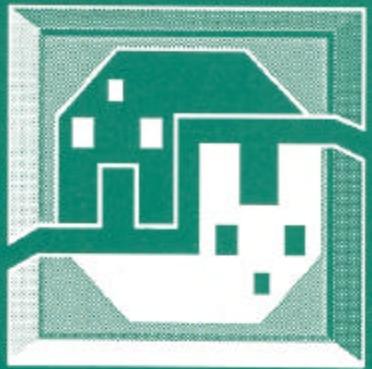


Winner
1989
Pulitzer Prize
for Investigative Reporting



THE COLOR OF MONEY

Home mortgage lending practices
discriminate against blacks

The Atlanta Journal
THE ATLANTA CONSTITUTION

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Part 1	
Atlanta blacks losing in home loan scramble.....	1
Part 2	
Southside treated like banks' stepchild?	11
Part 3	
A test that few banks fail — in federal eyes	21
Part 4	
Bank protesters in Atlanta make ready to flex muscle	27
Part 5	
Follow-up and reaction	37

Part 1
Sunday, May 1, 1988

Atlanta blacks losing in home loans scramble

Banks, S&Ls favor city's white areas by margin of 5-1

By Bill Dedman
Staff Writer

Whites receive five times as many home loans from Atlanta's banks and savings and loans as blacks of the same income — and that gap has been widening each year, an Atlanta Journal-Constitution study of \$6.2 billion in lending shows.

Race — not home value or household income — consistently determines the lending patterns of metro Atlanta's largest financial institutions, according to the study, which examined six years of lender reports to the federal government.

Among stable neighborhoods of the same income, white neighborhoods always received the most bank loans per 1,000 single-family homes. Integrated neighborhoods always received fewer. Black neighborhoods — including the mayor's neighborhood — always received the fewest. The study was controlled so any statistical bias would understate the differences between lending in black and white areas.

"The numbers you have are damning. Those numbers are mind-boggling," said Frank Burke, chairman and chief executive officer of Bank South. "You can prove by the numbers that the Atlanta bankers are discriminating against the central city. It's not a willful thing. The banks really are considered the pillars of the community. If somebody walks in and applies, they'll get fair treatment."

Senior bank executives said any lending differences most likely are caused by factors beyond their control, including poor quality housing and lack of home sales in black neighborhoods,

We're talking about disinvestment, capital flight from the Southside. When the banks disinvest, the governments also find themselves disinvesting. To accommodate the growth on the Northside, all the public funds flow north. Southside residents put money in the bank and pay taxes, but their money is spent on the Northside.'

— Sherman Golden
Fulton County Planning
and Economic Development
Department

fewer applications from blacks, and limitations in the federal lending data. They also pointed out that lending patterns are influenced by real estate agents, appraisers and federal loan programs.

For example, banking officials said they would make more loans to blacks if real estate agents sent them more black applicants. Real estate brokers who work in black neighborhoods confirmed that they often don't send black homebuyers to banks or savings and loans, but said that is because those institutions have not been responsive and do not solicit their business.

A federal law, the Community Reinvestment Act of 1977, says deposit-gathering institutions have an "affirmative obligation" to solicit borrowers and depositors in all segments of their communities.

Federal bank regulators give passing grades to 98 percent of the nation's financial institutions on compliance with the act. But in recent testimony before Congress, heads of the regulatory agencies conceded that they have not enforced the law as well as they should.



As part of a five-month examination of compliance with the Community Reinvestment Act, the Journal-Constitution used lenders' reports to track home-purchase and home-improvement loans made by every bank and savings and loan association in metro Atlanta from 1981 through 1986 — a total of 109,000 loans. The study focused on 64 middle-income neighborhoods: In the white areas lenders made five times as many loans per 1,000 households as in black areas.

A companion study of 1986 real estate records for 16 of the neighborhoods yielded similar results: Banks and savings and loans financed four times as many of the home purchases in middle-income white neighborhoods as in middle-income black neighborhoods.

With the banks largely absent, home finance in metro Atlanta's black areas has become the province of unregulated mortgage companies and finance companies, which lenders say commonly charge higher interest rates than banks and savings and loans.

The two lending studies form the foundation of the Journal-Constitution's examination of home finance in metro Atlanta. Among the other findings, which will be discussed here and in subsequent articles in this series:

■ Banks and savings and loans return an estimated 9 cents of each dollar deposited by blacks in home loans to black neighborhoods. They return 15 cents of each dollar deposited by whites in home loans to white neighborhoods.

■ The offices where Atlanta's largest banking institutions take home loan applications are almost all located in predominantly white areas. Most savings and loans have no offices in black areas.

■ Several banks have closed branches in areas that shifted from white to black. Some banks are open fewer hours in black areas than in

SCRAMBLE Continued on Page 2

Scramble

From Page 1

white areas.

■ Lenders are not required to disclose information on loan applicants by race. However, two of the largest lenders volunteered that information, which showed they rejected black applicants about four times as often as whites.

■ Meanwhile, a black-owned bank in Atlanta, which makes home loans almost exclusively in black neighborhoods, has had the lowest default rate on real estate loans of any bank its size in the country.

'It's institutional racism'

The differences in bank lending to whites and blacks in metro Atlanta did not surprise some government observers.

"I think it's obvious that some areas of Atlanta have more trouble than others getting credit," said Robert Warwick, vice president of the Federal Home Loan Bank of Atlanta, which regulates savings institutions. "It's perfectly obvious."

"It's institutional racism," said Marvin Arrington, president of the Atlanta City Council. "While we are patting each other on the back about being a great city and a city too busy to hate, they're still redlining."

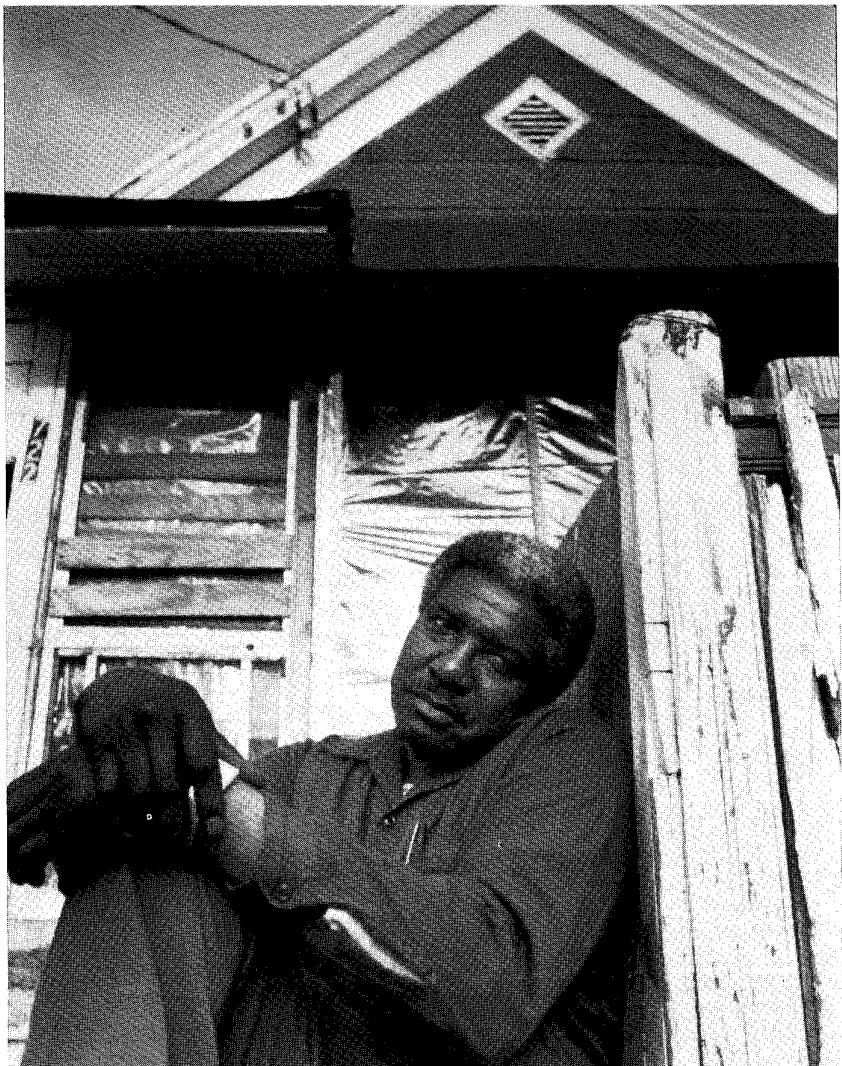
Redlining is an illegal practice of refusing to lend in certain neighborhoods on the basis of race, ethnic composition or any standards other than creditworthiness. The definition comes from the alleged practice of drawing a red line on a map around certain neighborhoods to designate them as off-limits.

Senior bank executives said they welcome black borrowers. They also point out they have contributed to many efforts to improve housing in Atlanta, from giving money to build Southside houses for blacks in the 1960s, to forming a mortgage loan pool for lower-income homebuyers in the 1970s, to supporting the Atlanta Neighborhood Housing Service effort to revive Grant Park in the 1980s.

"It's a myth that banks have a map with a red line on it," said Jim Graham, vice president of SunTrust Banks, the parent of Trust Company Bank. "We don't avoid any area."

"I've never known of anybody redlining areas," said W.D. Hosford Sr., president of DeKalb Federal Savings and Loan. "I believe that any qualified borrower can get a loan today."

"Since the 1950s forward, we've had no prohibitions, no implied rules. We didn't pay any attention to black or



RICH ADDICKS/Staff

When James Fletcher needed \$5,000 to fix the roof of his southwest Atlanta home, he went to the bank. It turned him down. His payback to the company that did make the loan: \$30,722.30.

white," said Thomas Boland, vice chairman of First Atlanta. "We advertise, 'Please borrow money from us.' We send our mobile information center to the black side of town and on and on and on. If I spent the time and money on the Northside that I've spent on the Southside . . . If you could locate these people . . . It's an imponderable. Somebody's making the loans. It's just not the banks."

Measuring impact of race

The impact of race on lending patterns was easier to measure in metro Atlanta than in some other cities, since housing patterns almost always follow racial lines here and since Atlanta has a substantial and identifiable black middle class.

The study focused mainly on 64 middle-income neighborhoods: 39

white, 14 black and 11 integrated. Middle income was defined as between \$12,849 and \$22,393 in 1979, the base year for the 1980 census.

The study was controlled to ensure that neighborhoods were comparable in income and housing growth. All judgments about which data to include were made conservatively.

For example, to account for Atlanta's rapid suburban growth, the study excluded any neighborhood that grew by more than 10 percent in the number of single-family houses from 1980 to 1987.

Even with these controls, distinct and growing differences appeared. Banks and savings and loans made 4.0 times as many loans per 1,000 single-family structures in white neighborhoods as in comparable black neighborhoods in 1984, 4.7 times as many in 1985, and 5.4 times in 1986.

Banking officials, while not questioning the accuracy of the lending figures, offered a variety of explanations for the differences.

Some bankers cited the aging of structures in the city.

"Much of the housing in predominantly black areas is substandard, requiring rehabilitation to qualify for mortgage lending," said Willis Johnson, spokesman for Trust Company Bank. "As a result, this cannot be handled through conventional mortgage lending channels."

Officials at Atlanta's black-owned bank disagreed.

"I have difficulty believing that most of the housing in black neighborhoods is substandard," said Ed Wood, executive vice president of Citizens Trust Bank. "That is where the black community of Atlanta really got its name nationally. People who come from outside are amazed: 'Black folks got these kinds of houses here?'"

Several banking officials also said the difference might be caused by more home sales in white areas.

The bankers were partly right. To check the demand, the newspaper analyzed real estate records of all home sales in 1986 in 16 of the 64 middle-income neighborhoods. Homes did sell twice as often in white areas as in black areas.

Of the homes that were sold, banks and savings and loans financed four times as many in the white areas as in the black areas. In middle-income white areas, banks and savings and loans made 35 percent of the home loans. In middle-income black areas, banks and savings and loans made 9 percent.

Even lower-income white neighborhoods received more of their loans from banks than upper-middle-income black neighborhoods. Lower-income white neighborhoods (those with a median income below the \$12,849 household income in 1979) received 31 percent of their loans from banks and savings and loans. Upper-middle-income black neighborhoods (those above the metro area's median of \$18,355 in 1979) received 17 percent.

In Cascade Heights, where Mayor Andrew Young and other prominent blacks live, 20 home-purchase loans were made in 1986. Of those, two were made by banks and savings and loans, and two by mortgage companies owned by banks. The rest were made by unaffiliated mortgage companies.

