

# Understanding and Contextualizing Gentrification's Impact on Black Neighborhoods' Recoveries from the Great Recession

Yared Lingo

Africana Studies

Professor Mukasa Mubirumusoke

Professor Bowman Cutter

May 10, 2020

## Introduction

In 2007, the United States was faced with the Great Recession, one of the most severe economic downturns in recent history. During and immediately after the recession, property values plummeted, and foreclosures were steadily increasing around the country. Although the recession had extreme impacts on the people and the economy of the United States, it disparately impacted Black and Latinx residents.<sup>1</sup>

In cities such as Chicago, Illinois, the recession disproportionately and negatively impacted residents of predominantly minority neighborhoods' job opportunities, home values, and likelihood of foreclosing on their homes.<sup>2</sup> These disparate impacts exacerbated the existing racial wealth and homeownership gaps between Black and white Americans.<sup>3</sup>

Eventually, the US economy began to exhibit signs of recovery around 2012. However, predominantly white neighborhoods tended recovered quicker than predominantly Black neighborhoods. Many of these predominantly Black neighborhoods had little to zero recovery or continued to decline even as parts of the country started to recover. Some predominantly Black neighborhoods were able to recover from the recession, although it is unclear what exactly what factors prompted these recoveries. This paper examines how gentrification, or the influx of higher income residents in lower-income neighborhoods, could have impacted the recoveries of Black neighborhoods.

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<sup>1</sup> This paper uses the term Hispanic or Latino when the cited source or dataset uses such terminology.

<sup>2</sup> Williams, Sonya, George Galster, and Nandita Verma. 2013. "The Disparate Neighborhood Impacts of the Great Recession: Evidence from Chicago." *Urban Geography* 34 (6): 737–63. <https://doi.org/10.1080/02723638.2013.789624>.

<sup>3</sup> Kochhar, Rakesh, and Anthony Cilluffo. n.d. "How U.S. Wealth Inequality Has Changed since Great Recession." *Pew Research Center* (blog). Accessed December 21, 2019. <https://www.pewresearch.org/fact-tank/2017/11/01/how-wealth-inequality-has-changed-in-the-u-s-since-the-great-recession-by-race-ethnicity-and-income/>.

In order to be able to examine the racially disparate impacts of the Great Recession, and how gentrification could have impacted the recoveries of predominantly Black neighborhoods, it is essential to understand the wide range of historical factors and contexts that have affected Black homeownership in the United States in the past 200 years.

### **The Historic Discrimination Against Black Americans in U.S. Housing Markets**

Black Americans have been discriminated against in housing markets in the United States for hundreds of years. During the seventeenth, eighteenth and nineteenth centuries chattel slavery and the exploitation of Black bodies became an essential aspect of the economy and society of the United States. Millions of people were brought from Africa and forced to labor without any form of compensation or possibility of accumulating wealth. The eventual passage of the 13<sup>th</sup> Amendment and the formal abolition of slavery resulted in a major transformation; Black Americans shifted from being considered forms of property to human beings able to possess their own property.

#### **I. Reconstruction and the South**

There was a brief reconstruction period, which lasted until 1877, Black Americans in the American South had some sort of paths to socioeconomic mobility. One of the ways in which Black families could purchase land and accumulate wealth was through programs that existed in some Southern states that confiscated and distributed lands from the plantations of former slave owners (Fierce, 1974). The first major movement to redistribute land to freed slaves was General William T. Sherman's Field Order No. 15, which granted freed slaves the land encompassing former rice plantations in Florida and South Carolina. Despite the promises, when President Andrew Johnson came into office in 1865, he granted amnesty to former Confederate plantation owners and allowed them to reclaim their land.

Despite the failures of many efforts to redistribute land in the reconstruction period, Black landownership in the United States surged in the early twentieth century. In 1910, it was estimated that Blacks in the United States owned 15 million acres of land (McGee and Boone, 1977). However, as the twentieth century continued the land owned by Black Americans dwindled as a result of the violence against Black Americans and the seizure of Black properties that were rampant in the Jim Crow South.

Violence against Black Americans was prevalent and extralegal in the American South in the early twentieth century. Two well-documented accounts of White violence against Black Americans, resulting in the abandonment or destruction of land and property owned by Blacks include the 1912 mob ousting of an entire Black community in Forsyth County, Georgia.

Forsyth County was a small, majority White rural county in Georgia that was inhabited by approximately 12,000 residents in 1910 (1910 Census Supplement). Around 1,100 of Forsyth's population were Black, but almost all of them were forced to flee the county within two calamitous months in 1912. In September of 1912, Mae Crow, an 18-year-old White woman from Forsyth County, Georgia, was reported missing. She was later found, in the woods, with severe head wounds and a gashed throat, lying in a pool of blood.<sup>4</sup> The community immediately believed that a young Black man had raped and killed Mae, following a common narrative that existed in the American South and was frequently used to justify the killing of Black men.

There were rumors that multiple Black men including Eric Knox and Rob Edwards had raped Mae Crow. Knox confessed to the crime (albeit while being detained with a literal noose around his neck) but was snuck out to Atlanta because of the risk of mobs breaking into the

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<sup>4</sup> Phillips, Patrick. 2016. *Blood at the Root: A Racial Cleansing in America*. First edition. New York ; London: W.W. Norton & Company.

county jail and killing him.<sup>5</sup> Edwards was taken prisoner by a mob of angry Whites, killed and hung from a telephone post in Cumming Square, in Forsyth County. After Edwards was killed, large groups of White men came together and shot at, threw rocks into windows and burned the homes of the Black residents of Forsyth County.<sup>6</sup> By the end of October, almost every single one of the 1,098 Black residents of the county had been forced to flee. The African-American community left “abandoned homes and schools, stores and livestock, and harvest-ready crops” behind as they fled fearing for their safety.<sup>7</sup>

What occurred in Forsyth County, is just one example of how the lynching and mob violence that went unpunished in the South forced Black communities to leave their land and property in trying to protect themselves. It was documented that at least 4,084 Blacks were lynched in the South alone between 1877 and 1950 (at least 341 were lynched in other parts of the country).<sup>8</sup> Lynching was a very real threat for Black Americans all around the country and prompted the Great Migration of Black Americans in the early twentieth century. Tolnay and Beck (1992) analyzed U.S. decennial Census and a dataset of lynching victims in the South from 1882 to 1930, finding that “Southern Blacks were more likely to leave areas where mob violence was greatest”.

Black home and landownership in the United States was affected by the fact that thousands of Southern Blacks were forced to leave for the North in order to protect themselves and their families. Many families, such as the ones in Forsyth County likely had to leave behind their land and belongings, as a result of threats, acts of violence, or loopholes in the legal system.

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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> “Equal Justice Initiative’s Report.” n.d. Equal Justice Initiative’s Report. Accessed November 18, 2019. <https://lynchinginamerica.eji.org/report/>.

The Associated Press conducted a series of oral interviews and examined public records in the early twenty-first century, finding that 406 Black landowners lost more than “24,000 acres of farm and timber land” and “85 smaller properties including stores and city lots”.<sup>9</sup> Nearly all of the property, valued at tens of millions of dollars in 2001 was owned by White Americans or corporations. The seizure of Black properties allowed White households to obtain properties for low prices and continue to accumulate wealth. Black families on the other hand, lost properties they spent money on, and were unable to pass down the wealth they gained from owning a home to their children.

The seizures and destruction of Black properties, as well as the threat of lethal violence in the form of lynching in the South forced thousands of Black families to flee to the North, losing many of the assets they had possessed. However, once these families moved to the North, they were still discriminated against and excluded from housing markets.

## II. Public Housing and Segregation in the North and Mortgage Discrimination Nationwide

Federal governments, state and local governments, and individuals around the United States worked in tandem to severely limit the housing options available to African-Americans in the twentieth century. One of the early ways in which the federal government segregated the United States was through the creation of segregated public housing projects. In the 1930s, the Great Depression caused a housing shortage as only affluent families could afford new homes, so

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<sup>9</sup> Lewan, Todd, and Dolores Barclay. 2001. “When They Steal Your Land, They Steal Your Future.” Los Angeles Times. December 2, 2001. <https://www.latimes.com/archives/la-xpm-2001-dec-02-mn-10514-story.html>.

builders did not construct homes for lower-income families.<sup>10</sup> World War II continued this shortage, as construction materials were appropriated for usage in the military.

With the New Deal President Franklin Delano Roosevelt created the United States' first public housing program for everyday citizens, which was segregated from its inception.<sup>11</sup> The Public Works Administration created segregated housing in both neighborhoods that were already designated as White or Black only, but also in previously integrated neighborhoods. In the Flats, Atlanta, and Central, Cleveland, low-income integrated communities were demolished to create segregated public housing projects.<sup>12</sup> The public housing developments worked to increase segregation across the United States and concentrate Black Americans in low-income areas. Additionally, during the Great Depression, public housing served as affordable housing for middle-class and lower-income families, but when the housing shortage ended, the real estate industry lobbied the government to limit public housing to subsidized units for the lowest income families.<sup>13</sup> This resulted in the loss of maintenance workers who lived in public housing who were adjudged to have ineligible incomes and the loss of middle class renters, which resulted in lower rents and smaller maintenance budgets, as well as the loss of residents with a political standing which could be used in advocating for the maintenance of public housing buildings.

The United States federal government also excluded Black Americans from accessing subsidized lower interest and insured mortgages. Along with building public housing during the Great Depression for families who could not purchase new homes because of the housing

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<sup>10</sup> Rothstein, Richard. 2017. *The Color of Law: A Forgotten History of How Our Government Segregated America*. First edition. New York ; London: Liveright Publishing Corporation, a division of W. W. Norton & Company.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

shortage, the federal government also looked to protect homeowners who were close to foreclosing their homes during the Depression and expand homeownership to the middle class.

The Home Owners' Loan Corporation (HOLC) was a federal government agency which bought the mortgages of homes of families that had defaulted on their loans and issued new amortized mortgages.<sup>14</sup> These mortgages with monthly payments that paid off both the principal and the interest on a property, providing families that almost foreclosed their homes with paths to building home equity.<sup>15</sup> However, the HOLC had to assess risk in trying to select borrowers who would not default on their monthly payments. They used race in assessing risk through the process of redlining—they used maps and drew red lines around neighborhoods with even one African-American household, delineating those neighborhoods as highly risky.<sup>16</sup> Most Black homeowners were not rescued from impending foreclosures, exacerbating existing racial homeownership gaps, and preventing homeowners from accumulating home equity.

