Race and Place: New Evidence from the 1940 Censuses of Population and Housing

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Disclaimer: The views expressed here are not necessarily shared by others in the Federal Reserve System.
New Dataset on Mortgages from the 1940 Census / of Housing

• Today, we are introducing a dataset, stating questions to be answered by it, and displaying some initial observations.

• Two main features of this dataset: 1) data on mortgages and housing 2) at the Census Tract level in 1940.

• This is about as good as it gets from published records. The Census Bureau destroyed the original Census of Housing schedules.
Data Sources

Volume IV 1940 Census of Housing

Table 9.—DEBT AND VALUE, HOLDER OF FIRST MORTGAGE, AND AVERAGE INTEREST RATE FOR 1-FAMILY PROPERTIES, FOR TRACTED AREAS BY CENSUS TRACTS: 1940

Data By Census Tracts 1940: Bogue (ICPSR 2930)

Table 1. Population By Race And Nativity, Occupied Dwelling Units
Table 2. Age, Race, and Sex
Table 3. Years Of School, Employment Status, Occupation Group, Country Of Birth, Citizenship, by Sex
Table 4. - Dwelling Units By Occupancy Status And Race Of Occupants
Table 5. Value Of Owner-Occupied Dwelling Units, Rent Of All Dwelling Units
Table 6. Type Of Structure, State Of Repair And Plumbing Equipment, Size Of Household, Persons Per Room, Radio, Refrigeration And Heating Equipment
## Coverage of Dataset

- ~1/3 of the US
- >1/2 of Principal Metro Areas

### Table

<table>
<thead>
<tr>
<th>1-4 Family Nonfarm Homes</th>
<th>United States</th>
<th>Principal Metro Areas</th>
<th>60 Census Tract Cities</th>
<th>% of US</th>
<th>% of PMAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Occupied</td>
<td>27,747,973</td>
<td>15,565,041</td>
<td>10,473,080</td>
<td>37.7%</td>
<td>67.3%</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>11,413,036</td>
<td>5,690,571</td>
<td>3,297,006</td>
<td>28.9%</td>
<td>57.9%</td>
</tr>
<tr>
<td>1 Family Owner-Occupied Nonfarm Homes</td>
<td>4,025,815</td>
<td>2,473,556</td>
<td>1,382,748</td>
<td>34.3%</td>
<td>55.9%</td>
</tr>
</tbody>
</table>

### Mortgaged

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- 1,382,748

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### List of Census Tract Cities

- Akron, Ohio*
- Atlantic, Ga.*
- Atlantic City, N. J.
- Augusta, Ga.*
- Austin, Tex.
- Baltimore, Md.
- Berkeley, Calif.*
- Birmingham, Ala.
- Boston, Mass.
- Buffalo, N. Y.
- Cambridge, Mass.
- Camden, N. J.
- Chicago, Ill.
- Cincinnati, Ohio.*
- Cleveland, Ohio.*
- Columbus, Ohio.
- Dallas, Tex.*
- Dayton, Ohio.*
- Denver, Colo.
- Des Moines, Iowa.
- Detroit, Mich.*
- Duluth, Minn.
- Elizabeth, N. J.
- Flint, Mich.*
- Hartford, Conn.*
- Houston, Tex.
- Indianapolis, Ind.*
- Jersey City, N. J.*
- Kansas City, Mo.
- Long Beach, Calif.*
- Los Angeles, Calif.*
- Louisville, Ky.*
- Macon, Ga.*
- Memphis, Tenn.*
- Milwaukee, Wis.
- Minneapolis, Minn.*
- Nashville, Tenn.
- Newark, N. J.
- New Haven, Conn.
- New Orleans, La.
- New York City.
- (Statistics for health areas)
- Oakland, Calif.*
- Oklahoma City, Okla.*
- Paterson, N. J.
- Pittsburgh, Pa.*
- Portland, Ore.
- Providence, R. I.
- Richmond, Va.
- Rochester, N. Y.
- St. Louis, Mo.*
- St. Paul, Minn.*
- San Francisco, Calif.
- Savannah, Ga.*
- Seattle, Wash.
- Syracuse, N. Y.
- Toledo, Ohio.
- Trenton, N. J.
- Washington, D. C.
- York, N. Y.