Blacks rejected more often

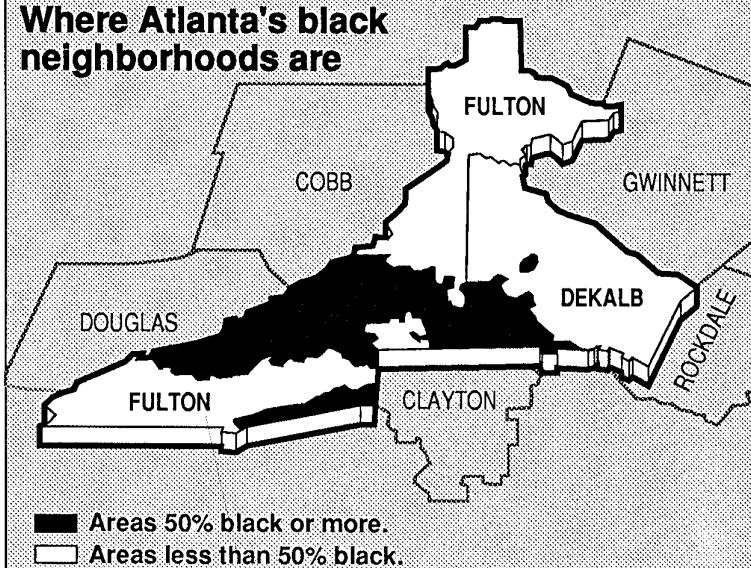
If sales differences do not account for most of the lending pattern, banking officials said, then the number of applications probably would. However, federal law does not require financial institutions to make public the number of



THE COLOR OF MONEY

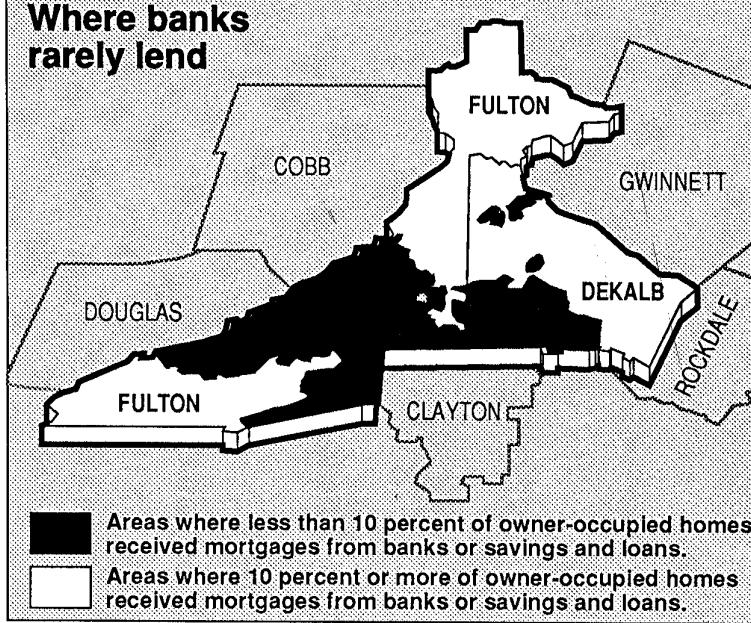
First of four parts

Where Atlanta's black neighborhoods are



Source: 1980 U.S. Bureau of the Census figures

Where banks rarely lend



Source: Federal Financial Institutions Examination Council figures for 1981-86

applicants of each race, nor the number from each area.

Only two of the 88 institutions in the study divulged application figures by race. These figures, from the two largest savings institutions in Georgia, suggest blacks make proportionately fewer loan applications than whites. But they also show that black applicants for home-purchase loans are rejected four

times as often as whites.

Georgia Federal Bank in 1987 rejected 241 of 4,990 white applicants, or 5 percent, but 51 of 238 black applicants, or 21 percent. Fulton Federal Savings and Loan, from 1985 through 1987, rejected 1,301 of 12,543 white applicants, or 10 percent, but 363 of 1,022 black applicants, or 36 percent.

SCRAMBLE Continued on Page 4

Scramble

From Page 3

Banking officials also said the racial disparities in the study might be caused by limitations in the lending data. The federal records include only loans made directly through the banks and savings and loans, not through mortgage companies owned by the large banks. All but one bank declined to provide information on loans by their mortgage companies.

However, real estate records show that mortgage companies owned by banks rarely made loans in black areas of any income. In white middle-income areas, 20 percent of loans from mortgage companies were made by those owned by banks. In black areas of the same income, the figure was 3 percent.

Finally, banking officials said home lending is not their primary business. Traditionally, banks made most of their loans to businesses, and still often call themselves "commercial banks." A home loan was a favor for a commercial customer.

In recent years, however, changes in federal and state laws have blurred the

lines between banks and savings and loans. Banks across the country are doing more home lending. Metro Atlanta's banks now make more than \$1.5 billion annually in home loans, according to 1986 annual reports compiled in an industry directory, Sheshunoff's Banks of Georgia.

Law requires fair lending

Equitable lending practices are required under the Community Reinvestment Act, which says banks and savings and loans have "continuing and affirmative obligations to help meet the credit needs of their local communities, including low-and moderate-income neighborhoods, consistent with safe and sound operation."

The law strives for a balance: Banks and savings and loans should protect the money of depositors and make a profit for shareholders. But the law also says they should seek that profit in every neighborhood.

Banks and savings and loans face this obligation because they receive privileges, particularly government permission to operate and federal insurance of their deposits.

Federal appeals courts have said

banking is so "intimately connected with the public interest that the Congress may prohibit it altogether or prescribe conditions under which it may be carried on."

Bankers said they bend over backward to obey the laws, and some said they are eager to make more money in black areas.

"If I could make \$10 million or \$20 million in these loans, I'd make them," said First Atlanta's Boland. "I don't think a black borrower brings me any more risk per se."

First Atlanta placed last in the Journal-Constitution's ranking of 17 banks and savings and loans based on the percentage of home loans made to minority and lower-income neighborhoods. And it placed 12th of 14 institutions in a ranking based on lending to comparable middle-income black and white areas.

Only the city's two black-owned financial institutions, Citizens Trust Bank and Mutual Federal Savings and Loan, made more home loans in black areas than white.

These institutions, although small, appeared not to be suffering for lending mostly to blacks. Citizens Trust had a lower default rate on real estate loans than the six largest banks in the city



Ranking lenders on black vs. white loans

Comparing lending to middle-income neighborhoods

Rank	Institution	Black:White Loan ratio
1.	Citizens Trust Bank *	All black
2.	Mutual Federal Savings and Loan *	5:1
3.	Anchor Savings Bank	1:2
4.	California Federal Savings and Loan	1:2
5.	Georgia Federal Bank	1:3
6.	DeKalb Federal Savings and Loan	1:3
7.	Trust Company Bank	1:3
8.	Liberty Federal Savings and Loan	1:4
9.	C&S Bank	1:4
10.	Fulton Federal Savings and Loan	1:5
11.	Decatur Federal Savings and Loan	1:8
12.	First Atlanta Bank	1:16
13.	Home Federal Savings and Loan	1:17
14.	First American Bank	1:38

* Black-owned institution

Sources: Home Mortgage Disclosure Act reports by financial institutions, 1985-86; U.S. Bureau of the Census, 1980; Atlanta Regional Commission census update, 1987.

How the rankings were determined:

Each lender's service rate — home-purchase loans per single-family structure — was calculated for comparable white and black areas, 53 neighborhoods in all. The ratio shown here is the black rate divided by the white rate. For example, Mutual Federal made 5 times as many loans per structure in black neighborhoods as in comparable white neighborhoods. First American made 38 times as many loans per structure in white neighborhoods as in comparable black neighborhoods. The institutions were ranked before the ratios were rounded to whole numbers.

Loans were counted only in stable middle-income neighborhoods. Loans were excluded in high-income or low-income areas, as measured by median incomes below 70 percent or above 122 percent of the metro area's median income; high-growth areas, as measured by an increase in single-family housing of more than 10 percent since the 1980 census; declining areas, as measured by any decrease in single-family housing; and census tracts with fewer than 500 owner-occupied homes.

All loan figures are an average for 1985-86. Only neighborhoods that were at least 80 percent white or non-white were included.

Loan figures for banks, with the exception of C&S, do not include mortgage companies owned by banks. Other banks declined to provide this information. Without those numbers, First Union Bank and Bank South did not report enough loans for ratios to be calculated.

TIM LEE/Staff

and the lowest of any bank its size in the country in 1986, according to the Federal Financial Institutions Examination Council, a government agency that produces reports for bank examiners.

"I don't see our default ratio being any higher because we're working in the black community," said Wood of Citizens Trust. "I wouldn't be in banking if I gave money away."

Several of the institutions that ranked low in the Journal-Constitution lending study capture the largest share of black customers, according to a 1986 market study for the Journal-Constitution. First Atlanta, Trust Company, Citizens and Southern (C&S) and First American, in that order, had more than half the black customers.

In all, metro Atlanta's blacks have an estimated \$765 million deposited in financial institutions. That estimate is made by multiplying the number of non-white households in a 15-county metro area (204,802, according to the U.S. Census Bureau) by national black households' average balance of accounts at financial institutions (\$3,734, according to a 1984 Census Bureau survey).

The banks and savings and loans appear to invest little of black deposits in

black neighborhoods, at least in home loans.

In middle-income black neighborhoods, each single-family home received an average of \$339.27 in home-purchase loans from banks and savings and loans in 1986. Using the census estimate of \$3,734 in deposits per black household, that's an estimated 9.1 cents on the dollar in lending.

In middle-income white neighborhoods surveyed, each single-family structure received an average of \$2,432.82 in home-purchase loans from banks and savings and loans in 1986. Using the census estimate of \$17,812 in deposits per white household, that's an estimated 13.7 cents on the dollar in lending — a rate of return 50 percent higher than in the black neighborhoods.

"We're talking about disinvestment, capital flight from the Southside," said Sherman Golden, assistant director of the Fulton County Department of Planning and Economic Development. "When the banks disinvest, the governments also find themselves disinvesting. To accommodate the growth on the Northside, all the public funds flow north. Southside residents put money in the bank and pay taxes, but their money is spent on the Northside."

Lower-income also affected

Although the Journal-Constitution study focused on middle-income neighborhoods, the results concern groups working to solve Atlanta's shortage of decent housing for the working class and the poor, regardless of race.

"As long as they won't lend in Cascade Heights, I don't know how we'll get them to lend in Cabbagetown or Ormewood Park or Pittsburgh or South Atlanta," said Lynn Brazen, a director of the Georgia Housing Coalition, a group that encourages housing efforts.

Neighborhoods say they need investment by financial institutions now more than ever because federal housing aid is rapidly dwindling — from \$33 billion in 1980 to less than \$8 billion in 1987, according to a study by the National Association of Realtors. Atlanta's share of federal housing and community development money dropped from \$8 million in 1983 to \$4 million last year. The city also earmarked half of that money for its tourist-entertainment complex, Underground Atlanta.

With less federal money, neighborhoods searching for other deep pockets

SCRAMBLE Continued on Page 6



Ranking lenders on black, working-class loans

Measurement of bank lending to black and/or low-income neighborhoods

Rank	Institution	Score 0-100
1.	Citizens Trust Bank *	90
2.	Mutual Federal Savings and Loan *	80
3.	Liberty Federal Savings and Loan	21
4.	Anchor Savings Bank	18
5.	DeKalb Federal Savings and Loan	14
6.	California Federal Savings and Loan	13
7.	First Federal Savings and Loan	12
8.	First Union Bank	11
9.	Decatur Federal Savings and Loan	10
10.	Home Federal Savings and Loan	9
11.	C&S Bank	9
12.	Georgia Federal Bank	8
13.	Bank South	8
14.	Fulton Federal Savings and Loan	7
15.	Trust Company Bank	7
16.	First American Bank	7
17.	First Atlanta Bank	5

* Black-owned institution

Sources: Home Mortgage Disclosure Act reports by financial institutions, 1985-86; U.S. Bureau of the Census, 1980; Atlanta Regional Commission census update, 1987.

How the rankings were determined:

Loan information reported by banks and savings and loans for 1985-86 was analyzed by The Atlanta Journal-Constitution and the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota; rankings were determined using a method adapted from similar studies by a researcher at Johns Hopkins University.

The rankings are based on a point system that rewards lenders for loans to minority and lower-income areas. Points were awarded for each loan based on the census tract in which the home was located. Census tracts in the seven-county metro area were categorized by race (white, black and integrated) and income (high income, upper-middle income, middle income, lower-middle income and low-income). White areas are those that are at least 80 percent white; black areas are at least 80 percent black; the rest are integrated.

For example, a lender that made all of its home-purchase loans in poor black areas would receive a 100 score. A lender that made all its loans in rich white areas would receive a 0 score. A lender that made all its loans in middle-income integrated areas would receive a 50 score.

Loans were counted only in stable neighborhoods. Excluded were high-growth areas, as measured by an increase of more than 10 percent in single-family housing since the 1980 census; declining areas, as measured by any decrease in single-family housing; and census tracts with fewer than 500 owner-occupied homes.

Figures for all banks include institutions combined through mergers and acquisitions.

The institutions were ranked before the ratios were rounded to whole numbers. Figures for banks, with the exception of C&S, do not include mortgage companies owned by banks. Other banks declined to provide that information.

Scramble

From Page 5

have turned to the banks. And Atlanta has some of the most profitable banks in the country.

Last year First Union Corp. of North Carolina and SunTrust Banks of Atlanta, parents of First Union and Trust Company respectively, led all U.S. banks in net income. First Atlanta, C&S and Bank South have consistently been in the top half of their peer groups nationally in profits, according to the federal examination council.

Neighborhood leaders say they don't want to cut those profits.

"We're not asking the banks to do anything that's not banking. We just want them to make money on the Southside too," Mrs. Brazen said.

Without equal access to credit, community leaders say they watch their neighborhoods slide. When people cannot borrow money to buy or fix up houses, property values decline. Real estate agents direct their best prospects elsewhere. Appraisers hedge their bets by undervaluing property. Businesses close. Homeowners sell to speculators.

Homeownership is the lynchpin in the American Dream, the main way that families accumulate and hold wealth. Americans borrow against their homes for education, for vacations, for emergencies, for retirement. The family home often forms the bulk of parents' bequest to their children.

White families are more likely than blacks to build that wealth. They own homes more often, and their homes grow in value faster.

The Census Bureau said in 1984 the income of a typical white family in America was twice the median income of a black family, but the median household net worth of whites was nearly 12 times that of blacks. That's \$39,135 versus \$3,397.

"It takes money to make money. The problem we have in the black community is there is no base with which to make money," said the Rev. Craig Taylor, a white Methodist minister and Southside housing developer.