The Federal Housing Administration (FHA) was created in 1934 to expand homeownership to the middle class. The FHA insured amortized mortgages offered by banks that covered 80 percent of home prices.<sup>17</sup> These mortgages protected borrowers from default, as the FHA covered the unpaid balances when borrowers were unable to make their payments.<sup>18</sup> However, just as with the HOLC, the FHA made assessments of the riskiness of borrowers and neighborhoods in insuring mortgages. These assessments of risk were also done through the process of redlining, delineating areas with any Black residents as risky. Integrated neighborhoods, and White neighborhoods that were believed to have the potential of integrating

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<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> "1934: Federal Housing Administration Created." n.d. Accessed November 18, 2019. <https://www.bostonfairhousing.org/timeline/1934-FHA.html>.

in the future were both seen as too risky for insured mortgages.<sup>19</sup> The FHA policy of denying insured mortgages to Black Americans and Whites who leased to Black Americans, regardless of their creditworthiness, provided White Americans with paths to building home equity, while segregating Black Americans in devalued neighborhoods.<sup>20</sup>

Happening concurrently on a more local level were racially restrictive zoning laws, housing covenants, and state sanctioned violence against Black residents. As early as 1910, cities around the United States created laws that decreed that White and Black families must live in separate areas.<sup>21</sup> In 1917, the Supreme Court overturned racial zoning laws in Louisville, Kentucky, a city that had previously existing integrated neighborhoods in *Buchanan v. Warley*, ruling that “racial zoning ordinances interfered with the right of a property owner to sell to whomever he pleased”.<sup>22</sup> Despite this ruling, cities around the country (but particularly in the South) continued to have racially restrictive zoning laws, by either phrasing them in other ways (such as Richmond, VA’s laws that prohibited interracial marriage and people from living on streets where they could not marry the majority of the block) or by claiming that their cities were sufficiently different from Louisville.<sup>23</sup>

In addition, on a more individual level, houses covenants were added to the deeds of houses, restricting the sale of property on the basis of race. Racially restrictive covenants, which prohibited the sale of a property to Black Americans, were yet another way in which White Americans sidestepped the ruling in *Buchanan v. Warley*. These covenants were not always effective, but groups of neighbors additionally signed contracts which allowed them to file a

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<sup>19</sup> Rothstein, 2017.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

lawsuit if anyone sold to African-Americans.<sup>24</sup> Although racially restrictive covenants were not brought about by the U.S. government, the government effectively endorsed these covenants through their decisions. The Supreme Court upheld restrictive covenants, stating that they were private agreements and the FHA recommended racially restrictive covenants in the properties it insured to protect their value.<sup>25</sup>

Another means of discrimination against Black Americans in housing markets was state-sanctioned violence. African-American homeowners who moved into White neighborhoods were violently threatened, and had their properties damaged (in the forms of vandalism, arson, etc.) by Whites who looked to maintain racial segregation in their communities.<sup>26</sup> A key aspect of this violence against Black Americans was that the police tended to encourage the violence against Black Americans or fail to prosecute Whites who engaged in these sorts of violence.<sup>27</sup>

After the Civil Rights movement in the 1960s, the Federal Housing Authority stopped its practice of redlining in the 1970s.<sup>28</sup> However, as African-Americans gained access to FHA loans and insured mortgages, they also became incorporated into the private mortgage market, and were preyed upon by unregulated mortgage banks.<sup>29</sup> Mortgage banks attempted to drive Black Americans into the low-income mortgage market because of their risk and because of their ability to procure insured FHA loans.<sup>30</sup> As opposed to earlier FHA practices, mortgage banks searched out “risky” individuals because of their probability of defaulting on loans. The high risk of default on loans did not matter to banks as the government covered the risk of default by

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<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Taylor, Keeanga-Yamahtta. 2019. *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership*. Justice, Power, and Politics. Chapel Hill: University of North Carolina Press.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

insuring mortgages, and the banks would get payments whether or not an individual defaulted on a loan. However, Black Americans were incorporated into housing markets by mortgage rates because of their probability of foreclosure, and because foreclosing on a property would allow the banks to repeat the same processes with another “risky” Black borrower.<sup>31</sup>

The historical context of the discrimination against Black Americans in the US housing market has important implications in understanding Black homeownership and the Great Recession. The barriers that have kept Black Americans from owning homes, accumulating, and passing down wealth, led them to be more vulnerable in times of economic downturn. Additionally, despite the years of state-sponsored discrimination in housing markets, the move to private markets has continued to hurt Black Americans because of the context of the devaluation of Black neighborhoods. Private markets and the United States have failed to understand how years of exclusionary and discriminatory markets have left African-Americans, continuing to hurt Black Americans in housing markets with predatory fees, fines, and interest rates in loans and mortgages.

### **The Great Recession and its Racially Disparate Impacts**

One of the principal factors behind the Great Recession in 2007 was the housing market bubble in the early 2000s, in which housing values across the United States were artificially inflated above their true values. House prices had been steadily rising as a result of several factors, such as the low interest rates which deterred consumers’ taste for saving and the dramatic easing of lending standards which resulted in a wider group of prospective homebuyers gaining access to credit (Holt, 2008).

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<sup>31</sup> Ibid.

The easing of lending standards during the early 2000's can be seen with the rapid increase in the usage of subprime loans. There are generally two main categories of mortgage loans for prospective homeowners in the United States: prime and subprime loans. Prime loans and mortgages are generally reserved for borrowers with higher credit scores, while subprime loans and mortgages are methods that allow borrowers with lower credit scores (and higher risks of defaulting on loans) to purchase a home (Rajdeep and Emmons, 2007). While there is a wider debate about what exactly constitutes a subprime loan, Cutts and Van Order (2005), state that the subprime market is characterized by "high interest rates", "high points and fees", the "prevalence of prepayment penalties", "lending based largely on asset value, rather than borrower characteristics", "specialized subprime lenders who cater only to subprime borrowers and who have limited access to secondary mortgage markets", and "large rate differences between marginally prime and marginally subprime borrowers" (Cutts and Van Order, 2005).

The rise in subprime loans did allow many prospective homeowners to access credit to be able to purchase property. Homeownership in every racial demographic background in the US rose in the period encompassing the housing market bubble. However, in 2006 and 2007, housing values and sales across the country began to plummet because of a rise in mortgage interest rates and general uncertainty in the market (Belsky and Richardson, 2010). The rising mortgage rates and uncertainty caused an increasing amount of people to be delinquent in paying their loans, foreclosures around the country to rise, and housing stocks to continue to fall.

The housing market crash was a national phenomenon that affected Americans all over the country, but subprime loans were concentrated in predominantly Black neighborhoods. Calem, Hershaff and Wachter (2004) studied seven major cities (Atlanta, Baltimore, Chicago, Dallas, Los Angeles, New York, and Philadelphia) from 1997 to 2002 and found that subprime

lending occurred at rate that was five times higher in predominantly Black communities than predominantly White communities (Calem, Hershaff and Wachter, 2004). Black Americans had historically been denied the ability to build home equity and were considered riskier borrowers. Mayer and Pence (2008) comment on the prevalence of subprime loans in Black communities in their study of subprime lending around the country. They find that “subprime mortgages are concentrated in locations with high proportions of Black and Hispanic residents, even controlling for the income and credit scores of these Zip codes” (Mayer and Pence, 2008).

When the housing market crashed, subprime borrowers were unable to perform on their loans, or pay them on time, and as the market began to weaken, neighborhoods with large concentrations of subprime mortgages had elevated rates of loan defaults, foreclosures, and housing price declines. The fact that subprime loans and mortgages were concentrated in predominantly Black and Latinx neighborhoods had important implications for previously existing racial wealth and homeownership disparities. Home equity—the difference between the value of a home and the outstanding balance on any loans on the property—is a major component of the net worth of American households.

The crash disproportionately impacted the wealth possessed by Black and Latinx families due to the fact that between 1989 and 2013 home equity has made up around on average 27% of the net worth of White homeowners, while making up 46% of the net worth of Black homeowners.<sup>32</sup> During the housing market bubble, homeowners bought homes at inflated prices, which affected valuations of home equity. However, when the housing market crashed and house prices around the country plummeted, Black households and neighborhoods were severely

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<sup>32</sup> Emmons, W. R. (n.d.). “Homeownership and the Racial Wealth Divide.” Retrieved December 19, 2018, from <https://www.stlouisfed.org/publications/housing-market-perspectives/2017/homeownership-racial-wealth-divide>

affected because of the importance of home equity to their net worth. This exacerbated previously existing racial wealth disparities and continues to affect Black Americans today.

Around 2012, the United States housing market and economy began to exhibit signs of recovery. Over time, more and more Americans have seen the value of their homes return to pre-recession values, but the recovery has yet to affect the entire country (and particularly predominantly Black neighborhoods). As of June 2018, approximately 40 percent of homes in the bottom third of values had met or exceeded their pre-recession values, while nearly 60% of homes in the top third of values had met or exceeded their pre-recession values.<sup>33</sup> This is particularly significant in understanding the effects of the recession on predominantly Black neighborhoods, as Black neighborhoods tend to be historically undervalued. A 2018 Brookings Institution study found that homes in neighborhoods in the United States that are at least 50 percent Black are valued at approximately half the values of homes in comparable neighborhoods that are fewer than 1% Black (Perry, Rothwell, Harshberger 2018). This indicates that predominantly Black neighborhoods around the country have lagged behind the national trend of recovery.

Despite this, there are prominent predominantly Black neighborhoods around the country, such as Harlem in New York City and Shaw/U St. in Washington D.C. where housing values have recovered from the recession.<sup>34</sup> One potential mechanism that could have contributed to the recovery extending to predominantly Black neighborhoods is gentrification. Gentrification is a term that was coined by British sociologist Ruth Glass in describing rapidly changing urban

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<sup>33</sup> Terrazas, A. (2018, July 26). "Half of Homes Have Regained Peak Values, But the Recovery Is Uneven" (June 2018 Market Report). Retrieved October 5, 2018, from <https://www.zillow.com/research/half-homes-peak-values-june-2018-20781/>

<sup>34</sup> Hyra, Derek, and Jacob S. Rugh. 2016. "The US Great Recession: Exploring Its Association with Black Neighborhood Rise, Decline and Recovery." *Urban Geography* 37 (5): 700–726. <https://doi.org/10.1080/02723638.2015.1103994>.

neighborhoods in London. Glass' initial idea of gentrification is rooted in the idea of the gentry, people from higher socioeconomic backgrounds, entering lower income neighborhoods. In her book, *Introduction to London: Aspects of Change*, Glass describes London by saying: "One by one, many of the working class quarters of London have been invaded by the middle classes—upper and lower" (Glass, 1964).

In its most basic sense, gentrification signifies rising land values and home prices in a given neighborhood as a result of the influx of higher income and wealthier residents. However, the exact causes of the rising land values are still being debated and indeed vary from place to place. Even early on, a crucial aspect of Ruth Glass' idea of gentrification is that many times gentrifying neighborhoods already have residents (who tend to be from lower-income backgrounds). She states: "Once this process of 'gentrification' starts in a district it goes on rapidly until all or most of the original working class occupiers are displaced and the whole social character of the district is changed" (Glass, 1964).

While it is contested whether gentrification is the result of the movement of higher income residents or simply the movement of capital to lower income neighborhoods and whether necessitates displacement, the limited space in urban neighborhoods make it difficult to conceive of drastic influxes of new residents in without some sort of displacement. The original residents of a neighborhood could be immediately displaced because of the construction of new homes (or the redevelopment of older ones) or they could be displaced over time as a result of the rising cost of living in a neighborhood because of the influx of higher income residents.

It is conceivable that after the recession, gentrification could have prompted recovery from the recession in predominantly Black neighborhoods. As the Great Recession hit the United States, housing values in predominantly Black neighborhoods (which are systematically

undervalued) were even lower as the result of high rates of mortgage defaults due to the disproportionately high concentration of subprime loans in these neighborhoods. These extremely low housing values could have garnered the interest of potential homeowners and developers who believed that those values would rise again in the future. However, if the gentrification resulted in some sort of displacement, Black residents who inhabited these neighborhoods would be unable to recoup some of the benefits from the rising house values.

This paper attempts to extend the prior research and examine the mechanisms and contexts that could have affected gentrification and the recoveries of housing markets in predominantly Black neighborhoods after the Great Recession. There is some indication that gentrification and displacement had an effect on the recoveries of predominantly Black neighborhoods. However, there are still several important questions to be asked in understanding the lasting impacts of the recession and the housing market crash. What sort of changes occurred before and after the recession in the movers in to given neighborhoods, their demographics, and the loans they used to move into those neighborhoods? How did shifts in the access of credit, and the incomes and races of movers into predominantly Black neighborhoods affect the speed and intensity of their recoveries? Additionally, how do the housing market crash and gentrification play into the larger narratives concerning the historic discrimination of Black Americans in United States housing markets?

