have not fallen in changing neighborhoods. In some cases they have appreciated. Dr. Luigi Laurenti compared property values in changing neighborhoods with values in comparable all-white neighborhoods. In 5,000 property transfers 44 per cent went up in value after Negro entry, 41 per cent remained the same, and 15 per cent went down. The conclusions of this study are supported by studies of Concord Park, Pennsylvania; Mount Airy in Philadelphia; Kansas City, Missouri; San Francisco; and Chicago (York Center).
5. Eunice and George Grier studied 50 private interracial housing developments and found not a single case anywhere in the nation in which the presence of an integrated development brought wholesale panic selling among the nearby residents, or where the development caused observable depreciation of real estate values. In many cases, values appreciated.
6. The studies cited above have shown acceptance of Negroes in changing neighborhoods and open developments. Conflicts developed from other sources and were organized across racial lines.
7. Integrated developments have proved successful financial investments. As of 1959, there were 75 integrated housing developments across the country. Of the 50 analyzed in the Grier study, some were built for open occupancy from altruistic motives, but the majority were built by private investors for profit and made the expected profit. The most successful developers of integrated housing projects have been men who offered a superior product and did not advertise open occupancy as something "special". Joseph Eichler, the largest builder in the San Francisco area, sells his houses on an open occupancy bases and has had only one purchaser out of 5,000 complain (as of 1959) when he found Negro neighbors. The down payment was returned, and the house sold the next day.
8. Once convinced that intergration is inevitable, that it is financially stable, even profitable, and that the great majority of the American public will either support or ignore it, real property dealers in various communities have come to work actively for peaceful integration.

The National Association of Real Estate Boards recognizes, in its Constitution, that the obligations of dealers extend beyond those of ordinary commerce because of the effect real estate operations have on the community, economically and socially.

9. Several have adopted Fair Housing laws; many others are under consideration, based on the conclusion that segregated areas of minority members are detrimental to the best interests of the community. A much larger number of cities and states have passed laws concerning FHA and VA insured loans, based on the legal point that discrimination is illegal when public tax money is involved.

Neither Illinois nor Champaign-Urbana has such a law. The legal issues and practical results of such laws are discussed in a separate League report, Minority Legislation, 1960, housing section. It also discusses questions of constitutionality, as they apply in Illinois.

#### CONCLUSIONS

Conditions caused by segregation of Negroes to one area of Champaign-Urbana must be improved in the interests of the whole community. Past efforts have been unsuccessful in alleviating overcrowding and obsolescence of the restricted area. Discrimination in employment has intensified the problem by limiting most Negroes to low-paid jobs locally, as described in this study.

As long as discrimination exists, in employment and housing, no permanent solution can be reached. Perhaps a first step is recognition of the extent of the problem which this study outlines.

The tacit and passive community approval which condones the segregation pattern and real estate practices which maintain that pattern must be changed.

In Champaign-Urbana, which still has a relatively small minority group, the extreme conditions of housing segregation and discrimination described in this study will not be improved without the efforts of many citizens. The Companion Study points out ways other communities have met the problem and serves as a guide to citizen action.

It has been shown that support for segregation does not develop into active (and sometimes violent) opposition to open occupancy without organized leadership.

Just so, opposition to discrimination requires leadership. Public apathy must change to active concern. Dealers in real property must consider carefully the evidence that open occupancy does not reduce property values or bring about inundation of white neighborhoods by Negroes, except in a few situations which have, unfortunately, received more publicity than has successful integration. The dealer in real property (real estate agents, lending agencies, builders, etc.) must reassess public opinion in the light of experiences in other communities. He must recognize his special responsibility to the public because his decisions have great effect on the whole community.

Certainly, in a democracy, with a Judeo-Christian tradition, with an economically rising minority, with a world-wide position of leadership, eventual integration of all Americans must come. Working toward peaceful integration is in the best public interest and is the responsibility of every citizen concerned with public morality.

1. Information for this report was gathered in interviews by members of the Champaign County League of Women Voters with:

Bureau of Fire Prevention of Champaign representatives  
 Fire inspectors of Urbana  
 Building Inspection Departments of Champaign and Urbana  
     Building inspector  
     Plumbing inspector  
     Electrical inspector  
 Family Service Officials  
 Director of the County Housing Authority  
 Executive Secretary of the United Community Council  
 Juvenile officers  
 Social workers in the Champaign and Urbana school systems  
 City Manager of Champaign  
 City Planner of Champaign  
 City Attorney of Champaign  
 Individuals involved in cases cited

2. "The Champaign-Urbana Shack Study", Champaign County League of Women Voters, 1949.
3. For actual survey statistics, see the surveys done by Professor Bernard Karsh of the University of Illinois for the Champaign Human Relations Commission. One survey was of employers, the other of job applicants.
4. Shelly vs. Kramer, plus three others, 1948, U.S. Supreme Court decision. (In 1953 the Supreme Court also outlawed action for damages, which further strengthened the position.)
5. The Champaign County League of Women Voters is indebted to Professor Robert Harvey of the University of Illinois for much information on the financing of mortgages.
6. "The Champaign-Urbana Metropolitan Area", Hugh G. Wales and Robert Ferber, Bureau of Economic and Business Research, University of Illinois, 1959.
7. Also, the Midland Mortgage Co. of Oklahoma city found Negro delinquency on loans four per cent and white delinquency one per cent. T. J. Bettes, a loan firm, found no difference between the percentage of delinquency on Negro and white loans.

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### Trends toward Non-Discrimination in Housing

Note: All the resource materials used in both studies are in the files of the League of Women Voters of Champaign County and are available for further study of specific problems (with the exception of the complete study by the Commission on Race and Housing, which is extremely detailed). The League also has available case study information on York Center, Illinois; Concord Park; Teaneck, New Jersey; and Mt. Airy, Pennsylvania. Specific suggestions on neighborhood organizations, conditions necessary for successful integrated developments and similar information are also on file. Names of individuals involved in local examples are also on file.

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