Redlining and disinvestment were hot issues in the nation's cities in the mid-1970s, when Congress approved disclosure laws and the Community Reinvestment Act.

A decade later, activists claim red lines are being redrawn, and Congress is considering legislation to enhance enforcement of the law.

"Let's face it: Redlining hasn't disappeared," said Sen. William Proxmire (D-Wis.), chairman of the Senate Banking, Housing and Urban Affairs Committee. "Neighborhoods are still starving for credit."



RENEE HANNANS/Staff

'I don't see our default ratio being any higher because we're working in the black community,' says Ed Wood, executive vice president of Citizens Trust.

Federal laws against discrimination

■ **The Community Reinvestment Act of 1977** — Banks have "continuing and affirmative obligations to help meet the credit needs of their local communities, including low-and moderate-income neighborhoods, consistent with safe and sound operation."

■ **The Equal Credit Opportunity Act of 1974** — Prohibits discrimination against an applicant for credit because of age, sex, marital status, religion, race, color,

national origin, receipt of public assistance, or efforts to exercise consumer rights. The law requires notification of denial in writing, with the reason specified if the consumer requests.

■ **The Fair Housing Act** — Part of the Civil Rights Act of 1968, it prohibits discrimination on the basis of race, color, sex, religion or national origin in the financing, sale or rental of housing.

Rights under Community Reinvestment Act

■ Citizens have a right to fair access to credit services, deposit services and other services provided by banks and savings and loans.

■ Citizens have a right to expect a lender to make available a CRA statement, including a map of the community it serves, the types of credit it is willing to extend and the names of federal agencies that regulate the lender.

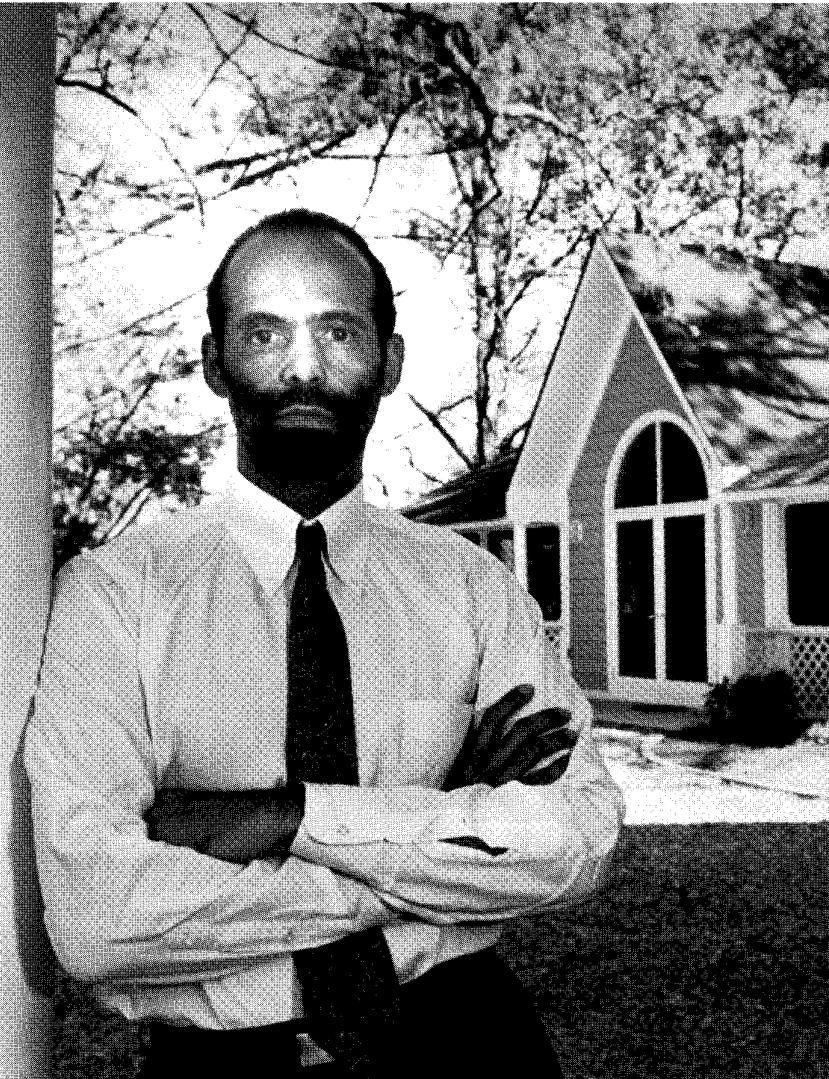
■ Citizens have a right to submit comments to the public CRA file of a lender and to examine and make copies of comments submitted by others.

■ Citizens have a right to make their

credit needs and service needs known to a lender and to expect the lender to respond to their proposals.

■ Citizens have a right to file a formal protest with federal agencies and to request a public hearing in response to a lender's application for a charter, a branch office, a merger, a relocation or an acquisition.

■ Citizens, under the Equal Credit Opportunity Act and the Fair Housing Act, also have the right to sue a lender for intentional discrimination or for lending practices that have a discriminatory effect.



MICHAEL SCHWARZ/Staff

Michael Lomax had to go to three banks last year before getting a loan to add this guesthouse to his Adams Park home in southwest Atlanta.

Fulton's Michael Lomax: 'If I can't get a loan, what black person can?'

By Bill Dedman
Staff Writer

When he went to the banks last year looking for campaign contributions for his 1989 race for mayor, Michael Lomax picked up a donation from every one. He wishes he'd done as well when he wanted a loan.

The Fulton County Commission chairman says he had to go to three banks last year to get a loan to add a guesthouse in Adams Park, an upper-middle-class black neighborhood in southwest Atlanta.

"The first reaction from the bank was, 'Why do you want to invest that much money in that neighborhood?' But that's the neighborhood my house is in."

"If I, a powerful black elected official, can't get a loan, what black person can?"

James Fletcher said he couldn't — at least not from a bank. The 56-year-old retired Southern Railway laborer needed a \$5,000 loan to fix his roof. He owned the house in Mechanicsville, a lower-income black neighborhood in southwest Atlanta.

Fletcher went in 1984 to Citizens and Southern Bank (C&S), his bank for 10 years.

"They said they didn't make no house loans. They didn't let us fill out the papers."

So he and his wife, Lizzie Mae, went to Atlantic Mortgage Co., which loaned

them \$5,773.69 at 18 percent interest — plus \$3,180 in "discount points" and other add-ons, raising the effective interest rate to 27.1 percent, according to the loan papers.

Total payoff: \$30,722.30.

If C&S had made the loan, at its usual terms of 15 percent interest with five points over 10 years, the Fletchers would have paid back \$11,764.82.

Fletcher discovered the size of his debt two years after getting the loan. He had paid about \$4,000 and took another couple of thousand in to pay off the rest.

"I don't know exactly how the thing went, but when they got through with it, it was \$30,000," he said. "I guess they can get by with it."

A spokesman for C&S, Dallas Lee, confirmed that Fletcher had been a depositor, but said he could find no record that Fletcher had ever applied for a loan. "It seems highly unlikely [that he would be discouraged from applying]. We make a lot of home-improvement loans," Lee said.

In Fletcher's Mechanicsville neighborhood, C&S made no home-improvement loans, and no home-purchase loans from 1984 to 1986, according to federal records. The bank declined to release any information about the number of its loan applicants.

Michael Lomax and James Fletcher are at opposite ends of the same boat. The Atlanta Journal-Constitution's study of lending in metro Atlanta found that banks and savings and loan associations rarely lend to black neighborhoods, from the lowest-income to the highest, from Mechanicsville to Adams Park.

Lomax said he hadn't thought he'd have any trouble finding a lender when he started planning a renovation.

"I had remarried, and we decided we wanted to stay in the house. I wanted to add 1,400 square feet in a free-standing building — a guesthouse where we can put people up and I can go hide and where we can entertain. We also were adding air conditioning in the house, a new septic tank field and some landscaping."

An associate professor of literature at Spelman College and one of the two leading candidates for mayor of Atlanta, Lomax has a family income "between \$50,000 and \$100,000 a year ... and I pay my bills." He also has money in the bank but declined to provide specifics.

Lomax wouldn't name the banks that turned him down, but he did say one of them was where he had banked for 25 years.

County deed records show he received the loan from First Union Bank for \$115,200. Lomax said he has the ability to pay the money back, although

LOMAX Continued on Page 8

Lomax

From Page 7

he may never recoup his investment.

"My home to date does not appraise for the amount I've invested in it. I find that extremely frustrating and somehow just plain wrong. I'm not doing anything different from what people do in Morningside or Peachtree Park. You drive through Peachtree Hills and you'll see the exact same houses as in Adams Park, but they're appraised at a third more because white people live in them. Perhaps I'm wrong, but I think I've done the right thing. Since I made my investment, three other homes on my block are being added to."

Banks and savings and loans lend less often in Adams Park than in white neighborhoods of similar household and housing growth, according to real estate records studied by The Journal-Constitution.

In 1986, banks and savings and loan associations financed 17 percent of the home purchases in the census tract that roughly corresponds to Adams Park. They financed 37 percent of the home sales in comparable white neighborhoods.

Banks sometimes make home-improvement loans for more than \$120,000

in Southwest Atlanta's highest-income black neighborhoods — at least, the black-owned banks do.

According to federal lending records for 1986, the black-owned Citizens Trust Bank made a home-improvement loan for \$156,000 off Cascade Road near Lomax's neighborhood. Black-owned Mutual Federal Savings and Loan made one in the same neighborhood for \$144,000, in integrated East Point for \$134,000, and in integrated southwest Fulton County for \$175,000.

No white-owned institution reported a home-improvement loan of more than \$120,000 in a predominantly black neighborhood in 1986. They did make much larger home-improvement loans in more affluent white neighborhoods. For example, in 1986, Citizens and Southern made home-improvement loans in Peachtree Heights for \$250,000, in Druid Hills for \$128,000, and in north DeKalb for \$133,000.

"If my house were lifted up and put into any neighborhood in northeast Atlanta, with my family income I would have absolutely no difficulty getting a loan to rehab my house," Lomax said. "But I don't want to move. I like my acre of land and my little bungalow. I can look out my window on a park and a golf course behind it."

"What I tried to explain to the lenders was, I'm pioneering. It's an economically mixed neighborhood, but our income levels in Adams Park are higher

than some of the intown neighborhoods where they make loans. On my street are the senior black executive at Coca-Cola, myself, two architects and at least one lawyer. We are restrained by the financial institutions from improving our neighborhood."

Lomax attributed his rejections to lack of understanding by bankers. "I think that, for most Atlanta banks, black continues to equal high risk in their perceptions. It's an educational issue that we need to work on. In the 1970s they didn't want to lend in Virginia Highlands and Morningside, either. They learned they can make money there."

"If we want to see balanced residential development on the Southside, the banks are going to have to evolve aggressive programs to assist black families in acquiring property. Central Atlanta Progress encouraged such a program for Inman Park and Virginia-Highland. Where is the comparable program on the Southside? I think it's in the best interest of the banks to support that. We want a city of strong neighborhoods where home values increase and not decrease."

Lomax says he isn't mad at bankers and doesn't want to increase regulation of them. He even invited several senior bank executives to his Christmas party, the one he threw in his new guesthouse.

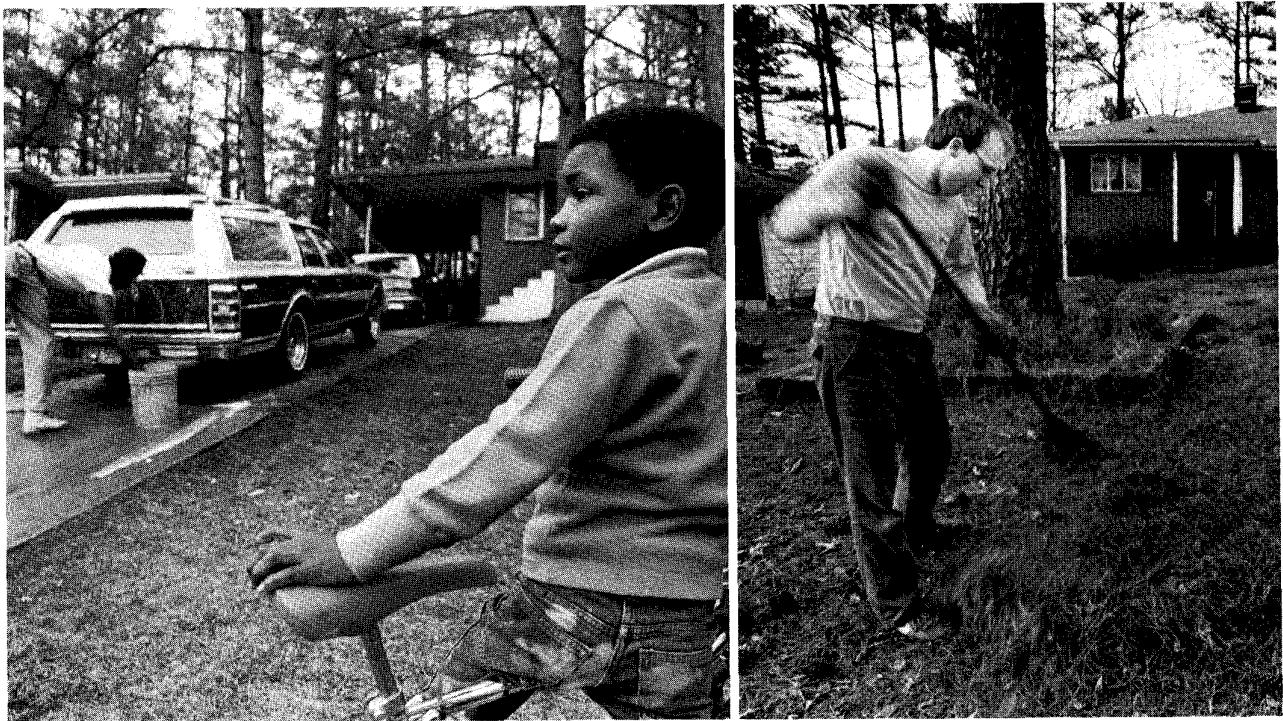
"The ones who came to the party weren't loan officers."