*Statistics towns included.
Questions to Answer

1. From whom did Black borrowers obtain home mortgages? What part did individual and non-FHA institutional lenders play?

2. What impact did HOLC lending have on home ownership and home values?

3. How much did FHA augment new construction between 1936-40?

4. How did borrowers, locations, and loan terms vary among conventional lenders?
The National Mortgage Market in the 1930s and Black Borrowers Position in it in 1940

First Mortgages in 1940

<table>
<thead>
<tr>
<th>Institution</th>
<th>Interest Rates</th>
<th>Black Minus White</th>
<th>Black Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Lenders Reporting</td>
<td>5.86 5.54 0.32</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>HOLC</td>
<td>4.50 4.50 0.00</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>6.52 5.79 0.73</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Building and loan</td>
<td>6.04 5.92 0.12</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Mortgage Co</td>
<td>6.11 5.60 0.51</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>6.02 5.46 0.56</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>Commercial bank</td>
<td>6.11 5.65 0.46</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Savings bank</td>
<td>5.89 5.56 0.33</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Life Insurance Co</td>
<td>5.92 5.41 0.51</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>
Preliminary Results of Census Tract Regressions by Type of Lender

• Controls
  • Distribution of Housing Quality
  • (age, value bins, home ownership, people per room, access to toilets, running water, mechanical refrigerators)
  • Population Characteristics
  • (LF Participation, Employment, and Work Relief status, occupations of males, ages, and schooling)
  • Metro Area Fixed Effects
  • Weighted by Population

• Results show that HOLC, individuals, and savings banks were the lenders most likely to lend in areas with larger black population.
• Are also going to examine lending to other ethnic groups.
<table>
<thead>
<tr>
<th>Lender's Shares of Mortgages in Tracts by Percent Nonwhite in Tract</th>
<th>Percent Nonwhite in Tract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zero</td>
</tr>
<tr>
<td>HOLC</td>
<td>16.7</td>
</tr>
<tr>
<td>Building and Loan</td>
<td>18.4</td>
</tr>
<tr>
<td>Individual</td>
<td>22.0</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>11.4</td>
</tr>
<tr>
<td>Savings Bank</td>
<td>12.8</td>
</tr>
<tr>
<td>Life Insurer</td>
<td>4.5</td>
</tr>
<tr>
<td>Mortgage Company</td>
<td>6.3</td>
</tr>
<tr>
<td>Other</td>
<td>8.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
<tr>
<td>Number of Tracts</td>
<td>1241</td>
</tr>
</tbody>
</table>
Estimating FHA Lending

• Fundamental constraint is Census of Housing did not categorize separately loans with FHA insurance
• Combination of Information from State and County Information on Types of Lenders Insured
• Interest rates at or below 4.5 and 5 percent by Type of Lender in State (and some cities)
• Shares of mortgages on houses built after 1935 along with interest rates at or below 4.5 and 5 percent by Type of Lender in State.
• The Redlining Lab (Faber, Xu, Storrs, and Thomas,) in a separate project, is digitizing FHA maps and gathering FHA data from the National Archives
Conclusions

The home mortgage market was not a monolith!

Who loaned in “redlined” areas?
1. As long suspected, banks and life insurance companies avoided these areas almost uniformly
2. But these areas were served to some extent by HOLC, building & loans, and individuals

How did the other half borrow?
1. The differences in lenders cannot be fully explained by observables like age, location
2. There remains much to be learned about the business of lending to Black borrowers

Incredible HOLC?
1. The largest lender to Black borrowers
2. Future research can examine variation, regional and intracity, in HOLC’s relending on its foreclosures

FHA?
1. A view of the entire home mortgage market enhances our understanding of FHA’s exclusionary role
2. Need to infer FHA-insured mortgages from this dataset
Atlanta Mortgages by Lender Type (Red Dots) with Percentage Black (100% to 80%=white...20% to 0%=black)

HOLC  Life Insurers  Building & Loans  Individuals

One red dot is one mortgage randomly placed within its Census Tract