### **Gentrification as a Model for Prompting Recovery**

The housing market bubble resulted in an expansion of credit to subprime borrowers who would not have typically been able to access credit due to their borrowing history. However, the systematic devaluation of Black assets and the discrimination against Black homeowners in U.S.

housing markets, has resulted in race being tied to assessments of a borrower's risk.<sup>35</sup> The expansion of credit resulted in predatory loans being offered to Black Americans who were seen as inherently risky. Mayer and Pence (2008) confirm this by finding that subprime mortgages were "heavily concentrated in zip codes with residents in the moderate credit score category and more Black and Hispanic residents". These borrowers with subprime loans with higher interest rates and fees, would have been more likely to default on their mortgages when the housing market crashed (Mayer and Pence, 2008).

Bayer et al. (2016) confirm this in their analysis of the housing boom on seven major metropolitan housing markets, finding that Black and Hispanic households were more likely to become delinquent and default on their mortgages than White households with the same socioeconomic characteristics (Bayer et. al, 2016). Gerardi and Willen (2008) had useful findings in their examination of subprime mortgages, foreclosures and minority homeownership in Massachusetts between 1989 and 2007. The two authors note found that price depreciation determined whether a period had higher or lower foreclosures. The price depreciation that occurred with the national housing market crash would have resulted in higher foreclosures in a predominantly Black neighborhood, forcing housing prices lower and into a downwards spiral (Gerardi and Willen, 2008).

The lower housing prices in predominantly Black, urban neighborhoods could have provided ample conditions for gentrification. McKinnish, Walsh and White (2008), find that gentrification and income growth in low-income, urban neighborhoods was associated with the in-migration of White, college graduates, "particularly those under 40 and without children" (McKinnish, Walsh, and White, 2008). Freeman (2005) seconds these findings, noting that

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<sup>35</sup> Ibid.

“higher incomes and being White are associated with an increased likelihood of moving into... [a gentrifying] neighborhood, whereas being Black is associated with a decreased likelihood”.

Despite this, middle-class Black residents still can and do gentrify neighborhoods in communities around the United States. Moore (2009), examines Brickton, a low-income neighborhood in Philadelphia to understand more about gentrification by the Black middle class. She interviewed several of the middle-class, Black residents of the neighborhood and found that 90% of them said that they moved to the neighborhood to “help our people” or “give back”. One middle-class resident Moore interviewed named Paulette said that her dream was “to have something nice right here [in a Black neighborhood]” (Moore, 2009, p. 129). Moore notes that gentrification by a Black middle class produced less inequality but resulted in fewer advancements in the socioeconomic characteristics of a neighborhood.

This finding that Black gentrification aligns with fewer advancements in the socioeconomic characteristics of a neighborhood builds upon the history of the devaluation of Black neighborhoods in the United States through racist zoning laws, restrictive covenants and redlining. Chenoa Flippen’s 2004 study supports the notion that Black gentrification in predominantly Black neighborhoods after the Great Recession would have less of an effect on the recoveries of the housing stocks in those same neighborhoods. She finds that highly segregated minority neighborhoods have lower housing value appreciation than predominantly White or racially mixed neighborhoods when controlling for socioeconomic differences among neighborhoods (Flippen, 2004). The role of race in both the valuations and the volatility of housing stocks in the United States likely implies that gentrification with an influx of White residents likely had a larger impact on the recoveries of housing stocks in predominantly minority neighborhoods. As the demographics of a neighborhood began to change, the shared

perceptions and stereotypes of that same neighborhood would have also likely started to change, which would have likely raised housing values.

Pavlov and Wachter (2011) highlight an important mechanism that could have resulted in predominantly Black and lower-income urban neighborhoods becoming more susceptible to White gentrifiers after the Great Recession. Consistent with earlier literature, they find that neighborhoods with larger increases in aggressive lending, in the form of subprime loans and mortgages, faced larger price declines in their housing stocks after a negative demand shock (Pavlov and Wachter, 2011). However, the two authors additionally note that these price declines in neighborhoods that previously had high levels of aggressive lending are paired with the large-scale withdrawal of aggressive lending (Pavlov and Wachter, 2011).

Aggressive lending practices did place Black homeowners at high risks of default, but they expanded Black homeownership before the recession. However, the withdrawal of these lending practices would mean that after the recession, it would become extremely difficult for prospective Black homeowners to move into these neighborhoods because of the racialized associations of Blackness with risk of default in U.S. lending markets. Boyd (2008) highlights how these mechanisms can set the stage for gentrification. She notes: “Middle-class Whites who seek to gentrify, for example, do not face racial bias in home financing. They may, therefore, be more likely to use gentrification as an offensive strategy and to explicitly promote their behavior as beneficial for the entire city” (Boyd, 2008, p.771).

While not directly focusing on gentrification, Raymond, Wang and Immergluck’s 2016 study examining neighborhoods in Atlanta, found that the racial composition of a neighborhood had a major impact in how the housing market crash affected the housing values of a given neighborhood and the strength of the recovery of those housing values after the Great Recession.

As earlier studies have highlighted, predominantly Black neighborhoods were subject to larger house price declines when the housing bubble burst. However, the authors find that Black neighborhoods in Atlanta had little to no recovery in their housing values following the recession, while White neighborhoods tended to recover from their more modest price declines (Raymond, Wang, and Immergluck, 2016). This indicates that race likely played an important role not only in the magnitude of housing price declines, but also in the speed and strength of housing price recoveries after the recession. Thus, an influx of Whiter residents in a predominantly Black neighborhood, could have impacted the strength and speed of the recovery from the housing market crash, by altering the racial composition and culture of a neighborhood.

Hyra and Rugh (2016) examine gentrification before the Great Recession in three historically Black neighborhoods in the United States. The authors select Bronzeville in Chicago, Illinois, Harlem in New York City, New York, and Shaw/U St. in Washington, District of Columbia as the three neighborhoods for their study. The authors find increases of subprime lending and home purchases in all three of their neighborhoods during the pre-Recession period, which aligns with the overall housing market bubble (Hyra and Rugh, 2016). However, Bronzeville had an influx of Black middle-class homeowners, while Harlem and Shaw/U St had an influx of affluent, mixed race residents (Hyra and Rugh, 2016). All three neighborhoods were hit hard by the crash, yet the authors notice that homes in Shaw/U St and Harlem recovered to pre-recession values, while the housing values in Bronzeville continued to decline.

The literature indicates that gentrification, particularly with the influx of White residents likely played a role in the ways in which predominantly Black neighborhoods recovered from the Great Recession. This is likely due to the history of the racialized aspect of the valuations of housing prices and evaluations risk in U.S. housing markets. If gentrification resulted in the

displacement of Black residents in predominantly Black neighborhoods, then it would mean that Black residents in neighborhoods with stronger and faster recoveries would be unable to benefit from rising house prices. It is unclear whether or not gentrification necessitates the displacement of prior residents in a community, but there is certainly sufficient evidence that the displacement of a neighborhood's original residents is a potential consequence of gentrification.

In 2008 paper, Michelle Boyd breaks down some of the reasons for why gentrification can result in displacement. She states: "Displacement occurs through conventional economic processes in which housing remains but is upgraded to the extent that rents, property taxes, and home prices rise beyond the means of low-income residents, who are forced to look elsewhere for affordable housing" (Boyd, 2008). If neighborhoods become too expensive for their original residents, then it makes sense that lower-income residents may have to relocate to more affordable residences.

Freeman and Braconi (2004) studied gentrification and displacement in New York City at the end of the twentieth century. They found that between 8,300 and 11,600 low-income households were displaced in New York between 1989 and 2002. They note that all low-income residents were not displaced by gentrification, but that gentrification tends to result in the removal of support structures for lower-income residents (particularly for renters). Additionally, Freeman and Braconi highlight that those who are displaced by gentrification in their communities "are torn from rich local social networks of information and cooperation...; they are thrown into an ever more competitive housing market shaped by increasingly difficult trade-offs between affordability, overcrowding and commuting accessibility to jobs and services" (Freeman and Braconi, 2004). Displacement could not only result in Black Americans losing

their ability to accumulate home equity but also their lasting social capital and community relationships.

Displacement is a key aspect of understanding the ways in which gentrification affected the recoveries of predominantly Black neighborhoods from the Great Recession. A lack of displacement would mean that Black Americans were able to reap the benefits of the recovery when gentrification occurred in their neighborhoods, but evidence of displacement in neighborhoods around the country would mean that Black Americans were unable to benefit from rising home prices in their neighborhoods.

### **Thesis**

The scholarship highlights that Black Americans have historically been discriminated against and excluded from housing markets in the United States. This resulted in low Black homeownership rates, as well as the devaluation of Black neighborhoods and the assignment of risk to Black homeowners. These disparities led to the rise of subprime and predatory lending in Black communities in the late twentieth and early twenty-first centuries. Predominantly Black neighborhoods then had higher rates of default and foreclosure when the housing market burst in 2007, leading to spiraling home prices in these neighborhoods. Some significantly Black neighborhoods around the country exhibited signs of recovery in rising housing values, while many had housing values that remained low, lagging behind larger national trends. This paper intends to examine the ways in which gentrification as a mechanism may have impacted the recoveries of Black neighborhoods.

After the Great Recession, predominantly Black neighborhoods, which had already been systematically segregated and undervalued, had plummeting housing values and sharp reductions in aggressive lending. This paper posit that the low housing values in predominantly Black

neighborhoods after the housing market crash, made these neighborhoods more desirable for White residents who were looking for affordable neighborhoods to purchase homes. Low housing values would make these neighborhoods desirable to White gentrifiers, and Additionally, this paper hypothesizes that home prices rose faster in neighborhoods that had higher influxes of White residents after the recession. This paper intends to contextualize its research on lending in housing markets, gentrification and displacement, and the recoveries of predominantly Black neighborhoods by analyzing the racialized contexts underlying several of the housing markets on a more local level.

### **Methodology**

My thesis attempts to answer the question: how did gentrification impact the recovery from the Great Recession and the housing market crisis in predominantly Black neighborhoods? Specifically, this paper looks to examine the mechanisms in housing and lending markets that would allow for gentrification in predominantly Black neighborhoods and for this gentrification to impact the recoveries of housing value in the United States.

In order to understand the effects that the recession and gentrification may have had on predominantly Black communities, this paper uses three large national datasets. The first dataset is the American Community Survey (ACS), an annual representative survey of over 3.5 million households in the United States. The ACS was first administered by the US government in 2005 as a way to ask a small percentage of the US population detailed questions about themselves on a yearly basis, as opposed to asking those detailed questions only in the decennial census. Unfortunately, Single year ACS estimates are only for geographical areas with populations that are larger than 65,000 to keep respondents' information secure. However, this paper uses the ACS' 5-year averages, as they provide information on the average demographics in a census

tract over a 5-year period. The American Community Survey data is key to understanding gentrification and economic recoveries from the Great Recession in predominantly Black neighborhoods because it details the average percentage of Black residents in a tract over a 5-year period, so it allows this paper to home in on significantly Black neighborhoods.

The second dataset that will continue to be useful in this analysis is Home Price Index (HPI) data in the United States. HPIs are federal metrics used in analyzing the housing price trends in a given area, from a given start date. The HPI for every tract at the chosen start date is 100, and then the HPI measures how the home values in the tract change relative to the values in the first year. This paper's analysis is primarily concerned with how home prices changed in the wake of the recession in gentrifying neighborhoods, so the primary variable used was the annual change variable, representing the annual change in points in a census tracts HPI.

These two datasets are particularly useful in determining the original characteristics of a neighborhood before the recession and in assessing the speed and strength of the economic recovery in a given neighborhood. This paper incorporates ACS and HPI data with data from a third dataset, the Home Mortgage Disclosure Act (HMDA). HMDA data would be useful in understanding more about the processes underlying demographic change in a given neighborhood. The data contain information on each applicant applying for a loan from certain financial institutions. This information includes loan types and amounts, interest rates, an applicant's race, sex and income, and whether or not the applicant was granted or denied a loan.