MICHAEL SCHWARZ/Staff

'The first reaction from the bank was, "Why do you want to invest that much money in your neighbor-

hood?"' recalled Michael Lomax. 'But that's the neighborhood my house is in.'



ANDY SHARP/Staff

In Gresham Park (left), Elijah Blount, 7, pauses during a bike ride while his father, Clifford

Blount, washes the car. In the McLendon area (right), chiropractor John Dull rakes his yard.

Two neighborhoods: One black, one white

By Bill Dedman
Staff Writer

The Gresham Park neighborhood in south DeKalb County is quiet and neat. The houses are simple starters built after World War II: brick over granite, two or three bedrooms, one bath.

The neighborhood between McLendon Elementary School and the old Scottdale textile mill in north-central DeKalb is older: mostly wood-frame houses, and some brick over granite, two or three bedrooms, one bath.

There also are some differences in the people who live in the two neighborhoods. The residents of Gresham Park make a little more money than the residents of McLendon. They are better-educated. They stay in the neighborhood longer.

And most residents of Gresham Park are black. Most residents of McLendon are white.

There is a difference in where they borrow money, too.

In black Gresham Park from 1981 through 1986, banks and savings and loan associations made 25 home-purchase loans in an area that has 1,728 single-family structures, according to federal reports reviewed by The Atlanta Journal-Constitution.

In white McLendon in the same period, banks and savings and loans made 176 loans in a neighborhood of 1,438

'They always find the smallest things that they possibly can to deter you. I've had people at banks to tell me that they don't lend in [ZIP code] 30032 [Belvedere in south DeKalb]. You won't get one of them to say it out loud, or they'd lose their job.'

— John Whitaker
Community Development
Advisory Council

single-family structures.

That's a difference of eight times the number of loans per 1,000 households.

Bankers contend that the difference in lending between white and black neighborhoods in metro Atlanta is probably caused by higher turnover in white neighborhoods. Real estate records for Gresham Park, McLendon and 21 other neighborhoods checked by the Journal-Constitution suggest otherwise.

Turnover in Gresham Park is less than in McLendon — 50 percent less. But, of the homes that are sold, banks and savings and loans finance 31 percent in McLendon, while they finance 4 percent in Gresham Park, according to 1986 and 1987 records analyzed by the

Journal-Constitution.

Gresham Park homebuyers receive the other 96 percent of their home loans from unregulated mortgage companies, finance companies, the seller and other individuals, often at higher interest rates than those offered by banks and savings and loans.

Several real estate agents who work in Gresham Park say they have learned not to send black applicants to banks and savings and loans.

"I normally refer to a bank or savings and loan only if the buyer requests it," said Jan Reese, whose "for sale" signs dot the neighborhood. "They are more conservative. They want the strongest, most stable customers. It's a domino effect: If they would do a few, they would get a reputation and we would send them more buyers."

Gresham Park used to be a white neighborhood. In the late 1960s, a few blacks moved into the neighborhood, then a few more, then the rush began.

"The whites were leaving in panic trying to get away from black folks," remembers Pat Chapman of Garden Circle, one of the few whites who stayed. "It's still one of the nicest neighborhoods anywhere. It's not a high-income area, but the blacks who moved in are making more money than a lot of the

CONTRAST Continued on page 10

Contrast

From page 9

whites who moved out."

The neighborhood fought the white flight. A biracial group called South DeKalb Neighbors accused real estate agents of steering whites away from the neighborhood and blacks into it. Residents sued to stop blockbusting, where homeowners are scared into selling because of racial change; they won a judgment, but the racial change continued.

The neighborhood was 88 percent black by the 1980 census, and the Atlanta Regional Commission estimated it was 93 percent black in 1987.

Since the shift, the remaining whites and the new blacks of Gresham Park and all of south DeKalb have claimed they haven't been getting their share of county money. They have argued for more money for their schools. They suspect the banks are avoiding their neighborhoods.

'There have been people who wanted to do [an apartment complex], but no one would lend them the money.'

— Mary Dennis
DeKalb County planner

John Whitaker, who is black, represents south DeKalb on the county's Community Development Advisory Council. He tried to help his daughter apply for a home loan in south DeKalb.

"They always find the smallest things that they possibly can to deter you. I've had people at banks to tell me that they don't lend in [ZIP code] 30032 [Belvedere in south DeKalb]," Whitaker said. "You won't get one of them to say it out loud, or they'd lose their job."

Up north in McLendon (ZIP 30033), banks and businesses are investing in

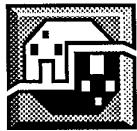
the neighborhood. The DeKalb Farmers Market is nearby. MARTA has a new bus garage. Marketsquare mall has been renovated. Several apartment complexes have been added.

The small shopping centers near Gresham Park are not being renovated. Only in the past three or four years have residential builders worked near Gresham Park. And Gresham Park has no new apartments.

"There have been people who wanted to do [an apartment complex], but no one would lend them the money," said Mary Dennis, a planner in the county's Community Development Department.

A strong sense of community courses through Gresham Park. Residents proudly note that the Gresham Park Mets won last year's state Little League championship for 5-and 6-year-olds. In 1983, the Gresham Park Athletics made it to the national tournament for 9-and 10-year-olds.

The Athletics' parents raised money for the trip with barbecues and a car-wash. And some expenses they put on a VISA card.



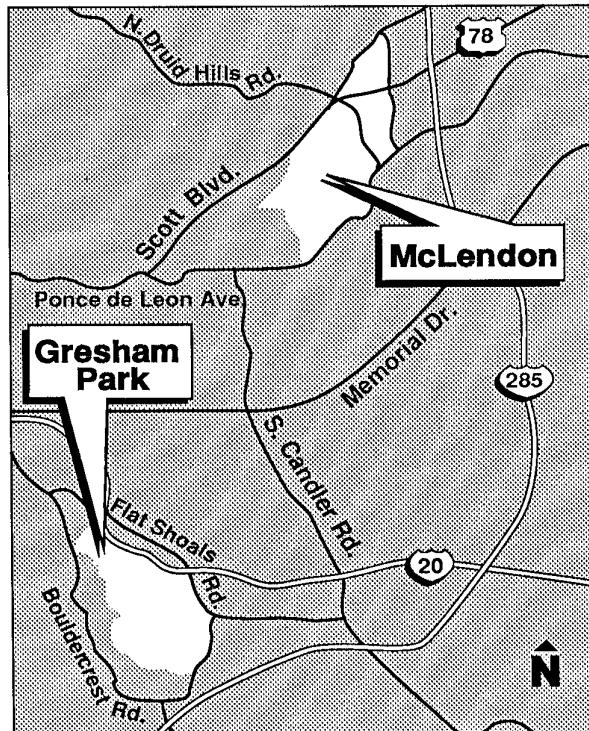
A look at Gresham Park, McLendon

Gresham Park residents in south DeKalb earn more money, are better-educated and live in newer homes than residents of the McLendon area in north-central DeKalb—but they receive one-eighth as many of their home-purchase loans from banks and savings and loans. One possible reason: Most residents of Gresham Park are black.

Gresham Park		
% minority	88%	7%
Income (1980)	\$19,008	\$17,222
% high school graduates	65%	60%
% homes owner-occupied	93%	57%
Age of homes, years	23	33
Home-purchase loans	136	170
% by banks, S&Ls	4%	31%
% by mortgage companies	88%	61%
% by seller, other	8%	8%

Note: Loan figures are for 1986-87. Amounts for home-purchase loans by banks and savings and loans do not include unregulated mortgage companies owned by them.

Sources: Loan data from Real Estate Data Inc., which compiles information on real estate sales from county records. Demographic data from the U.S. Bureau of the Census, 1980.



DAVE WINK/Staf

Part 2
Monday, May 2, 1988

Southside treated like banks' stepchild?

By Bill Dedman
Staff Writer

James Gray is black and he sells real estate for Century 21 on Cascade Road in southwest Atlanta, an area that includes some of the richest black neighborhoods in Atlanta, including the mayor's.

"Banks and savings and loans: We don't use them," Gray said. "First of all, they don't solicit us. Banks and savings and loans do not have loan officers out looking for business. They don't solicit in white areas, either."

But they do. Loan originators from banks and savings and loans "come by every day" at the Century 21 office in Alpharetta, said broker Richard Blalock. He is white, and Alpharetta is almost entirely white.

Where the banks look for business is one of many factors that help explain the results of an Atlanta Journal-Constitution study of lending. The study found that Atlanta's banks and savings and loan associations rarely make home loans in black and integrated areas, even the highest-income black areas.

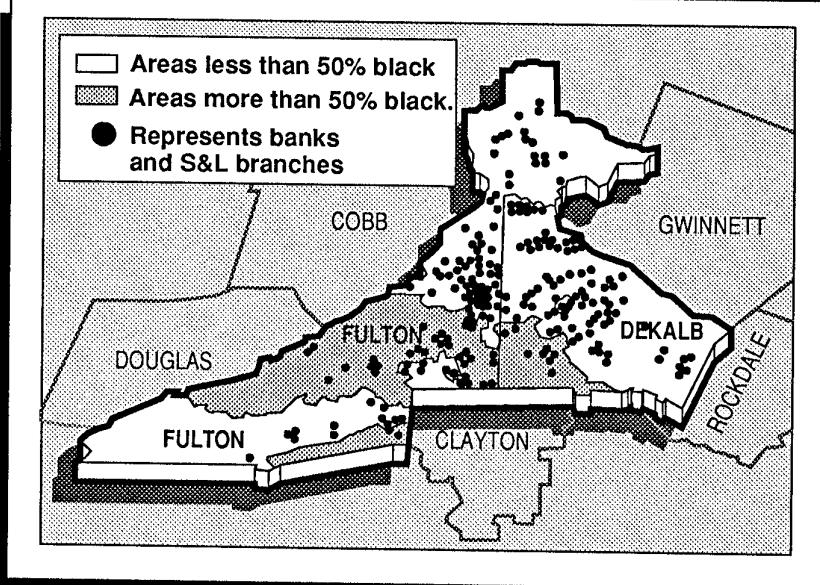
Some other possible explanations of the study results:

- Most black Atlantans live on the Southside. The Southside mortgage office for Citizens and Southern Bank (C&S) is in Fayetteville — 20 miles south of Atlanta. The Southside mortgage offices for Trust Company Bank and First Atlanta are also south of the Perimeter. These three banks, the largest in Georgia, take applications only at the mortgage offices, not at branch banks.

- Several banks have closed branches in black and integrated areas. In 1986, Trust Company closed its branch on Wesley Chapel Road after the area shifted from white to black; in Belvedere, which was becoming blacker; and in black East Atlanta, although it kept open 23 branches in white areas with less in deposits. Bank South re-



Location of bank and S&L branches



DAVE WINK/Staff

placed its South DeKalb branch with an automatic teller machine.

- Many banks keep their branches in black and integrated areas open less often than in white areas. Bank South, for example, advertises that it is open on Saturday to give "the personal attention you deserve." Bank South is open on Saturday in Alpharetta and Snellville, but not in East Atlanta or the West End.

- Some Atlanta banks won't consider home-loan applications for loans of less than \$40,000. A lot of homes on the Southside sell for less.

Courts have found similar practices in other cities to be violations of the

federal Fair Housing Act and the Equal Credit Opportunity Act, which forbid discrimination in lending based on race or color. Courts have said discriminatory effect, not just discriminatory intent, is enough to prove a violation.

'It's institutional racism'

Atlanta bank officials say their lending practices are not discriminatory. They say something else, too.

"We are not a charitable institution," said Willis Johnson, spokesman for Trust Company. "We are not the

SOUTHSIDE Continued on page 12

Southside

From Page 11

United Way."

Federal law encourages banks to seek a profit. It also says they have a "continuing and affirmative obligation to help meet the credit needs of their local communities, including low-and moderate-income neighborhoods, consistent with safe and sound operation."

That last phrase, "consistent with safe and sound operation," brings into play one of banking's basic principles.

"It's called the First Rule of Banking," said James Wallace, vice president of Fulton Federal Savings and Loan. "Don't lend money if you won't get it back."

It has a corollary, the Second Rule of Banking: "When in doubt, don't."

Don't lend more than borrowers are able to pay. In case they don't pay it back, don't lend more than can be recovered by foreclosing and selling the property. Don't lend \$100,000 on a \$60,000 house. And don't lend \$40,000 on a \$50,000 house in a neighborhood so bad that the house may someday be worth only \$38,000.

In effect, lending money to homebuyers is an expression of faith — faith in the borrower, faith in the property, faith in the neighborhood.

In the United States, such questions of lending faith historically have been influenced by race. That influence used to be easily defined — with a list.

In 1933, a respected economist at the University of Chicago, Homer Hoyt, published a list of racial groups, ranking them from positive to negative influence on property values:

1. English, Scotch, Irish, Scandinavians.
2. North Italians.
3. Bohemians or Czechs.
4. Poles.
5. Lithuanians.
6. Greeks.
7. Russians, Jews (lower class).
8. South Italians.
9. Negroes.
10. Mexicans.

The next year, Hoyt was hired by the federal government to develop the first underwriting criteria — who is a good credit risk and who is not — for the new Federal Housing Administration (FHA). His list wasn't included, but warnings on racial influence were.

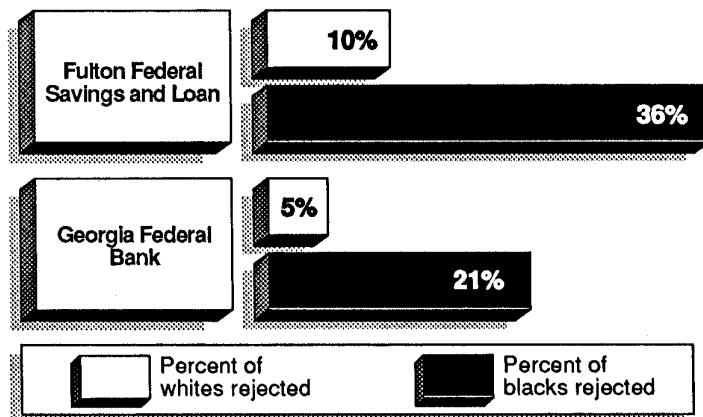
The same views were included in the first text of the American Institute of Real Estate Appraisers in 1933, which warned appraisers of the harm to property values caused by the "infiltration of inharmonious racial groups." The list appeared in the bible of appraising, McMichael's *Appraising Man-*



Rejection rates

Applicants turned down for home loans at Georgia's largest savings institutions

The Atlanta Journal-Constitution asked all banks and savings and loans in metro Atlanta for their home loan rejection rates, but only these two institutions provided them.



Notes: These two institutions have offices statewide and together control assets of \$5.4 billion, or 33 percent of the assets in Georgia savings institutions.

Georgia Federal figures are for 1987, Fulton Federal for 1985-87. All figures are statewide.

Applicants who withdraw voluntarily are not included. Black applicants withdrew 1.3 times as often as whites at Georgia Federal, 1.7 times as often at Fulton Federal.

Sources: Fulton Federal and Georgia Federal.

TIM LEE/Staff

ual, as late as 1975.

Appraisers were not alone. The prevailing racism in society was institutionalized in the rules of bankers and real estate agents as well. The National Association of Realtors developed a code of behavior forbidding members from selling homes in white areas to minority buyers.

These racial views persisted through the civil rights era. Publications from the U.S. Department of Housing and Urban Development (HUD), the parent of the FHA, reflected Hoyt's views as late as 1975. In that year, "The Dynamics of Change," a HUD publication, defined racial change, or the fear of racial change in nearby neighborhoods, as the most significant predictor of "incipient decline."

As late as 1977, it took a lawsuit from the U.S. Justice Department before such racial standards were purged from guidelines of the Society of Real Estate Appraisers, the Mortgage Bankers Association of America, the American Institute of Real Estate Appraisers and the United States League of Savings Associations. Appraisers opposed the settlement, contending their right to free speech was abridged if they could

not consider the effect of race in their appraisals.

Real estate is still essentially a white person's business - selling it, appraising it, insuring it, financing it. Ninety-five percent of the officials, managers and professionals at real estate companies in metro Atlanta are white. At savings and loans 90 percent are white. At banks and insurance companies, 87 percent, according to the latest figures (1985) from the federal Equal Employment Opportunity Commission. Most appraisers in Atlanta, at least 80 percent, are white too, appraisers say.

Bankers say they have tried to hire more minority employees.

"We make a steady effort to make sure we're hiring officers in sufficient supply to make sure the numbers come out good," said Thomas Boland, vice chairman of First Atlanta.

Most senior bank executives interviewed for this article said differences in lending to black and white neighborhoods in the Journal-Constitution study can be explained by factors beyond their control — such as a lack of applications.

"The Realtor usually guides them," said Bill VanLandingham, president of C&S. "If they don't refer the home-

buyer, we can't make the loans."

Real estate agents in black neighborhoods, however, said they usually don't refer homebuyers to banks and savings and loans. One reason is that the banks don't come around looking for business.

Ruben James is black and he works in predominantly black south DeKalb County for Precision Realty. "I haven't seen anybody from a bank in a couple of years. There used to be a woman from C&S who came by this office, but I haven't seen her in a long time."

Teresa Jones said bankers don't figure much in her business, either. She is black and she sells houses in predominantly black areas of south DeKalb for Century 21. "Bankers — those are types who just sit at a desk and wait for somebody to come in. They're not really in the mortgage business, are they?"

Bank officers said that almost all of their loan originators — the salespeople who drum up loans — are paid on commission. A good originator will notice two things: First, more homes are sold in the mostly white areas than in black areas. Second, homes in white areas usually cost more.

Two \$50,000 houses mean \$100,000 in sales. One \$100,000 house means the same profit — and half the work.

"A loan originator is going to go where he can make the most money for the least work," said Wilbur Kurtz III, senior executive vice president of Deca-

[The appraiser] came down from the Northside. He called me and asked for directions. He said he didn't work down here that often. I knew that was trouble.'

— Willie Clyde

tur Federal.

Most big banks don't make smaller loans at all. Several make no loans below \$40,000, and others charge additional fees below that amount.

Donald Cullins, 34, a black disabled Vietnam veteran, pays rent on a fixed income in the Pittsburgh neighborhood on the Southside. The home next-door was offered for sale at \$25,000. Just before Christmas he received a certificate of eligibility from the Veterans Administration and went to C&S for a VA loan. He said he was told C&S has a minimum loan amount of \$30,000.

"The funny thing is, I'm paying \$380 in rent right now. The man said, if he could have made me the loan, my payments would have been \$280 a month," Cullins said.

C&S officials say they have no stated minimum loan amount, "but the reality of the situation does in fact define a minimum," said a C&S spokesman, Dallas Lee. Below about \$30,000, because of fixed costs, "it can become not

an economically sound situation."

Blacks rejected more often

Real estate agents also say their black customers have a preference for a bank or savings and loan less often than whites. Community groups say that's because banks avoid black and integrated neighborhoods.

Fifty-two percent of Fulton County residents are black, but 82 percent of the 208,089 residents who live in census tracts without a bank branch are black.

Trust Company, which closed its East Atlanta branch, maintained in a letter to the Federal Reserve Bank of Atlanta that it was "a sound business decision" because the community had failed to "pull itself together and improve."

The East Atlanta branch was located in census tract 209, which was 88 percent black in 1987. In 1985 and 1986 combined, Trust Company made no home-purchase loans and eight home-improvement loans totaling \$35,000 in the census tract, which has 2,215 single-family households, according to the bank's reports to the federal government.

"The East Atlanta branch had been unprofitable for eight years and was located in a neighborhood which continues to experience decline," Trust Com-

SOUTHSIDE Continued on page 14



FRANK NEIMIER/Staff

Trust Company closed its East Atlanta branch, although it had more deposits than some other branches.

Southside

From Page 13

pany told the Federal Reserve Bank last year. "Most of the local merchants and many of the branch's customers have moved out of this area. The area has experienced such an alarming increase in crime that the branch hired off-duty Atlanta SWAT policemen to replace the usual bank guards."

As for branch hours, the chairman of Bank South, Frank Burke, said he was not aware that his branches in black areas were closed on Saturday. He said he is mindful of the Community Reinvestment Act.

"The CRA doesn't say you have to lend to black folks. It says low- and moderate-income. We have tried very diligently to listen to community groups, even though we don't have the branches in the neighborhoods that the other banks do."

Even if a borrower prefers a bank, real estate agents see a difference of convenience.

"The mortgage company man, he'll come see you at the office or at the home after 6 p.m. The bank, a working man's got to take a half-day off to go see the bank," said agent James.

Beth Williams, the receptionist in the Southside office of C&S Mortgage in Fayetteville, said, "If our mortgage officer were to leave, he'd have to travel an hour for an appointment and travel an hour back. If he stays here he can do three appointments in that time."

The Georgia production manager for C&S Mortgage, Jack Johnson, said its mortgage offices are outside the city of Atlanta "because there's just not enough volume there to justify putting in an office."

Some bankers acknowledged that location could be a problem.

"If you're on Campbellton Road and you call and they say, 'Go on up to Galeria,' that could have some effect," said First Atlanta's Boland. "It may be as simple as that. Maybe we haven't realized that."

Bank officers said it would not be feasible to accept mortgage applications at all banks, since the applications are so complicated.

When black applicants do get to a bank or savings and loan, they're more likely to be turned down, several real estate agents who work with black clients contend.

Banks and savings and loans are required to report their rejection rates for blacks and whites to the federal government; they are not required to disclose the information to the public. But two of the largest savings institutions in Georgia did volunteer that information



Where blacks bank

Ranking banks by share of non-white customers

Institution	Share of non-whites	Non-white customers
1. First Atlanta	31%	124,500
2. Trust Company	28	113,000
3. C&S	27	106,800
4. First American	13	50,600
5. Georgia Federal	12	47,700
6. Bank South	10	38,200
7. Fulton Federal Savings and Loan	7	28,400
8. Decatur Federal Savings and Loan	7	28,000
9. First Union	7	26,300
10. Anchor Savings Bank	1	2,200
11. Other banks	13	52,100
12. Credit unions	9	36,800
13. Other savings and loans	6	22,000

Note: Adults in an 18-county metro area were asked what financial institutions they had used for any service, not including automatic teller machines, in the past year. Percentages add to more than 100 because many people said they used more than one financial institution. Numbers of customers are projected from the sample. The black-owned institutions, Citizens Trust Bank and Mutual Federal Savings and Loan, are included among other banks and savings and loans.

Source: The Scarborough Atlanta Market Study for The Atlanta Journal-Constitution, 1986. Based on 1,461 telephone interviews.

DAVE WINK/Staff

to the Journal-Constitution for all their offices statewide. Georgia Federal Bank rejected black applicants 4.2 times as often as whites in 1987. Fulton Federal Savings and Loan rejected black applicants 3.6 times as often as whites in 1985-87.

"That could only be explained by a lack of ability to qualify for the loan," said Don Stout, senior executive vice president at Georgia Federal.

"Those are statewide figures. It may be that older properties in some of these rural neighborhoods are not able to qualify for a loan," said Shepherd Marsh, executive vice president of Fulton Federal. "Our underwriters don't look at the color of the applicants."

The rejection rates tell nothing about the creditworthiness of those who applied. However, many real estate agents said they don't refer homebuyers to lenders unless they can qualify at least on the two most important lending criteria: income and debt. Some agents also have lenders check a homebuyer's credit history before an application is made.

"The first thing we do is pre-qualify them," said Precision Realty's James. "Otherwise we're wasting our time, everybody's time."

Law requires fair lending

If black applicants succeed in getting themselves approved for a home loan, they still have to get the property approved. That brings in the appraiser,

who is hired by the lender to make sure the property is worth enough to cover the loan. Appraisers also said they don't look at race anymore.

Willie Clyde isn't so sure. He's a real estate agent on the Southside, he's black, and he had a house to sell. He almost sold it last summer — he had a buyer and a signed contract. Then the buyer went to a bank, whose appraiser came down from the Northside.

"He called me and asked for directions. He said he didn't work down here that often," Clyde said. "I knew that was trouble."

Clyde bought and remodeled the house, at 53 Bisbee Avenue off Jonesboro Road in South Atlanta. It's an older neighborhood, mostly black, with a lot of vacant houses and a lot of houses being renovated.

"I showed him that we had put on a new roof, that we had redone the interior walls, sanded and varnished the floors, added a sunroom, new plumbing, cabinets, rehabbed the bathroom, rescreened the front porch, new paint. He didn't say anything negative when he came out."

The appraisal came back at \$28,000, about 25 percent less than the contract price of \$38,000. Clyde lost the deal.

"They just don't trust the neighborhood," Clyde said.

He later found another buyer, who chose a mortgage company not affiliated with a bank or savings and loan. Its appraiser said the property was worth \$38,000.

Willie Clyde's first appraiser wrote nothing on his appraisal report about race.

"A conscientious appraiser will forecast property values as best he can, but to avoid liability he might not attribute it to race," said Jim Verner, who teaches appraising at Georgia State University and serves on the curriculum committee of the American Institute of Real Estate Appraisers. "He might attribute it to something more bland — 'wearing out of the public infrastructure' — something that isn't such a dangerous area."