The two main pieces of data important to the study are the borrowers' racial demographics and whether or not a loan was a rate spread loan. The racial demographic information is crucial for keeping track of the demographics of new movers into different census tracts around the US. Higher influxes of White households into a predominantly Black

neighborhood could signal that a neighborhood is gentrifying. A rate spread mortgage is a loan that has an annual percentage rate (APR) that is at least 3 percentage points larger than the interest rate on a 10-year treasury note. High interest rate-spread loans have been found to be strongly linked with subprime loans and predatory lending practices. If a census tract or Metropolitan Area had higher concentrations of subprime loans before the recession, they would likely be more vulnerable to higher foreclosure rates, depressing housing values, and potentially providing cheap housing stock for gentrification in the wake of the recession.

Pairing this data with the historic demographics of a neighborhood from the ACS, as well as the changing home prices in the form of HPI data, will help this paper uncover the larger picture and understand the impact of gentrification on the recoveries of predominantly Black neighborhoods around the United States.

In analyzing this data, this paper tries to understand larger trends and relationships between demographic variables, loan availability and neighborhood recovery. After the quantitative analysis, this paper will re-examine census tracts with prominent cases of declining access to lending and understand the specific and local historic contexts that contributed to the disproportionate effects of the recession. Having a better understanding of the racially disparate effects of the recession and the varying recoveries of predominantly Black neighborhoods around the United States would be important in continuing to examine and attempting to reduce long-existing racial homeownership and wealth gaps in the United States.

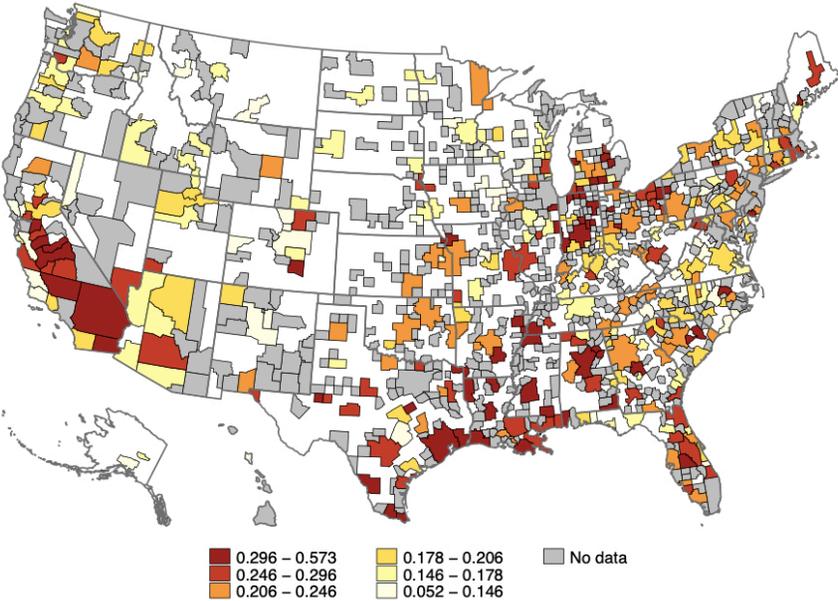
## **Findings**

### **I. Pre-Recession Trends**

The first aspect of this paper's analysis focuses on determining pre-recession lending patterns. First, this paper tries to uncover some of the trends before and after the housing market

crash by examining the share of high-interest rate spread mortgages in a given metropolitan area. This was done solely using the HMDA data from 2005-2007 at the Metropolitan Statistical Area level to be able to create a national map.

Figure 1. Share of Rate Spread Originations from 2005-2007 by MSA

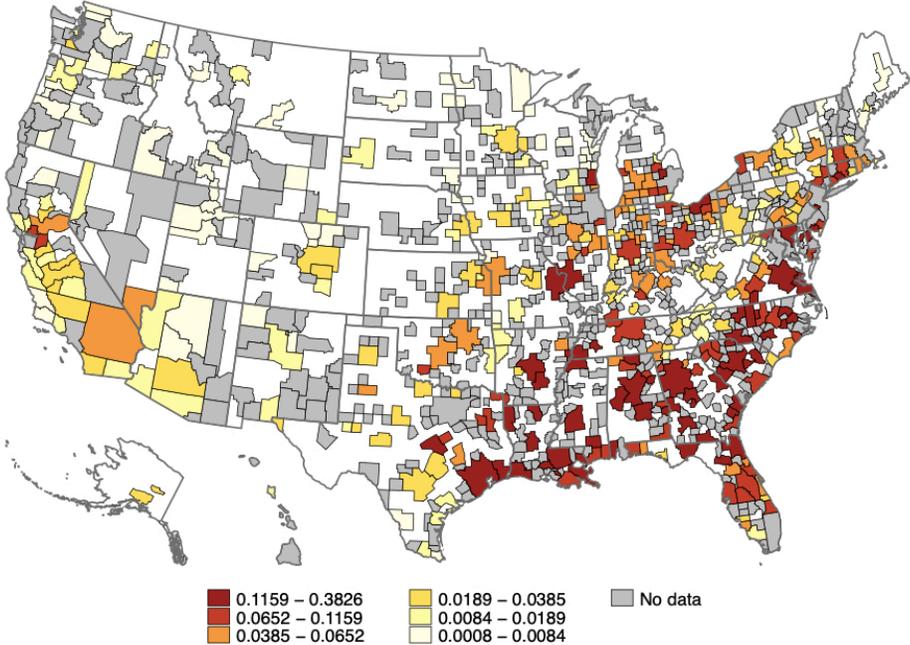


Map created by the author using 2005-2007 Home Mortgage Disclosure Act data.

Figure 1 shows that at least 24.6% of the originations in urban areas designated with a deep red or a light red color were from rate spread loans. The map highlights the geographical spread of the metropolitan areas where subprime loans were prevalent during the time from 2005-2007. Even the yellow areas had at least 14.6% of their originations from rate spread loans during this period, which is a fairly large amount. Although there are metropolitan areas shaded in grey with missing data, it is clear that urban areas on the coasts and in the Midwest bared the brunt of the increases in subprime lending.

Figure 2 highlights the share of originations from Black borrowers in the metropolitan areas in the sample examined by this analysis. Figure 2 parallels Figure 1, showing that the areas with higher proportions of homes were purchased by Black residents in the build-up to the recession tended to be on the East coast, coastal areas of the South, and in parts of the Midwest.

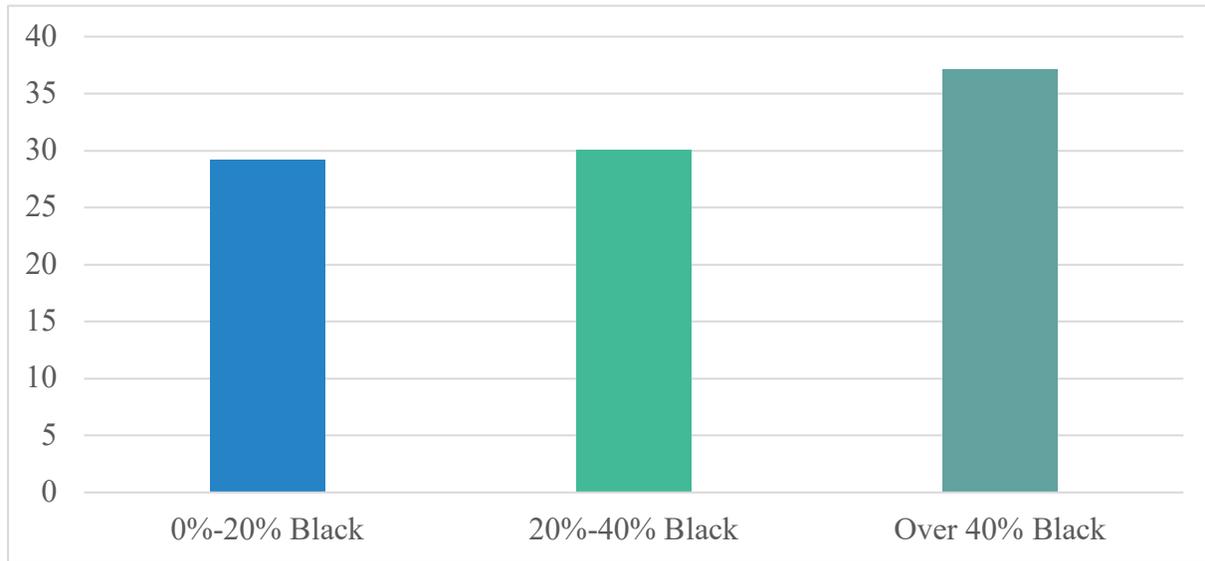
Figure 2. Share of Originations from Black Borrowers from 2005-2007 by MSA



Map created by the author using 2005-2007 Home Mortgage Disclosure Act data.

Figures 1 and 2 together cement some of the previous findings from aforementioned papers studying the relationship between race and the distribution of sub-prime loans. Although they do not match up perfectly, they do show the overlaps between metropolitan with high rates of subprime lending and higher rates of home purchases from Black Americans.

*Figure 3. Mean Share of Rate Spread Originations in Urban Census Tracts from 2005-2007*



Graph created by the author using 2005-2007 Home Mortgage Disclosure Act and American Community Survey data.

Figure 3 attempts to further investigate the relationships between race and subprime lending. The graph examines subprime lending from 2005-2007 in low-income urban census tracts (those that had average incomes that were less than  $\frac{3}{4}$  of the average income of their larger metropolitan area). Specifically Figure 3 compares the differences in the prevalence of subprime mortgages in neighborhoods with smaller Black populations (those that were less than 20% Black), neighborhoods with medium sized Black populations (those that were 20%-40% Black), and neighborhoods with significant Black populations (those that were over 40% Black). The exact racial demographics were only available from the data from the ACS' 5-year averages, so the bars represent neighborhoods that were on average 0-20% Black, 20%-40% Black, and +40% Black over the 2008-2012 period. Although this isn't a perfect approximation for the racial demographics of census tracts before the recession, it is likely that racial demographics of a given neighborhood over the 2008-2012 period were at least close to the racial demographics of the same neighborhood in the previous three-year period.

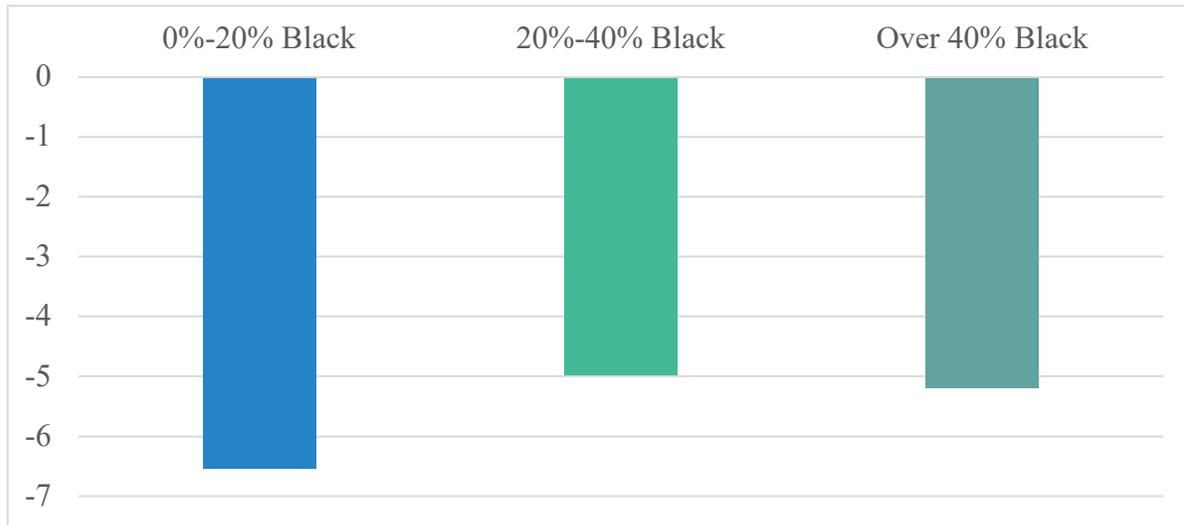
Looking at the results from the figure, it is clear that lower-income census tracts that were over 40% Black faced increased rates of subprime or high interest lending before the recession. On average 37.11% of mortgages into low-income communities that were over 40% Black in between 2005-2007 were rate spread or high interest mortgages. In examining low-income census tracts, it is evident that whether or not a census tract was at least 40% Black was significantly associated with the rate of subprime lending. Tracts that were 20%-40% Black on average had slightly higher rates of subprime mortgage originations than those that were less than 20% Black (30.08% as compared to 29.22%).