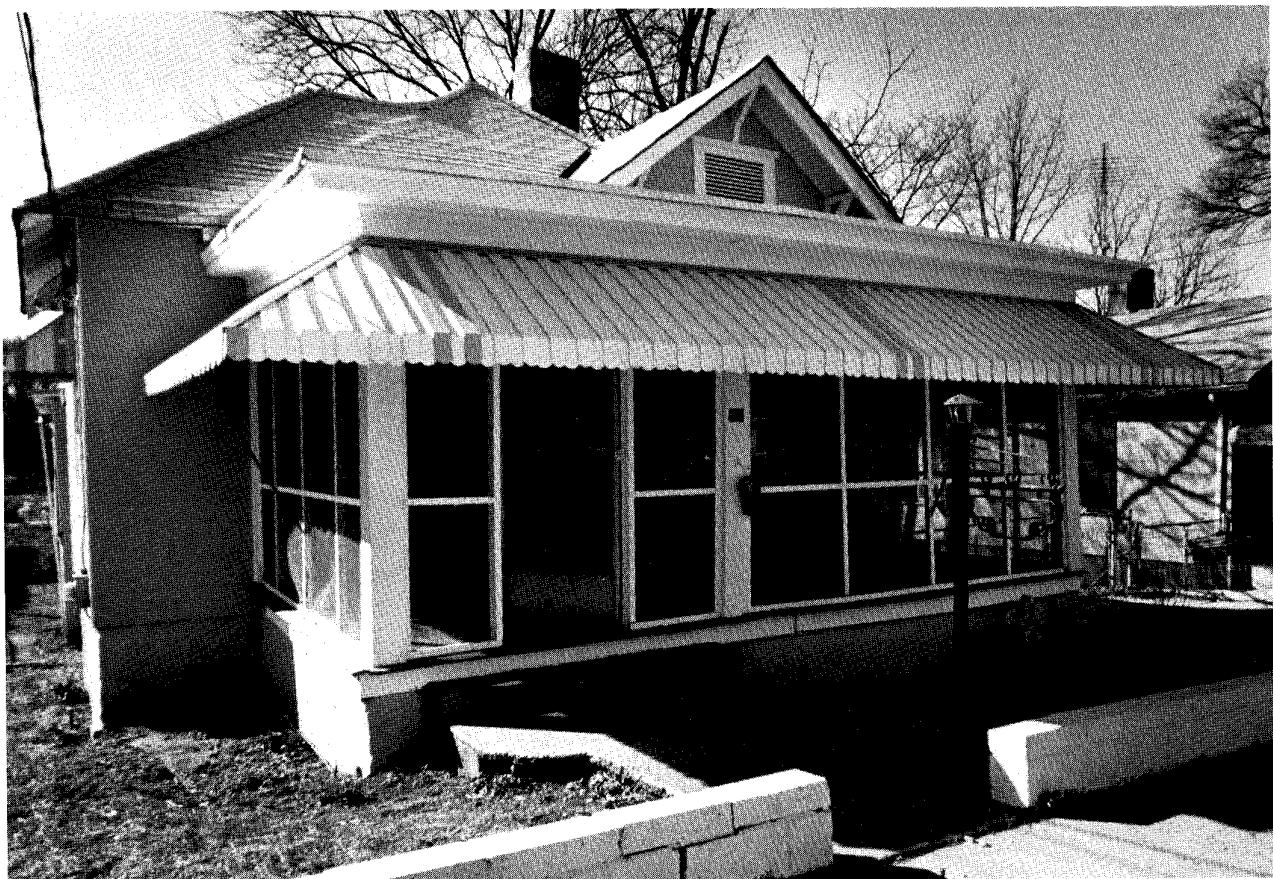
Underappraisals — called lowballs — do more than discourage sales. By definition, they lower property values. Appraisals not only judge the market, they help set it.

The effects can show up in how fast homes appreciate in value.

The median sale prices of homes in Atlanta increased by 58 percent from 1975 to 1984, according to the city Bureau of Planning. Prices increased by 68 percent in white Garden Hills, but by 20

SOUTHSIDE Continued on page 16

Willie Clyde lost a chance to sell this 53 Bisbee Avenue home, which he remodeled, because it was appraised at \$10,000 less than the contract price.



MICHAEL SCHWARZ/Staff

Southside

From Page 15

percent in black Cascade Heights; 84 percent in white Sherwood Forest, but 26 percent in black Adams Park; 71 percent in white Peachtree Hills, 6 percent in black Collier Heights.

Low appraisals also deter further investment in a neighborhood by current owners. The amount of a home-improvement loan is usually limited by the owner's equity — property value in excess of debt. If the value of a home drops, there may be no equity left for a home-improvement loan.

Lower-income also affected

If a black homebuyer gets the appraiser's stamp of approval, there's still the issue of what kind of loan to get. In a black neighborhood, it's rarely what is called a "conventional" loan. Instead, it's likely to be one guaranteed by the federal government through the FHA or Veterans Administration (VA).

In middle-income black neighborhoods of metro Atlanta, 52 percent of home loans were insured by FHA or VA, according to 1986 real estate records sampled by the Journal-Constitution. In white areas of comparable income, only 13 percent of loans were government-backed. Even in upper-income black areas, 31 percent were FHA or VA.

Few of those FHA or VA loans come from banks and savings and loans. Twelve of 17 banks and savings and loans in the newspaper's survey made no FHA or VA loans in 1986. Bank officials said that was usually because those loans carry lower interest rates and more paperwork.

For many buyers, FHA and VA loans are the best way to buy, because of the lower down payment (or none at all) and low interest rate.

However, FHA and VA loans can have disadvantages for the neighborhood. If an area has many FHA and VA loans, banks and savings and loans may not make conventional loans there.

That may be the case in metro Atlanta. Banks and savings and loans made 50 percent of the conventional loans in white middle-class areas, but only 22 percent of the conventional loans in comparable black areas where FHA and VA loans predominate, according to the real estate records.

Conventional lenders said they believe FHA and VA neighborhoods have higher foreclosure rates, since lenders whose losses are covered by the government may be less likely to choose borrowers carefully.

As far back as 1974, Savings and



FRANK NIEMEIR/Staff

Signs advertising residential lending and other bank services line Peachtree Street between West Paces Ferry and Pharr roads on Atlanta's northside.

Loan News, the industry newsletter, is sued this warning:

"Since the entry of FHA into the inner-city finance business, these areas have taken on new appearances — mostly depressing. The chronology looks something like this: (1) abandonment; (2) board-up and padlock time; (3) the vandalize and burn period; (4) wait-to-wreck interval (playtime in the Rockies); and (5) demolition."

The author, appraisal expert Gregory Opelka, began his article with what he called the "chicken or the egg" caveat:

Are these neighborhoods deteriorating because lenders that make FHA and VA loans are there, or because the banks and savings and loans are not?

Opelka said it didn't matter.

"It is not my intention — nor should it be the appraiser's job function — to debate the morality of 'causes' and 'effects.'"

Whatever the cause and effect, homebuyers and homeowners in black

neighborhoods can be trapped in an endless Catch-22:

■ Bank loan officers have become conditioned to steer clear of neighborhoods with a preponderance of FHA and VA loans.

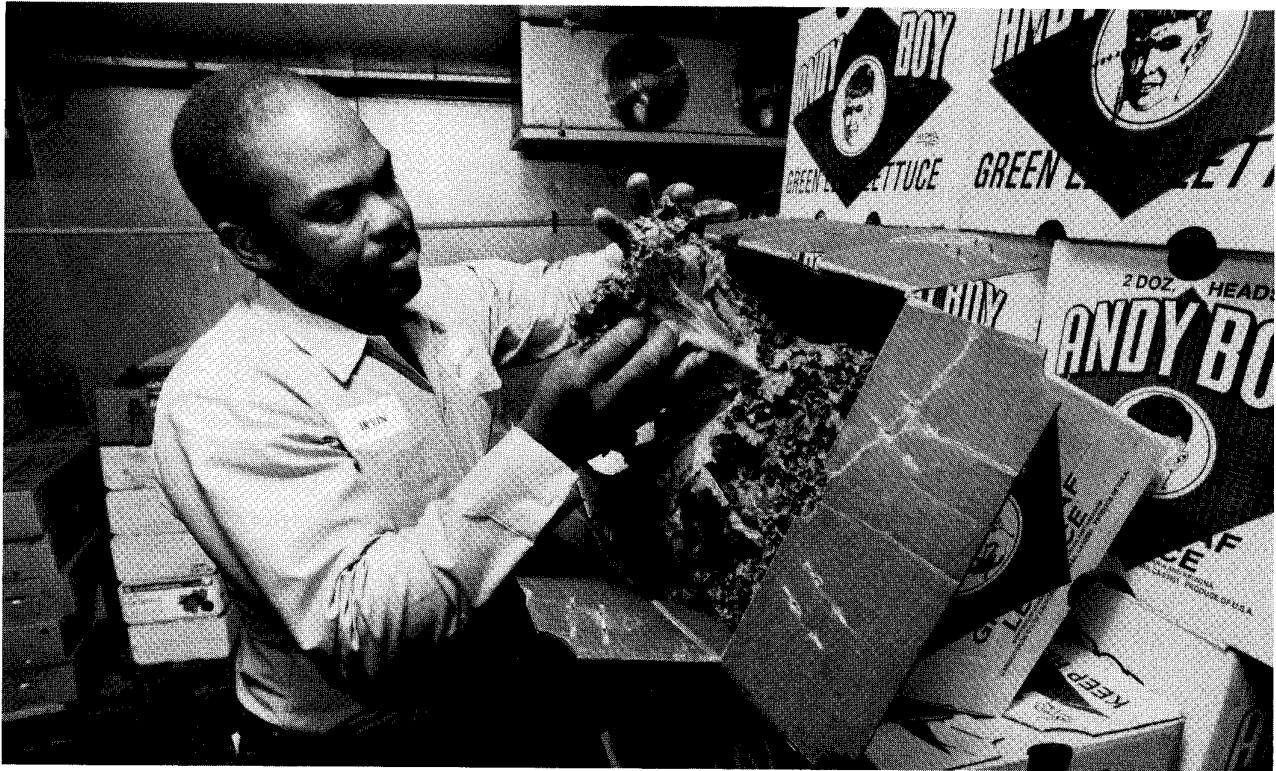
■ Without a good mix of credit to fuel it, including conventional lenders, the housing market in the neighborhood sputters and property values stall.

■ Stagnant property values discourage investment and reinforce bank skepticism about the neighborhood, and the cycle begins again.

The Catch-22 has a second part:

Even if black borrowers can prove they deserve conventional financing, lenders will prefer to work in white neighborhoods, where higher sale prices and more sales mean higher commissions.

That's why Congress created the Community Reinvestment Act — to encourage banks and savings and loans to lend in all neighborhoods. The law has been on the books for 10 years.



KENNETH WALKER/Staff

Irvin Betts inspects a box of lettuce at his Forest Park produce company. 'I could have maybe \$10

million or \$15 million in business if I had the working capital,' he says.

He built \$3 million lettuce firm but can't get a business loan

By Bill Dedman

Staff Writer

Irvin Betts had only \$14 and an eighth-grade education, but he knew lettuce.

In 1981, he put \$4 worth of gas in his 1972 Gremlin, bought a case of shredded lettuce for \$10, drove to a restaurant and made a \$2 profit. Then he bought another case of lettuce and headed out again.

Seven years later, Irvin Betts is still delivering lettuce — 900 cases a week, as well as pomegranates and 277 other items. With seven trucks and 22 employees, Betts Produce in Forest Park sells \$3 million in produce a year.

Betts, who is black, built his business without a loan. Not that he didn't apply a couple of times, but he made do without.

That's often the only way a black person in Atlanta can build a business, according to local business experts.

Fred Stone, Georgia district director of the Small Business Administration (SBA): "Traditionally, blacks and other minorities have had a problem receiving financing from banks. I'll have

to admit it's still a problem."

Sherman Golden, assistant director of the Fulton County Department of Planning and Economic Development, said, "Redlining is worse on the commercial side than in housing."

Charles Blackmon, a former bank officer who is director of the Atlanta Minority Business Development Center: "It's quite obvious that you have one set of lending rules for white males and another set of rules for somebody else. We're not talking about an occasional case."

Raleigh Murphy, president of Renaissance Capital Corp., a minority small-business investment corporation: "The bank is making these loans to white establishments. You don't want to think it's out-and-out racism, but you wonder."

Marvin Arrington, president of the Atlanta City Council, said he asked banks six months ago to pool \$5 million for loans to businesses along Auburn Avenue, which in the early 1900s was the country's most vigorous black business area. "I got not one favorable response. Not one favorable response."

A federal law, the Community Reinvestment Act, says banks and savings and loan associations have "an affirmative obligation" to help meet the community's credit needs, including business loans, particularly those guaranteed by government agencies such as the Small Business Administration.

Many banks, however, make few or no SBA loans, according to a study conducted for The Atlanta Journal-Constitution. The newspaper used the federal Freedom of Information Act to obtain a computer printout of every SBA loan in Georgia from 1982 to mid-1987. The information was analyzed by the Southern Finance Project, an independent, non-profit research organization in Charlotte, N.C.

Those that do make SBA loans made few of them to minority-and women-owned businesses. Georgia has more than 100,000 minority-and women-owned businesses, according to the SBA. No institution loaned more than 20 percent of its SBA dollars in Fulton, DeKalb, Cobb and Gwinnett counties to

BETTS Continued on page 18

Betts

From page 17

these borrowers. First Atlanta, which brought up the rear among the active SBA lenders, loaned 8 percent to these borrowers.

If each Atlanta area lender had loaned 20 percent of SBA dollars to minority and women borrowers, those borrowers would have received an additional \$21.4 million in credit over the five years.

The most active SBA lenders over the five years were Southern Federal Savings and Loan, with 264 loans in the four-county Atlanta metro area; Fulton Federal Savings and Loan, 175; Trust Company Bank, 148; Bank South, 139; Citizens and Southern Bank (C&S), 104; and NCNB National Bank, 119.

The Southern Finance Project also looked at the location of SBA loans in relation to the location of deposits. The big three banks — C&S, First Atlanta and Trust Company — have a much smaller share of the SBA loans in black and low-income ZIP codes than their share of deposits in those areas. That's true even if the downtown ZIP code and bank headquarters are excluded.

But on an overall SBA rating, the Southern Finance Project judged Trust Company to be the leader. This rating combines overall SBA activity with the distribution of those loans to minority and women borrowers and the targeted ZIP codes.

"The only reason we're maintaining what we've had is because of institutions like Trust Company," said the business development center's Blackmon, who is black. "I still think we need some resensitizing to the needs of minority businesses."

Murphy's small-business investment corporation could help. It has raised \$1 million from the city's business community. All the big banks contributed, but Murphy, who is black, says some of them think that that donation disposes of their obligation to help minority businesses.

"We can't carry the whole weight. They should be referring only the marginal deals, the ones that take a little more risk."

Part of the problem could be lack of business education, said Stone, who is white.

"You deal in perception, and the black entrepreneur often goes into the bank not understanding all the banker's terms or language, although his or her application may be just as worthy."