## II. Examining and Measuring Gentrification in Predominantly Black Neighborhoods

After examining some of the geographical patterns with pre-recession lending, this paper looked into its first hypothesis: that low housing values in predominantly Black neighborhoods after the housing market crash, made these neighborhoods desirable housing stock for affluent White residents looking for an affordable neighborhood to purchase a home in.

In the sample of lower-income urban census tracts, those with larger Black populations faced larger declines in home prices during the Great Recession. Figure 4 details the average change in the Home Price Index for a low-income urban census tract in this paper's sample. The onset of the Great Recession brought about large home price declines for low-income tracts with smaller, medium-sized, and larger Black populations. The data indicates that census tracts with fewer Black residents had the largest HPI declines, which runs appears to contradict this first hypothesis.

Figure 4. Average Change in the HPI of Lower Income Census Tracts from 2008-2012



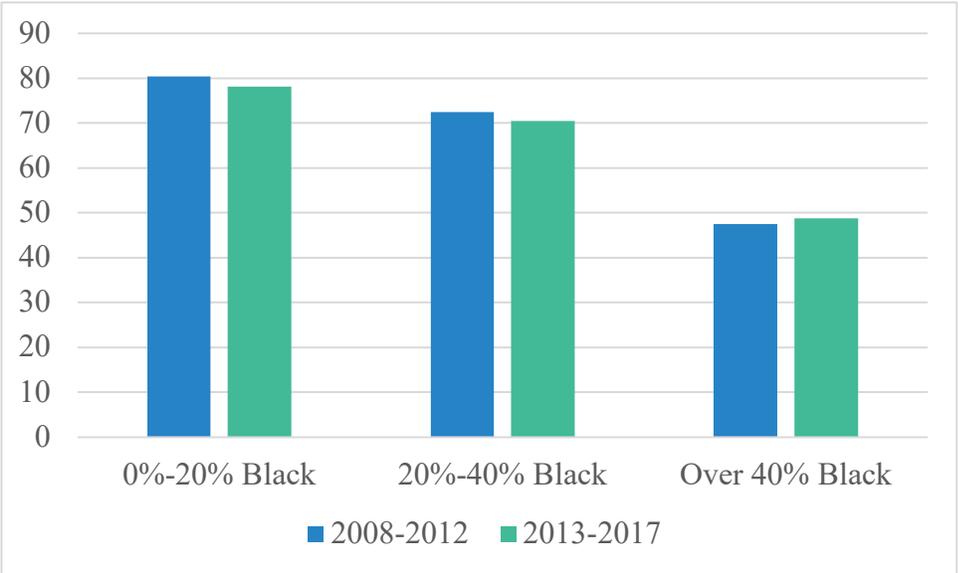
Graph created by the author using 2008-2012 Home Mortgage Disclosure Act, American Community Survey, and Home Price Index data.

However, it is plausible that the years of historic discrimination against Black households and the continued devaluation of Black homes may have impacted these findings. As recently as 2018, a Brookings Institution paper found that “Homes of similar quality in neighborhoods with similar amenities are worth 23 percent less (\$48,000 per home on average, amounting to \$156 billion in cumulative losses) in majority black neighborhoods, compared to those with very few or no black residents”<sup>36</sup>. As it is still the case that Black homes are undervalued, it is conceivable that neighborhoods with more Black residents could have had smaller reductions in their Home Price Indexes during the Great Recession. Housing values in neighborhoods with more Black residents were likely less overvalued in the housing bubble, so they would then have smaller reductions in home prices when the housing market crashed.

<sup>36</sup> Perry, Andre M., Jonathan Rothwell, and David Harshbarger. 2018. “The Devaluation of Assets in Black Neighborhoods.” *Brookings* (blog). November 27, 2018. <https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/>.

The next series of charts attempt to uncover how rates of gentrification may have differed in low-income tracts with varying Black populations. Figure 5 highlights the percentage of new home purchase originations from White borrowers into low-income neighborhoods that were less than 20% Black, 20%-40% Black, and over 40% Black. It is strikingly clear that White borrowers moved into low-income tracts with smaller Black populations at higher rates. This contradicts what was expected, that tracts that were over 40% Black would have actually had higher rates of gentrification because of how they were disproportionately impacted by the Great Recession.

*Figure 5. Percent of Home Purchases from White Borrowers into Low-Income Tracts*



Graph created by the author using 2008-2017 Home Mortgage Disclosure Act and American Community Survey data.

These findings are in line with those of Hwang and Sampson in their 2014 paper, “Divergent Pathways of Gentrification: Racial Inequality and the Social Order of Renewal in Chicago Neighborhoods”. The two found that in the neighborhoods in Chicago that were at least

40% Black, the percentage of Black residents actually reduced gentrification in those neighborhoods (Hwang and Sampson, 2014). Additionally, they found that people perceived disorder to be higher in low-income, predominantly minority neighborhoods, and that perceived disorder reduced the rate at which a neighborhood gentrified, while observed disorder did not.

This perceived disorder is likely linked to the long history of anti-Black racism in the United States. Steve Martinot and Jared Sexton (2003) argue that the banality of anti-Black violence and racism is a crucial aspect of racism in the United States (Martinot and Sexton, 2003). One way in which the banality of racism could tie into perceptions of segregated neighborhoods in the United States is through mass incarceration. Black neighborhoods, which were intentionally segregated by a combination of federal, state, and local level policies were targeted by police beginning in the 1970s with the War on Drugs, even though people of all races use and sell drugs at similar rates.<sup>37</sup> The disproportionate policing of predominantly Black communities became so banal, that Blackness was perceived as synonymous with criminality, affecting how Whites perceive Black communities.<sup>38</sup> This can be seen in the results of a 2000 study on local television, which found that 60% of viewers who were shown a crime story with no image of a perpetrator falsely remember seeing one, and that 70% of those viewers who believed they saw an image believed that the perpetrator was African-American.<sup>39</sup>

Figure 5 details that White borrowers moved into low-income neighborhoods with larger Black populations at slower rates after the recession but leaves a question about the potential mechanism for this gentrification. If White borrowers tended to be more averse to moving into

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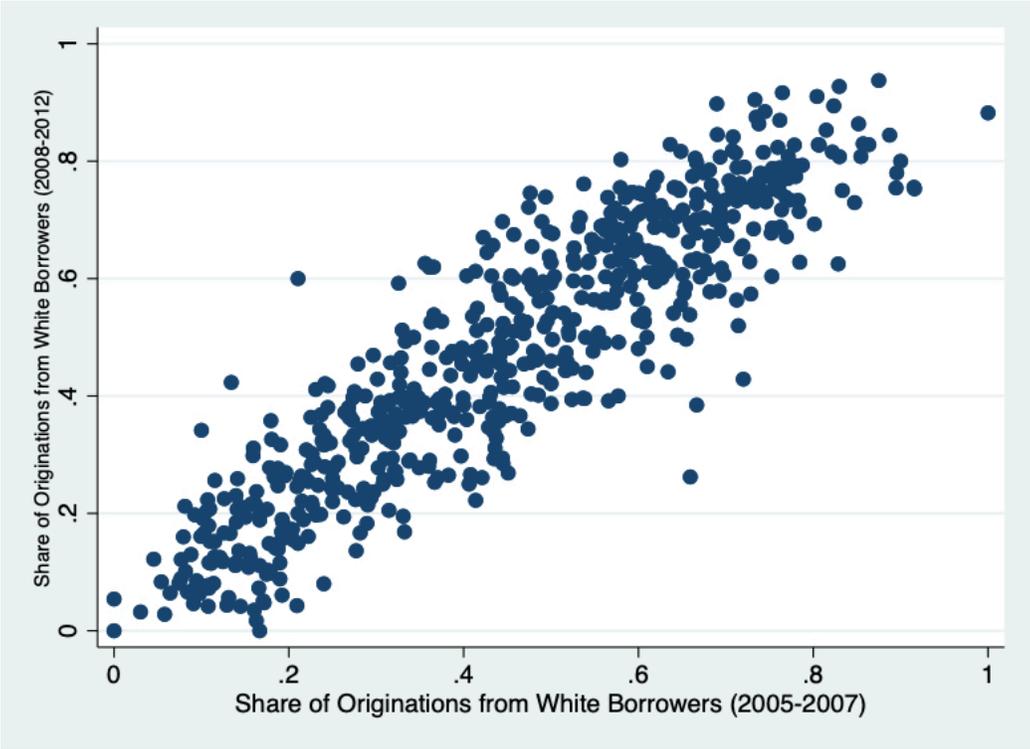
<sup>37</sup> Alexander, Michelle. 2012. *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*. Revised edition. New York: New Press.

<sup>38</sup> Ibid.

<sup>39</sup> Gilliam, Franklin D., and Shanto Iyengar. 2000. "Prime Suspects: The Influence of Local Television News on the Viewing Public." *American Journal of Political Science* 44 (3): 560–73. <https://doi.org/10.2307/2669264>.

Black neighborhoods that were significantly Black, when they did move into significantly Black neighborhoods why did they move into these neighborhoods? Were these neighborhoods with larger influxes of White movers after the recession merely those that were already gentrifying before the recession?

*Figure 6. Shares of Home Purchases in Significantly Black Tracts from White Borrowers Before and After the Recession (2008-2012)*

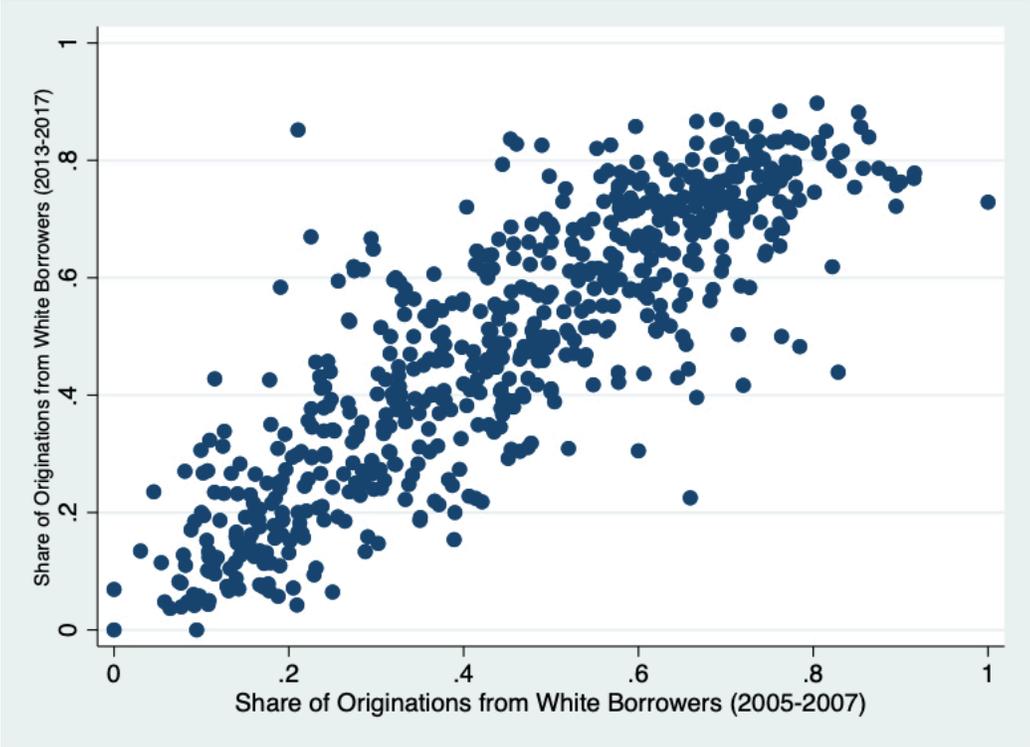


Graph created by the author using 2005-2012 Home Mortgage Disclosure Act data.

Both Figure 6 and 7 demonstrate that for tracts that were over 40% Black, there was a strong and significant correlation between the share of originations from White Borrowers before the recession and after the recession. Although significantly Black tracts tended to have fewer

originations from White borrowers, the number of White residents already in the neighborhood tended to influence the rate at which new movers entered the neighborhood. This could tie into the previously mentioned discussion on racial stereotypes and perceived disorder. If predominantly Black neighborhoods are viewed as disorderly or unsafe, it makes sense that White movers would see predominantly Black neighborhoods that had already begun to gentrify at high rates as “more safe” than those that had not yet had a major influx of White movers.

*Figure 7. Shares of Home Purchases in Significantly Black Tracts from White Borrowers Before and After the Recession (2013-2017)*

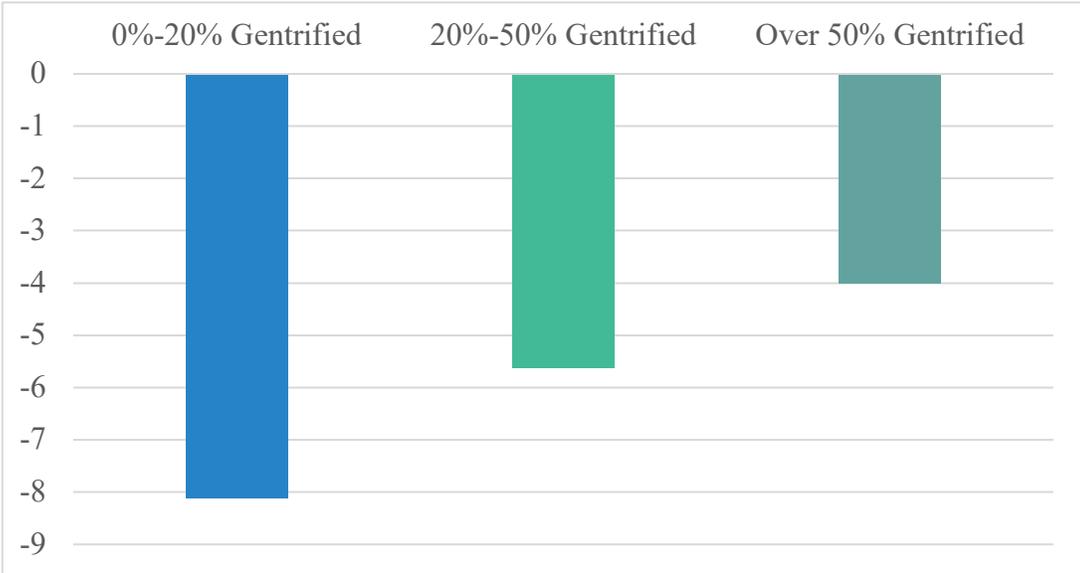


Graph created by the author using 2005-2017 Home Mortgage Disclosure Act data.

III. The Recession and Recoveries in Predominantly Black Neighborhoods

The following section examines the relationships between gentrification and house prices following the recession. Figure 6 builds on the finding that predominantly Black communities gentrified at much slower rates than neighborhoods with fewer Black residents, by examining how gentrification affected home values in predominantly Black neighborhoods. The graph depicts the average change in the Home Price Index for predominantly Black census tracts where fewer than 20% of the home purchases from 2008-2012 were from White borrowers, between 20% and 50% of the home purchases were from White borrowers, and over 50% of the home purchases were from White borrowers.

Figure 8. Average Annual Change in HPI in Significantly Black Low-Income Tracts (2008-2012)



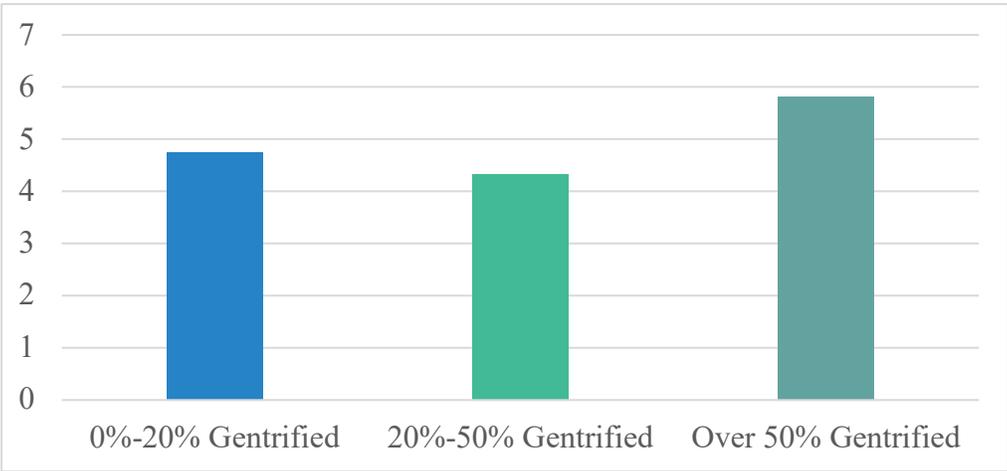
Graph created by the author using 2008-2012 Home Mortgage Disclosure Act, American Community Survey, and Home Price Index data.

Figure 8 demonstrates that in this paper’s sample of low-income tracts that were at least 40% Black, gentrification (defined as the influx of White residents) in the years immediately following the onset of the Great Recession played a major factor in how steeply home prices

declined. On average Home Price Indices in significantly Black tracts that where under 20% of the new home purchases during the period were from White borrowers declined by 8.11 points, or over double the decline in tracts where White borrowers accounted for at least 50% of the new home purchases (4.01 points).

Low-income, significantly Black neighborhoods had much lower rates of home purchases from White gentrifiers than low-income neighborhoods with smaller Black populations. However, the significantly Black neighborhoods that did have high influxes of White gentrifiers during the 5-year period from 2008-2012, encapsulating the Great Recession and its aftermath, tended to have much smaller declines in housing values. This result indicates that changing racial demographics had massive implications for the outcomes of significantly Black neighborhoods after the recession.

Figure 9. Average Change in HPI for Significantly Black Low-Income Tracts (2013-2017)



Graph created by the author using Home Mortgage Disclosure Act, American Community Survey, and Home Price Index data.

Figure 9 builds on the findings of Figure 8 and highlights how changes in HPI values in significantly Black tracts in the 2013-2017 period were influenced by gentrification. As the tracts that had the highest numbers of White movers between 2008 and 2012 had the smallest declines in home prices during the 2008-2012 period, the tracts that had the highest numbers of White movers between 2013 and 2017 had on average the largest increases in home prices during the 2013-2017 period. This shows that gentrification strengthened the recoveries of home values in significantly Black neighborhoods.

To the extent that gentrification may be linked with displacement, by increasing the rents, home prices, and cost of living in a neighborhood, this could have had significant implications for Black communities. Displacement would mean that residents would not be able to reap the benefits from rising home values in their communities, and that the cultures of those communities would be fundamentally altered.

#### IV. Taking A Closer Look at Gentrifying Significantly Black Tracts

After examining the national averages on gentrification and the recoveries from the recession for tracts that were at least 40% Black, this paper examines three examples of metropolitan areas that had several low-income tracts that were over 40% Black that gentrified significantly in both the 2008-2012 and 2013-2017 periods.

For the purpose of geographic diversity, this paper takes a closer look at gentrification in three urban areas in different areas of the country, one city in the Mid-Atlantic region (Baltimore, MD), one Southern city (Atlanta, GA), and one city in the Midwest (Columbus, Ohio).

First, this paper takes a closer look at gentrification and the underlying contexts behind gentrification in Baltimore, Maryland. There were nine low-income census tracts in Baltimore in

this sample that were at least 40% Black and over 50% of the new home purchases in both the 2008-2012 and 2013-2017 periods were from White borrowers.

In Baltimore, housing markets have historically explicitly discriminated against and excluded Black Americans because of the color of their skin. In 1911, Mayor J. Barry Mahool signed Ordinance 692 into law. The ordinance was "a[n] ordinance for preserving peace, preventing conflict and ill feeling between the white and colored races in Baltimore city, and promoting the general welfare of the city by providing, so far as practicable, for the use of separate blocks by white and colored people for residences, churches and schools."<sup>40</sup> The law was the first in the United States to explicitly segregate a city on the basis of race.<sup>41</sup>

In 1917, the Supreme Court found racially restrictive ordinance's like Baltimore's unconstitutional. Despite this, the Baltimore mayor at the time ordered building inspectors and health department investigators to write up anyone who rented or sold homes to Blacks for code violations. Additionally, five years later, the next Mayor of Baltimore formed an official committee on segregation, which coordinated the efforts of the building inspectors and health department investigators with that of the real estate industry and White organizations.<sup>42</sup> This committee organized and circulated racially restrictive covenants to keep Black Americans from moving into White neighborhoods.

Housing market discrimination against Black Americans in Baltimore continued to occur in the form of redlining. The Federal Housing Authority and Home Owner's Loan Corporation refused to offer credit and insure mortgages for Black households whether they were in a

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<sup>40</sup> Baltimore, Md., Ordinance 692 (May 15, 1911). Qtd. in Power, Garrett. n.d. "Apartheid Baltimore Style: The Residential Segregation Ordinances of 1910-1913" 42: 43.

<sup>41</sup> Power, Garrett. n.d. "Apartheid Baltimore Style: The Residential Segregation Ordinances of 1910-1913" 42: 43.

<sup>42</sup> Rothstein, Richard. n.d. "From Ferguson to Baltimore: The Fruits of Government-Sponsored Segregation." *Economic Policy Institute* (blog). Accessed May 10, 2020. <https://www.epi.org/blog/from-ferguson-to-baltimore-the-fruits-of-government-sponsored-segregation/>.

predominantly Black neighborhood or a predominantly White one.<sup>43</sup> This resulted in a very limited housing supply for Black residents, who thus had to pay elevated fees for their homes.

*Figure 10. 1937 Map of Redlining in Baltimore*

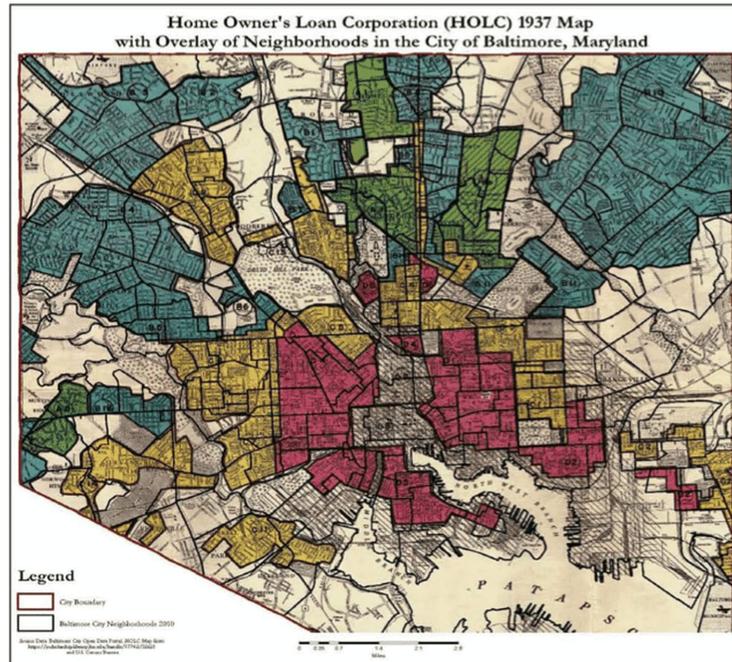


Image retrieved from: (Badger, Emily. 2015).<sup>44</sup>

This map of redlining in Baltimore (Figure 10) is very aligned with the current racial distribution of residents in the city. The neighborhoods outlined in red are commonly described as being in the shape of a butterfly and are still predominantly Black today. The “L” shaped area

<sup>43</sup>Ibid.