Banks also often don't want to make a small loan.

"Many of the banks have taken the position that they won't look at a re-

Small-business lending

Atlanta's most active Small Business Administration lenders

Overall SBA loan performance	% of SBA dollars to minority- & women-owned firms	% of SBA dollars to minority and low-income ZIP code areas	Rank	Rank	
Rank	Score	Rank	Rank	Rank	
1.Trust Co.	71	1.Trust Co.	20%	1.C&S	36%
2.Southern Fed.	66	2.C&S	14%	2.Trust Co.	33%
3.Fulton Fed.	64	3.Bank South	13%	3.Bank South	31%
4.Bank South	62	4.Southern Fed.	11%	4.First Atlanta	29%
5.C&S	58	5.NCNB	9%	5.Fulton Fed.	26%
6.NCNB	48	6.Fulton Fed.	9%	6.Southern Fed.	15%
7.First Atlanta	35	7.First Atlanta	8%	7.NCNB	10%

How the rankings were determined:

The Atlanta Journal-Constitution used the federal Freedom of Information Act to obtain a computer printout from the Small Business Administration listing information about each SBA-assisted loan in Georgia from 1/1/82 to 6/30/87.

All analysis was done for the newspaper by the Southern Finance Project, an independent, non-profit research organization in Charlotte, N.C.

The overall ranking is based on a simple scoring system. Lenders were ranked in 43 categories measuring volume and distribution of SBA loans. The score shown in the table is the percentage of the total possible points. A score of 100 would mean that an institution finished first in every category.

Black ZIP codes are those that are more than 50 percent minority. Low-income ZIP code areas are those with more than 20 percent of residents below the federal poverty standard. Percentages are based on each institution's SBA loans in 303-ZIP codes.

Sources: Southern Finance Project; Small Business Administration; 1986 Sourcebook of Demographics and Buying Power for Every ZIP Code in the USA; Depository Institutions Performance Directory; Federal Deposit Insurance Corp.; Federal Home Loan Bank Board.

DAVE WINK/Staff

'You deal in perception, and the black entrepreneur often goes into the bank not understanding all the banker's terms or language, although his or her application may be just as worthy.'

— Fred Stone
**Georgia district director,
Small Business Administration**

quest unless it's \$100,000," said Blackmon, who was a banker in Atlanta for 10 years. "That means the person has to have \$25,000 to \$50,000 in collateral. A lot of black people don't start with that kind of money."

Irvin Betts didn't. He said he applied at Trust Company for a loan about 1985, then at Anchor Savings Bank last year. He said both told him he didn't have enough capital. He hopes to apply again for a loan soon so his business can grow. He sells to restaurants on credit terms, but, if he can't borrow money himself, his business can't in-

crease as fast as possible.

"I could have maybe \$10 million or \$15 million in business if I had the working capital. If I had the money to work with I could buy most of my produce direct, cut out the middleman, increase my profit 15 percent."

Through the years Betts has seen other produce companies, white-owned ones, get loans and move ahead of him.

"I just keep trying. I don't let it get me down. Blacks always have a problem. Some just get lucky."

Poor may be left behind by bank deregulation

By Bill Dedman

Staff Writer

Ma Bell isn't Ma Bell anymore. And the airlines aren't the same. Quietly, banks also are changing.

It's called deregulation.

Deregulation means banks are becoming larger and are more likely to be headquartered in another city. Deregulation means banks are changing their services to appeal more than ever to wealthier customers. Deregulation means banks are offering checking accounts with interest but also restricting access to basic services.

Some neighborhood groups in Atlanta and around the country think these changes are bad news for consumers, particularly the poor.

It started in 1980, when Congress began to remove limits on the interest that banks could pay depositors.

To compensate for the higher interest rates they began to pay on NOW accounts and SuperNOW accounts and others, banks began to charge for services that had been free and to raise the cost of those that had been cheap. Minimum balances were set even on accounts that earned no interest, according to a 1987 report by the General Accounting Office (GAO).

Many low-income people don't have enough money in the bank to benefit from the higher interest rates, and they can no longer afford the fees and higher balances, according to the GAO report.

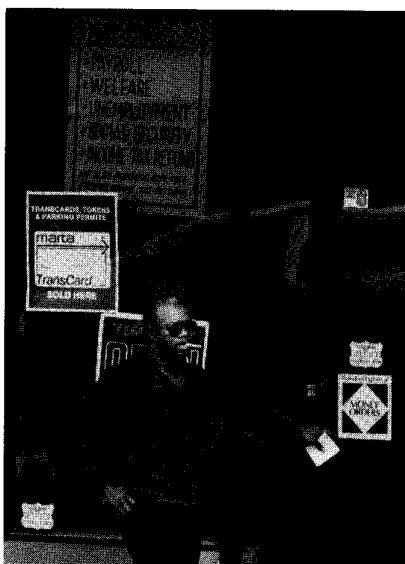
The GAO also said banks and savings and loans were charging higher fees for check printing, for stopping payment on a check and for returned checks.

People who can't afford a bank account still have bills to pay. And some businesses won't take cash. For example, the Atlanta Housing Authority, landlord for 15,000 low-income households, has required tenants to pay by check or money order since 1986.

The poor still have paychecks and government checks to cash, too. In 1977, 99 percent of banks cashed government checks for non-depositors, but only 56 percent did in 1985, the GAO reported.

A federal law, the Community Reinvestment Act, requires banks and savings and loans to help meet the deposit and credit needs of all segments of their communities.

Congress is expected to consider bills this summer to make the requirement more concrete. Banks and savings and loans would be required to offer low-cost "lifeline" checking accounts requiring no more than \$25 for an initial deposit, having no minimum balance requirement, allowing eight free checks and five free withdrawals a month, lim-



Check-cashing center at 2046 Sylvan Road S.W. serves a mostly black community.

iting fees for bounced checks or stopped payments to \$5 apiece.

In addition, banks would be required to cash, at no charge, Social Security, welfare and other government checks for non-depositors.

In the House, the bills will be considered by the Committee on Banking, Finance and Urban Affairs, of which Rep. Pat Swindall, a Republican from metro Atlanta's 4th District, is a member.

Most banks in the country offer some form of low-cost checking to senior citizens and some offer it to students, but only 15 percent offer the service to the general public, the GAO said. Many banks advertise checking accounts as low-cost, but these accounts often do not meet the government's definition of a lifeline.

For example, many Atlanta banks require a minimum balance, usually \$400 or more, to avoid a higher service charge. Those without minimum balances limit the number of checks, usually to 15 a month, and some don't return canceled checks to the customer. The most economical account offered by a large bank in Atlanta is at Citizens and Southern Bank (C&S), where 75 cents buys seven checks a month but no automatic return of canceled checks.

Many low-income Atlantans have no checking account. Of residents with annual incomes below \$15,000, the number without checking accounts may be 46 percent, according to a market study done last year for Trust Company Bank and a neighborhood coalition.

Use of all bank services was less

among blacks. Sixty-eight percent of whites in low-income neighborhoods had a savings account, but only 52 percent of blacks. Forty-six percent of whites had an automatic teller card, but only 34 percent of blacks. Fifty-two percent of whites had a VISA or MasterCard, but only 25 percent of blacks.

The market study showed that 42 percent of Atlantans who had no checking or savings account cashed checks at a financial institution anyway; 21 percent went to a grocery store; 9 percent to a check-cashing service; 7 percent a liquor store; 3 percent a furniture store; and 2 percent their employer. The rest named other places, said they didn't know, or said they didn't cash checks.

Check-cashing services can be expensive — from 1 percent to 10 percent of the value of the check, the GAO said. Atlanta services say they charge from 1 percent to 2 percent of payroll checks, more for other types of checks. Some won't cash personal checks.

"Poor people go to the check casher, the pawn shop, the grocer, to cash a check. These are their bankers," said Dennis Goldstein, a lawyer at Atlanta Legal Aid Society. "My dad took me down to the bank to open a savings account when I was a kid. It took 10 years for my balance to get over \$100, and when I was a teenager I must have written three checks a month. But eventually I'm going to make the bank a profit. Banks don't seem to want that anymore."

The GAO study found that these changes in depositor services were most pronounced at large banks. Now there are more large banks than ever.

New laws allowing interstate bank mergers have made the local neighborhood bank a fond memory in many areas. All six of the so-called Southern superregional banks have Atlanta offices, but only two are headquartered here.

Bankers say interstate banking is more efficient and will bring better services and lower prices to consumers.

Neighborhood groups fear out-of-state banks will pay less attention to local customer needs, will have fewer familiar faces or will shift local deposits away from the neighborhoods.

Financial officers said getting banks to rechannel a natural inclination to follow only the safest investments, with the highest possible return, is like asking a leopard to change its spots.

"Bankers traditionally have worked with the more affluent areas that have more income and more money," said Bob Thompson, executive vice president of Liberty Mortgage Corp., a subsidiary of Liberty Federal Savings and Loan. "That will never change."

Pickets target HUD secretary's residence

By Bill Dedman

Staff Writer

WASHINGTON — Chanting "Sam the sham, the dud at HUD," 300 poor and minority protesters invaded the high-rise condominium building of U.S. Housing Secretary Samuel Pierce on Sunday afternoon.

The community activists, from the coalition National People's Action, were protesting the Reagan administration's funding cuts in the Department of Housing and Urban Development (HUD). A dozen of the protesters came from Atlanta, mostly from minority neighborhoods on the inner-city Southside.

The group, including many elderly women, arrived at the Cabinet official's building in northwest Washington on school buses, marched whistling and chanting past a befuddled doorman, and asked the desk clerk for Pierce's apartment number. The clerk told them — 1308 — and the crowd flowed up the stairs and elevators.

They crammed into the hallway outside the apartment for 20 minutes, banging on the door and shouting, "We Want Sam now" and "Sam, don't wait! Retire in '88!"

No one opened the door. Pierce's neighbors said he probably was out of town. His telephone number is not published.

Under his door — and every other door in the building — the protesters stuffed a flyer with Pierce's photo and the label, "Housing enemy No. 1."

The crowd then went outside and marched around the fountain in front of the building. They dispersed peacefully when police arrived.

"Silent Sam Pierce is doing nothing, nothing at all for neighborhoods. He doesn't care," said Gale Cincotta of Chicago, chairwoman of National People's Action. "When he guts HUD, he's gutting our neighborhoods, so we came to his neighborhood. It's a nice neighborhood."

Under Pierce, HUD's funding has been cut more than in any other Cabinet-level department. Since 1980, HUD appropriations for low-income housing have been cut from \$33.5 billion to \$15.1 billion a year. More cuts are being negotiated with Congress.

Under Pierce, HUD has virtually stopped building new housing projects. It has concentrated on repairing existing units, but has cut rehabilitation funds.

At the same time, the shortage of affordable housing for poor families has more than doubled since 1980, to nearly four million units, according to the Low-Income Housing Information Service, a non-profit organization. At least one million families are on waiting lists

for public housing, according to the Council of Large Public Housing Authorities, a lobbying group.

National People's Action is a loose coalition of neighborhood groups, which come together once a year in Washington for leadership meetings and protests on housing, lending practices, utility issues and other concerns.

The groups want more housing money, or at least a freeze on cuts; better targeting of housing money for lower-income neighborhoods; and more citizen involvement in how the money is spent. They are asking that congressional hearings on housing funding be held in major cities, including Atlanta.

Pierce, the only black member of Reagan's Cabinet, is also the last remaining member of the 1981 Cabinet. Pierce has defended the cuts as necessary to help reduce the federal deficit in spending.

"We try the best we can to try to save cities. We don't turn our back on people," he told the National League of Cities in 1983. "You try to use what money you can, what can be afforded, and you try to use it as wisely as possible. But we don't have the kind of money where we can just go in and buy out a city."

"Hey, Sam," Mrs. Cincotta yelled outside his door, "we got some homeless people with us. Can they sleep in your hallway?"



RICK MCKAY/Cox Washington Bureau

Gale Cincotta of Chicago bangs on the door of Housing and Urban Development Secretary Samuel Pierce after she and other protesters entered

his high-rise building in Washington. The protesters, who were denouncing reductions in federal housing funds, got no answer.

A test that few banks fail — in federal eyes

By Bill Dedman
Staff Writer

Each year the U.S. government grades America's 17,000 banks and savings and loans on how fairly they serve their communities, including working-class and minority neighborhoods.

Across the country last year, 98 percent of the lenders passed. In the South, 99 percent passed, according to federal agencies.

Supporters of working-class and minority neighborhoods suspect grade inflation.

"Regulators seem to think we all live in Lake Wobegon. Like the children of that fictional village, U.S. lenders are all above average," said Sen. William Proxmire (D-Wis.), chairman of the Senate Banking, Housing and Urban Affairs Committee.

Besides the annual exams, regulators are required by law to consider lending patterns when a bank applies for approval of a special action, such as opening a branch or buying another bank.

In the past 10 years, regulators have denied eight of 50,000 special applications because of unfair lending, according to federal agencies.

"I wish I had graders like that when I was in school," Proxmire said. "And I ask myself, how is it that so many neighborhoods are continuing to fail, while so many lending institutions are continuing to pass?"

Although applications are rarely denied, the law does allow for delays while regulators consider citizen challenges of a bank's record. A delayed merger can cost a bank a bundle in lost profits. Increasingly, community groups are filing such challenges.

Banks resent the pressure.

"They're a pain in the neck, and as far as we're concerned it's pure ol' blackmail, and I think we are going to see a lot more of it," Edward Crutchfield, chief executive officer of First

'The regulators have been haphazard. There's a pattern of the regulators being very close to the industry they regulate, being very reluctant to vigorously slap the wrist of people who violate the law.'