<sup>44</sup> Badger, Emily. 2015. “Baltimore Shows How Historic Segregation Shapes Biased Policing Today - The Washington Post.” March 6, 2015. <https://www.washingtonpost.com/news/wonk/wp/2016/08/10/baltimore-shows-how-historic-segregation-shapes-biased-policing-today/>.

of neighborhoods that are not shaded inside of the “butterfly”, are still predominantly White today.<sup>45</sup>

Additionally, later on Black residents of Baltimore continued to be discriminated against in process of building new developments and highways in the city. “From 1951 to 1971, 80 to 90 percent of the 25,000 families displaced in Baltimore to build new highways, schools, and housing projects were Black”.<sup>46</sup> Already segregated neighborhoods were further destabilized by being divided and having some of their infrastructure replaced by major highways.

Most recently, Blacks in Baltimore were discriminated against in the years preceding the Great Recession. Tony Paschal, a Wells Fargo employee in the early 2000s stated that the bank targeted Black residents of Baltimore, P.G. County, MD, and Southeast, DC for subprime loans. He stated that “They [Wells Fargo] referred to subprime loans made in minority communities as ghetto loans and minority customers as ‘those people have bad credit’, ‘those people don’t pay their bills’ and ‘mud people’”.<sup>47</sup> He also stated that “loan officers received cash incentives to aggressively market subprime loans in minority communities”.<sup>48</sup>

Wells Fargo’s calculated decision to target minority communities with subprime loans had devastating results for the city of Baltimore. As of 2009 “more than half the properties subject to foreclosure on a Wells Fargo loan from 2005 to 2008 now stand vacant. And 71 percent of those are in predominantly black neighborhoods”.<sup>49</sup> This further destabilized Black

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<sup>45</sup> Urban Institute. “‘The Black Butterfly’: Racial Segregation and Investment Patterns in Baltimore.” n.d. Accessed May 10, 2020. <https://apps.urban.org/features/baltimore-investment-flows/>.

<sup>46</sup> Badger, Emily. 2015. “The Long, Painful and Repetitive History of How Baltimore Became Baltimore - The Washington Post.” April 29, 2015. <https://www.washingtonpost.com/news/wonk/wp/2015/04/29/the-long-painful-and-repetitive-history-of-how-baltimore-became-baltimore/>.

<sup>47</sup> Powell, Michael. 2009. “Bank Accused of Pushing Mortgage Deals on Blacks - The New York Times.” June 6, 2009. <https://www.nytimes.com/2009/06/07/us/07baltimore.html>.

<sup>48</sup> Powell, Michael. 2009. “Bank Accused of Pushing Mortgage Deals on Blacks - The New York Times.” June 6, 2009. <https://www.nytimes.com/2009/06/07/us/07baltimore.html>.

<sup>49</sup> Powell, Michael. 2009. “Bank Accused of Pushing Mortgage Deals on Blacks - The New York Times.” June 6, 2009. <https://www.nytimes.com/2009/06/07/us/07baltimore.html>.

communities in the city of Baltimore, lowering housing prices. While Wells Fargo did not admit guilt in the city of Baltimore's lawsuit against them, they did settle and agree to pay \$175 million dollars to the recipients of subprime loans.

Racist housing covenants, redlining, and predatory lending all contributed towards locking the Black residents into highly segregated neighborhoods in Baltimore, denying them opportunities to purchase homes and accumulate wealth. A study on gentrification between 2000 and 2010 in Baltimore found that of the 38 tracts that were designated as gentrifying during the period, gentrification in five of the tracts resulted in the displacement of Black residents.<sup>50</sup> One of the tracts referred to in this period that partly precedes the period this paper examined was census tract 601 or the area around Patterson Park, Baltimore. That tract also was one of the nine tracts that this sample found was gentrifying in the periods from 2008-2012 and 2013-2017.

Although their sample indicates Black residents were not necessarily displaced in every gentrifying neighborhood in Baltimore, displacement has ever significant ramifications.

The second city in the sample that had several low-income, Black tracts with higher influxes of White movers that this paper chooses to examine in depth is Atlanta, Georgia. The following paragraphs discuss the history of racial discrimination in housing markets and how that may have laid the foundation for gentrification in the periods following the Great Recession.

As in Baltimore, Federal redlining practices helped firmly segregate the city of Atlanta in the first half of the twentieth century. Black residents were denied home purchase loans, while White residents were able to acquire credit, purchase homes, and start building equity. This

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<sup>50</sup> Weigel, Brandon. 2019. "Study: Baltimore Has Seen One of the Highest Rates of Gentrification in the U.S." March 19, 2019. <https://baltimorefishbowl.com/stories/study-baltimore-has-seen-one-of-the-highest-rates-of-gentrification-in-the-u-s/>.

contributed to the racial segregation and inequality in Atlanta, as it severely limited where Black households could move and left owning a home out of reach for most Black Americans.

Figure 11. Map of Redlining in Atlanta

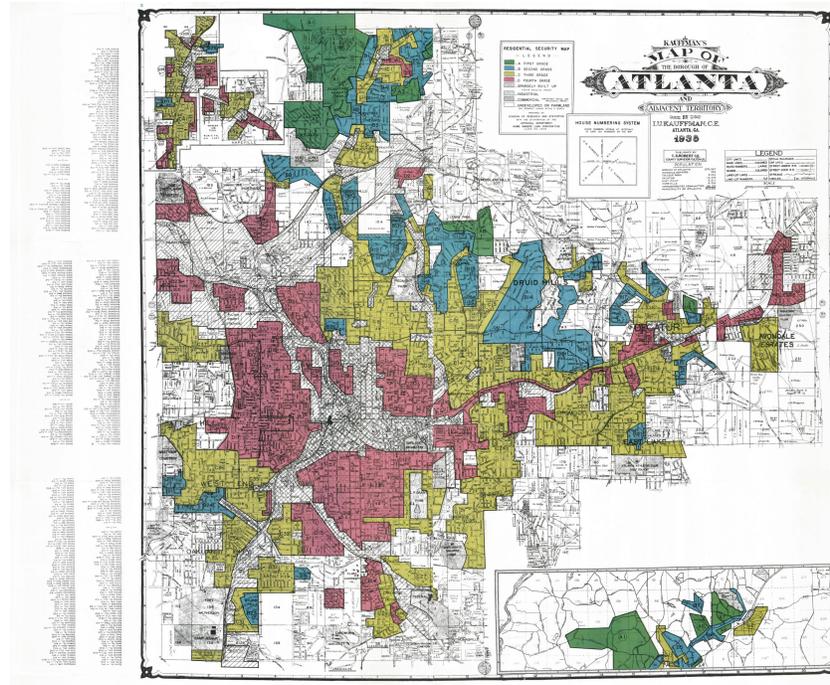


Image retrieved from: (Rhodes, 2017).<sup>51</sup>

The legacies of redlining in Atlanta are incredibly relevant when considering the history of public housing in the city. In 1936, Atlanta was the very first city in the United States to establish public housing for its residents.<sup>52</sup> These public housing buildings were of course

<sup>51</sup> Rhodes, Jason. 2017. "Geographies of Privilege and Exclusion: The 1938 Home Owners Loan Corporation 'Residential Security Map' of Atlanta." *Atlanta Studies* (blog). September 7, 2017.

<https://www.atlantastudies.org/2017/09/07/jason-rhodes-geographies-of-privilege-and-exclusion-the-1938-home-owners-loan-corporation-residential-security-map-of-atlanta/>.

<sup>52</sup> Lartey, Jamiles. 2018. "Nowhere for People to Go: Who Will Survive the Gentrification of Atlanta? | Cities | The Guardian." October 23, 2018. <https://www.theguardian.com/cities/2018/oct/23/nowhere-for-people-to-go-who-will-survive-the-gentrification-of-atlanta>.

segregated from the very moment they were opened, with separate buildings for White and Black residents. However, over time racist federal housing policies, through the Federal Housing Authority, the Home Owners' Loan Corporation, and the GI Bill, worked to make homeownership more available for White Americans.<sup>53</sup>

As White Americans moved away from public housing, and public housing became increasingly Black in the city of Atlanta, the government was disinvesting in public housing units, leaving Black residents in highly segregated, poorly maintained units.<sup>54</sup> By 1990, Atlanta had the highest rate of public housing usage in the country: ten percent of the population of Atlanta lived in public housing units (and nearly all of them were Black).<sup>55</sup> In 1996, Atlanta demolished the first public housing project that was built in the city, as it was considered an ugly building, in the city that was gearing up to host the 1996 Olympics.<sup>56</sup> Fifteen years later, Atlanta, the first city to establish public housing units in the United States, was also the first city to have completely closed all of its public housing units.<sup>57</sup>

Atlanta's decision to completely shut down its public housing projects and shift completely to using Section 8 vouchers, which can be used to pay any landlord for renting a property, left its residents incredibly vulnerable to gentrification. The lack of a secure affordable housing stock has meant that Section 8 recipients face incredibly difficult scenarios when neighborhoods gentrify. In between 2016 and 2018, Cheryl Henderson, a Section 8 recipient in Atlanta, saw her rent grow from \$599 to \$850 a month.<sup>58</sup> Additionally, her unit had poor air

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<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

quality because of a mold build-up, but her landlords told her she would have to pay \$980 a month to be able to stay in a unit without any mold.<sup>59</sup>

Black residents in Atlanta were segregated into public housing units in disrepair and denied accessible ways to purchase homes to be able to build equity. This left them vulnerable to rising home values as they suddenly had to negotiate with landlords who could turn to higher-income renters. Only very recently (February 2020) did Atlanta pass a law prohibiting landlords from discriminating against renters on the basis of being a Section 8 recipient.<sup>60</sup> Before then, landlords could deny a tenant's application because they were a Section 8 recipient, and "more than a thousand [Section 8] vouchers expired over the course of a year because the tenants couldn't locate housing".<sup>61</sup>

As in Baltimore, predatory lending and subprime mortgages also devastated predominantly Black communities in Atlanta, leaving them susceptible to gentrification. Pittsburgh, Atlanta, a small, predominantly Black neighborhood in Northern Atlanta is just one that was hit disproportionately hard by the recession. In the build-up to the recession, mortgage fraud and predatory lending were both prevalent in Pittsburgh, and at one point, in 2008, there were vacancy rates of up to 50% in the neighborhood.<sup>62</sup>

Residents like Ahmad Cheers have noticed how the neighborhood has changed since then, and how whiter and wealthier residents are moving in, taking advantage of the low housing values and ideal location. Remarking on the ways in which his neighborhood was changing,

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<sup>59</sup> Ibid.

<sup>60</sup> Stokes, Stephanie. 2020. "Landlords Can't Turn Away Section 8 Tenants Under Adopted Atlanta City Council Legislation." *90.1 FM WABE* (blog). February 18, 2020. <https://www.wabe.org/atlanta-landlords-cant-turn-away-section-8-tenants-under-adopted-city-council-legislation/>.

<sup>61</sup> Ibid.

<sup>62</sup> Lartey, Jamiles. 2018. "Nowhere for People to Go: Who Will Survive the Gentrification of Atlanta? | Cities | The Guardian." October 23, 2018. <https://www.theguardian.com/cities/2018/oct/23/nowhere-for-people-to-go-who-will-survive-the-gentrification-of-atlanta>.

Cheers stated: “It hurts, to be quite honest...It’s disappointing to see economic potential only thought to be real when other people come in, and not recognized for the culture that’s already here”.<sup>63</sup>

Gentrification and displacement are not only replacing the local cultures and communities of predominantly Black communities in Atlanta, but also leaving them with a very complicated dilemma. As Natallie Keiser, the leader of the Annie E. Casey Foundation’s neighborhood transformation efforts in Atlanta states:

“They want to see jobs, they want to see quality housing, they want to see grocery stores – but they also know that trying to get these types of services can mean economic change and stress for them. It can mean that property taxes rise and that rents rise, and they may not be able to afford to stay”.<sup>64</sup>

Gentrification can potentially offer resources and amenities to predominantly Black communities that have long been neglected and underinvested in. However, rising rents and property taxes not only forces Black residents out of their communities, but also does so before they are able to reap any of the benefits from transforming neighborhoods.

The final city that this paper investigates in order to better understand gentrification in Black neighborhoods in the wake of the Great Recession is Columbus, Ohio. As early as 1913, Frank U. Quillin wrote about the state of race relations in the city. He states: “Columbus, the capital of Ohio, has a feeling toward the negroes all its own. In all my travels in the state, I found nothing just like it. It is not so much a rabid feeling of prejudice against the negroes simply because their skin is black as it is a bitter hatred for them”.<sup>65</sup> Early on in the twentieth, it was clear that anti-Black racism was as prevalent in Columbus, as it was in many other cities around the country.

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<sup>63</sup> Cheers, qtd. in Lartey (2018).

<sup>64</sup> Keiser, qtd. in Lartey (2018).

<sup>65</sup> Quillin, F. U. (1913). *The Color Line in Ohio: A History of Race Prejudice in a Typical Northern State*. University of Michigan, Department of Historical Studies.

Eventually more Black households moved to Columbus through the Great Migration. They became concentrated on the East side of Columbus but were largely only able to purchase homes that were in sub-standard conditions.<sup>66</sup> As in Baltimore and Atlanta, this was largely enforced through the usage of racial housing covenants and federal redlining practices. Jason Reece, a professor of city planning at Ohio State University, noted that in the approximately twenty-year period from 1920 to World War II, “two-thirds of all the subdivisions platted in Central Ohio had restrictive covenants placed on them”.<sup>67</sup> Later, redlining was implemented through Federal Housing Authority policies which denied credit to Black borrowers. A 2018 National Community Reinvestment Coalition (NCRC) study examined historic redlining and compared it with modern day inequality. According to the NCRC, 82 percent of the neighborhoods that were redlined in the twentieth century are low-to-moderate income today, a number which is higher than the national average of 74 percent.<sup>68</sup> Additionally, 89 percent of the neighborhoods seen as the “best” in Columbus are middle-to-upper income; they’re also 91 percent white.<sup>69</sup> This study’s findings highlight how the deliberate segregation of Columbus has harmed Black communities living in the city over the past century. Redlining and restrictive covenants limited Black residents in Columbus to certain, less well-maintained neighborhoods and depressed the housing values in those neighborhoods.

Additionally, the construction of several major highways going through Columbus further destabilized predominantly Black communities. In the 1960s I-70, I-71, and I-670 were

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<sup>66</sup> Oliphint, Joel. 2018. “Cover: The Roots of Columbus’ Ongoing Color Divide - News - Columbus Alive - Columbus, OH.” June 27, 2018. <https://www.columbusalive.com/news/20180627/cover-roots-of-columbus-ongoing-color-divide>.

<sup>67</sup> Reece, qtd. in Oliphint (2018).

<sup>68</sup> Mitchell, Bruce, and Juan Franco. 2018. “HOLC ‘Redlining’ Maps: The Persistent Structure of Segregation and Economic Inequality”, as cited in Oliphint (2018).

<sup>69</sup> Ibid.

built through the East Side of Columbus.<sup>70</sup> In building these highways Black homes were destroyed and many Black households had to relocate. Buzz Thomas, a longtime Columbus resident who grew up on the East Side, states: “Not only did you put a freeway through minority areas, but then you walled it off and made one way in and one way out. Once you did that, you cut the economic carotid artery of that neighborhood, and it began to die”.<sup>71</sup> This was just one of the many ways in which Black communities in Columbus have been historically discriminated against that could contribute to gentrification in the present day.

In her 2016 dissertation interviewing residents of Olde Towne East (OTE), a working class, Black neighborhood in St. Louis, Monica Stigler, conducted interviews with residents in the neighborhoods about gentrification and the influx of White residents. She found that the respondents felt “that the displacement of legacy families not only destabilized community ties and cohesion, but weakened Black economic power which effectively weakened Black political power and led to the underrepresentation and disenfranchisement of Blacks in OTE today”.<sup>72</sup> Gentrification in Columbus was made possible by decades of discrimination against Blacks, and continues to fuel inequities in the city today by displacing Black residents in neighborhoods like Olde Towne East.

## **Conclusion**

Ever since the abolition of slavery, Black Americans have been discriminated against and excluded from housing markets around the United States. In the early 1900s, this discrimination

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<sup>70</sup> Oliphint, Joel. 2018. “Cover: The Roots of Columbus’ Ongoing Color Divide - News - Columbus Alive - Columbus, OH.” June 27, 2018. <https://www.columbusalive.com/news/20180627/cover-roots-of-columbus-ongoing-color-divide>

<sup>71</sup> Thomas, qtd. in *ibid.*

<sup>72</sup> Stigler, Monica L. 2016. “That’s Just the Way It Is: Stories of Racial, Economic, and Educational Inequality Under Gentrification.” In *ASU Electronic Theses and Dissertations*. Arizona State University. <http://hdl.handle.net/2286/R.I.38579>.

occurred in the South through rampant violence against Black Americans, forceful seizure of their property, and the destruction of their land. Many Blacks were forced to flee their longtime homes, leaving significant assets behind. After years of violence in the South, many Blacks fled to the North in the Great Migration. However, even in the North, they faced discrimination in housing markets in the form of racially restrictive housing covenants, which prevented Black Americans from moving into White neighborhoods. In the mid 1900s, federal policies enacted by the Home Owners' Loan Coalition and the Federal Housing Authority, redlined predominantly Black neighborhoods around the nation, designating them as risky and denying them the ability to acquire amortized and insured mortgages. This fueled the already existing racial homeownership gap, stunted the development of Black households' wealth, and segregated Black families into disinvested neighborhoods.

The many years of discrimination against Black Americans in housing markets around the United States created segregated cities, with segregated White and Black neighborhoods, and systematically depressed housing values in areas with more Black residents. This laid the groundwork, for gentrification in urban Black communities. The lower home values in gentrifying neighborhoods have been made available by the hundreds of years in which Black Americans have been kept out of US housing markets. Influxes of White residents can raise home values and bring investment into historically discriminated against communities, but it can often be at the cost of displacing those same communities' original residents.

This paper examined the ways in which lending patterns surrounding the Great Recession may have influenced gentrification in the wake of the recession. The housing market bubble in the early 2000s was largely fueled by the increased usage of subprime, high-interest loans. These loans were disproportionately concentrated in neighborhoods with large Black and Latinx

populations, and left homeowners incredibly vulnerable when the housing market crashed in 2007. Neighborhoods with higher concentrations of subprime loans often faced larger declines in home values, which could have depressed home prices enough that they would be seen as gentrifiable.

This paper used a combination of Home Mortgage Disclosure Act, American Community Survey, and Home Price Index data to examine low-income, predominantly Black census tracts around the country in the time periods surrounding the Great Recession. After a careful examination, the data revealed a few major insights about lending before the recession, gentrification after the recession, and the recovery from the recession.

First, the data revealed neighborhoods with larger Black populations tended to have higher concentrations of high-interest or subprime loans from 2005-2007. Additionally, the data confirmed that neighborhoods with higher percentages of Black residents faced average annual larger declines in home values in the years immediately following the onset of the recession (2008-2012), which could have left them more vulnerable to gentrification. However, in analyzing where White movers purchased homes after the recession, it became evident that they preferred neighborhoods with smaller Black populations.

This complicates the relationship between the effects of subprime lending and gentrification because although the recession lowered home prices in significantly Black neighborhoods, White movers still preferred neighborhoods with fewer Black residents. However, while taking a closer look at tracts that were at least 40% Black, it was evident that the tracts with more White movers before the recession tended to be those that gentrified the most after the recession. This result was in line with previous findings that racial composition is highly tied to perceived disorder, which can attenuate gentrification because through racial stereotypes.

Continuing to examine neighborhoods that were at least 40% Black, those with greater influxes of White residents before the recession had larger house price declines during and immediately after the recession (2008-2012) and smaller increases in home values during the recovery period (2013-2017). This appears to be the most recent way in which race has been tied to the valuation of homes in predominantly Black neighborhoods. Black Americans were first segregated into neighborhoods which were devalued in housing markets, and housing prices only seem to rise as White residents move into these significantly black neighborhoods.

Taking a closer look at historic discrimination and recent gentrification in Baltimore, MD, Atlanta, GA, and Columbus, OH shed a light on how gentrification on a more local level. Examining three cities highlighted how discrimination occurred in similar ways in many cities with large Black populations, but also that differences in the ways in which Blacks were discriminated against affects how gentrification looks and impacts residents in various cities.

All three cities were impacted by redlining at the federal government level which segregated Blacks into disinvested neighborhoods and made it increasingly difficult for Blacks to purchase homes. However, Baltimore was the first city in the country to have a legal ordinance preventing Blacks from moving into White neighborhoods, Atlanta was the first city in the country to demolish all of its public housing units, and Columbus was divided by three major highways which destroyed Black neighborhoods and displaced Black residents. Their different histories have affected how gentrification has looked and how it has impacted Black residents in each city.

It is evident that predatory, subprime lending in Black communities was just the most recent manifestation of discrimination against Blacks in US housing markets. Instead of being denied mortgage loans, Blacks were preyed upon and offered loans with high interest rates,

which left them incredibly vulnerable when the housing market collapsed. While this study found that White gentrifiers moved to neighborhoods with fewer Black residents at higher rates after the recession, within neighborhoods that were at least 40% Black, Whites tended to move to neighborhoods after the recession that had larger influxes of White residents before the recession. This highlights that subprime lending may not have been the primary factor setting the stage for gentrification, but that racial composition and neighborhood perceptions likely played important roles in determining how low-income, Black neighborhoods gentrified.

Although gentrification doesn't necessitate displacement, it can and does often result in the displacement of Black and low-income residents. This not only means they are not able to benefit from rising home values and increased investment into historically disinvested neighborhoods, but also means that the cultures of those neighborhoods are dramatically altered. Gentrification may have occurred at slower rates in neighborhoods that were at least 40% Black, but it will remain important to study how these neighborhoods change in the coming years. The rise in predatory lending to communities of color in the early 2000s is only the latest part of a long history of discrimination against Black Americans in housing markets. It is definitely possible that the less Black neighborhoods that were gentrifying during the period examined could become middle or upper-class neighborhoods, and that at some point gentrification will move towards predominantly Black neighborhoods that are still reeling from years of discrimination.

Gentrification should be further studied and addressed in cities around the country. Without any form of protection, urban Black communities that have already been targeted by racist and racially discriminatory policies for years will continue to feel their impacts. After being forced into segregated neighborhoods, gentrification can effectively force them out,

destroying the cultures of communities who occupied those neighborhoods, and leaving them unable to reap any of the benefits of increased investment and rising home values.

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