— Allen Fishbein
Center for Community Change

Union Corp., said in a speech to a bank marketing convention shortly before First Union moved to Atlanta in 1986.

"They said we did not have some specific things and they wanted \$50 million — boom. Well, we would have stayed awake until hell freezes over with that and we wouldn't have done it, and we didn't do it."

Other banks have done it. Banks have agreed to a variety of community demands:

- Specific goals for residential and home-improvement loans: \$150 million in Chicago, \$50 million in St. Louis, more than \$5 billion in all since 1977, according to researchers at the University of Minnesota.

- In Iowa, a promise that a family with a broken furnace could get a \$2,000 loan approved in 24 hours.

- In St. Louis, low-cost checking accounts and cashing of government checks for non-depositors.

- In Philadelphia, loans to multi-family buildings.

And in many cities and states:

- Deposits of bank funds in community credit unions.

- Credit counseling services.

- Flexible underwriting criteria for loans to the poor.

- Loans with lower interest rates or lower closing costs or lower down payments.

- Charitable contributions to groups working in working-class and minority neighborhoods.

- Automatic second appraisals if appraisals are disputed.



TEST Continued on page 22

Test

From page 21

in Washington, D.C. "There's a pattern of the regulators being very close to the industry they regulate, being very reluctant to vigorously slap the wrist of people who violate the law. In many instances the regulators are defending the institutions more adequately than the lenders are defending themselves."

Safety of deposits comes first

"We're not consumer activists — we're regulators," said Ronald Zimmerman, vice president of the Federal Reserve Bank of Atlanta. "It's a terribly subjective law to enforce."

Still, leaders of the national regulatory agencies agree they could do better. They say they have had their hands full with their primary duty, ensuring the safety of deposits in banks and savings and loans. The increasing number of bank failures in this decade has stretched their resources.

According to BankWatch, the Ralph Nader gadfly of the nation's banks, the number of examiner hours per year expended to check banks on compliance with consumer regulations fell by 74 percent from 1981 to 1984 at the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp., and the Federal Home Loan Bank Board, which regulate most of the banks and savings and loans. The Federal Reserve Board regulates only about 1,000 institutions.

"Our bank consumer compliance effort has not been as comprehensive as it should be," said William Seidman, chairman of the Federal Deposit Insurance Corp.

"As you are aware, in the early 1980s the thrift industry suffered a crisis," said Danny Wall, chairman of the Federal Home Loan Bank Board, which regulates savings and loans. "I regret to report that, as a result of this situation, we did not allocate sufficient resources to the enforcement of the CRA, or, for that matter, other consumer-related issues. The bank board has recently increased its activity in the area of CRA after a long lull. There is still much work to be done."

While the annual examinations have decreased, challenges from community groups have increased. For example, the Federal Reserve received three protests in 1984, 19 in 1985, 20 in 1986 and 35 last year. One reason is that more banks are merging or expanding into other states, creating more legal opportunities for challenges. Another reason is that federal housing aid has declined, causing community groups to

Activists say the law doesn't allow them to know which less-responsible institutions to challenge. The government keeps the grade for each bank a secret; not even the bank is supposed to know. Only regional and national totals are made public. The only information the public has is the federal reports of home loans.

seek more investment by banks in their neighborhoods.

Bankers who haven't been challenged should get their records in order before community groups start a protest, Glenn Loney, assistant director and community affairs officer of the Federal Reserve, told bankers in Philadelphia last year, according to American Banker, the industry newspaper.

"By the time they get to you in three years, they are really going to be good."

Process somewhat abused'

In Atlanta last year, a new community coalition challenged SunTrust Banks, the parent of Trust Company Bank. Trust Company was able to complete the merger without making any specific financial concessions, but it left the yearlong negotiations bitter.

"The process has been somewhat abused," said Jim Graham, a SunTrust vice president in charge of compliance with the CRA. "The law is probably a good law but unnecessary. The banks have been meeting their community needs for some years."

That may be true of many banks, activists agree, but they say the law doesn't allow them to know which less-responsible institutions to challenge. The government keeps the grade for each bank a secret; not even the bank is supposed to know. Only regional and national totals are made public. The only information the public has is the federal reports of home loans, the same information that formed the basis for the Journal-Constitution study of lending patterns.

"It's the traditional style of the regulators to be low-key and behind the scenes, but that stuff should be public," Fishbein said. "It's not going to damage a bank. The public should know that, so they know where they put their money. It might even gain the good lenders some business. If it's secret, a lender can claim to have a good record when it doesn't."

Regulators say releasing the grades would set a precedent for disclosure of

more sensitive examination information. They say the grades would be misinterpreted: Banks shouldn't be compared with each other, but with their legal responsibilities. And when a bank does poorly, regulators say, they don't have to give bad grades or turn down applications to enforce the law.

"Denials are a last resort," said Comptroller Robert Clarke, whose federal agency regulates more banks than any other.

"Instead of kicking you out of school because you flunked the course, we give you tutorials so you can stay in school," Martha Seger, a governor of the Federal Reserve, told the Senate Banking Committee last month.

The regional grades show that nine banks out of 792 in 10 Southern states received grades of "less than satisfactory" in 1986, the most recent data available. None was judged to be "unsatisfactory" or "substantially inadequate." Out of 318 savings and loans, four were graded as "needs improvement" and none was "unsatisfactory."

Activists scoff at the higher grades for Southern lenders.

"In the South and Southwest, particularly, you've had banks getting away with murder for years — racial discrimination, redlining and dealing almost exclusively in commercial loans," said New Orleans neighborhood activist Michael Shea, national director of housing and banking campaigns for ACORN, the Association of Communities Organized for Reform Now. "I think the Atlanta Fed [Federal Reserve Bank] is shielding the banks from the public."

Regulators say evidence of disproportionate lending patterns is not enough to cause a bank to be penalized.

"It's not our job to allocate the credit geographically. We don't have hard and fast lines on that," Governor Seger of the Federal Reserve testified.

Proposed changes in the law

This contentious triumvirate of bankers, community groups and regulators is lobbying now as Congress considers several proposals to improve enforcement of the CRA.

The lobbying battle is tied to expectations that Congress this session will probably change the rules on what business a bank can do. A bill approved by the Senate would permit bank holding companies to underwrite and sell mortgage-backed securities, commercial paper, municipal revenue bonds, corporate bonds, mutual funds, and perhaps eventually corporate stock, the most lucrative securities activity. A similar bill is pending in the House.

Viewing some form of expanded bank powers as apparently inevitable, community groups hope to slip in increased regulation through expansion



'THEY'RE a pain in the neck,' says First Union's Edward Crutchfield of challenges from community groups.

of the CRA at the same time. Several bills to expand the law have been introduced in the House. Their provisions include these:

- Change the grading system so only exemplary banks receive a top grade.
- Disclose each bank's grade, as well as its CRA examination report.
- Allow banks with a top grade to expand their powers or expand into other states. Banks with average grades could expand only if they made specific commitments to improve community reinvestment.
- Create separate community affairs divisions in the four regulatory agencies to conduct the examinations separately from examinations for safety and soundness of banks.
- Require banks to disclose their commercial loans by census tract, as they now must disclose home-purchase and home-improvement loans.
- Require banks to provide low-cost "lifeline" checking accounts and to cash government checks for non-depositors with proper identification.
- Establish a procedure for banks to notify the community and hear comments before they close bank branches.

Bank lobbyists have conceded that



'IT'S NOT our job to allocate the credit geographically,' says Martha Seger, a governor of the Federal Reserve Board.

The private sector has the capital, the know-how and the efficiency to do the job. But the record shows that we have to nudge them, influence them, persuade them to invest in their own community.'

— Sen. William Proxmire

some of these changes are acceptable. The most disputed are the lifeline and check-cashing provisions, and some oppose the commercial loan disclosure.

Among the congressmen being lobbied is Rep. Pat Swindall, a Republican from metro Atlanta's 4th District. He is a member of the House Banking, Finance and Urban Affairs Committee, which is scheduled to consider the bills this month. His legislative assistant, Pete McLain, said Swindall has not taken a position on the bills.

"You've got to have some guidelines to protect these communities, but if you come in with too much regulation the

banks will oppose it and you won't get a bill," McLain said.

Ranking higher on the House Banking Committee is another Georgian, Rep. Doug Barnard, a Democrat from Augusta who represents the 10th District. A banker by trade, he has been encouraging significant expansion of bank powers. He currently supports some provisions for increased consumer regulation, but not the lifeline and check-cashing provisions or commercial loan disclosure.

All sides suggest that this year is something of a last stand, because the law's most vocal and influential advocate in Congress, Proxmire, is retiring at age 72. He introduced the Community Reinvestment Act in 1977 to combat redlining and help revitalize inner cities.

"CRA was written, as I said 10 years ago, because 'there is no way the federal government can solve that problem with its resources,'" Proxmire said. "The private sector has the capital, the know-how and the efficiency to do the job. But the record shows that we have to nudge them, influence them, persuade them to invest in their own community."

Despite its 'good citizen' image, Trust Company finds itself in battle

By Bill Dedman

Staff Writer

Trust Company Bank is an Atlanta institution.

The bank is proud of its historic role in promoting the city's economic health. Known as the "Coca-Cola Bank," Trust Company was led by the late Robert W. Woodruff, the Coke magnate remembered as the city's greatest philanthropist.

And the bank is proud of its historic role in promoting racial harmony. The late John A. Sibley, then retired chairman of Trust Company, was credited with holding Georgia's black and white leadership together in 1960-61 as public schools began desegregation, and he provided seed money for single-family housing for blacks in southwest Atlanta during tense times in 1962.

"Trust Company Bank has contributed to the shaping of Atlanta like few other institutions," the bank's literature says.

That's all true, say the leaders of an Atlanta neighborhood coalition. The Atlanta Community Reinvestment Alliance also says Trust Company doesn't lend much money to black people.

"I'm not going to try to tell you the bank's motives," said Dennis Goldstein, the Atlanta Legal Aid Society lawyer representing members of the coalition. "But the bank's policies have a racially discriminatory effect in the extreme."

The coalition filed a complaint with federal regulators last year against Trust Company's parent, SunTrust Banks. After negotiating unsuccessfully with the bank for a year, the group asked the Federal Reserve Board to stop a SunTrust merger. The group claimed Trust Company was redlining — not lending in working-class and minority neighborhoods — in violation of the federal Community Reinvestment Act.

SunTrust won, as has every other bank challenged through complaints to the Federal Reserve Board.

Trust Company says the coalition picked the wrong target.

"I think we get a bad rap," said Jim Mynatt, first vice president of Trust Company. "We don't have a map up there with a redlined district."

Trust Company ranks 15th out of 17 banks and savings and loans in the city in The Atlanta Journal-Constitution study of lending to minority and lower-income neighborhoods. It ranked seventh when loans to similar black and white neighborhoods were compared.



The 12 factors in a CRA examination

Federal regulators are required to consider these factors in grading banks and savings and loans on compliance with the Community Reinvestment Act (CRA):

- Efforts to determine the credit needs of the community.
- Efforts to make the community aware of credit services.
- Board participation in setting CRA policy.
- Practices intended to discourage applications for credit.
- Geographic distribution of credit extensions, applications and denials.
- Evidence of discriminatory or illegal credit practices.
- Opening and closing of offices and providing services at offices.
- Participation in local community development projects.
- Making loans for home purchase, home improvement, small businesses or small farms.
- Participation in government loan programs for housing, small businesses or small farms.
- Ability to meet community credit needs.
- Other relevant factors.

Coalition leaders say they chose Trust Company partly because of its lending records, partly because its merger plans provided a convenient target, and partly to make a point.

"Trust Company was not the worst bank," said Lynn Brazen, co-chairwoman of the coalition. "We studied five banks and two savings and loans. They were all bad. Some were worse than others. More speakers at our neighborhood meeting complained about Trust Company than any other bank."

"We also wanted to start with a community leader, a bank with an image as a good citizen," Mrs. Brazen said. "We weren't trying to tear down that image, but to let the bank be the leader in this, too. Let the bank take the initiative to improve its record."

Trust Company is the city's most profitable bank. It's also the one with the second-highest share of non-white customers, according to the 1986 Scarborough Atlanta Market Study for the Journal-Constitution. Trust Company drew 28 percent of the metro area's non-white customers, second only to First Atlanta's 31 percent.

Although Trust Company officials say they are fair and obey the law, they also agree that the common man is not their target audience.

The "vision statement" of parent SunTrust Banks includes this: "Our pri-

mary target markets are successful, growing businesses and institutions and individuals with above-average financial service needs."

Another bank publication adds: "Even though it is a large bank, Trust Company Bank still has limited resources. Management has decided that the way to have the most profound impact on the community is to deal largely with the corporate and wholesale markets."

"To say that the bank's emphasis is on corporate and wholesale banking does not imply that the bank's leadership does not have a strong sense of community responsibility."

That's exactly what the community coalition implied.

The challengers focused on Trust Company's lending pattern, its closing of branches serving minority and lower-income neighborhoods, its refusal to offer fixed-rate mortgages and its lack of advertising in minority publications.

The coalition also said Trust Company was the only major bank in town without a low-cost checking account, sometimes known as a lifeline. For customers without a balance of \$500, a Trust Company checking account costs \$3 a month plus 30 cents a check.

The coalition waited a year to file its challenge, perhaps passing up its best opportunity. The coalition almost



RICH ADDICKS/Staff

'I think we get a bad rap,' said Jim Mynatt. 'We don't have a map up there with a redlined district.'

challenged a larger merger in 1986 that brought Tennessee's Third National Bank Corp. into SunTrust, but it backed off as negotiations improved.

"We took them at their word last year on the basis of their promise to listen to our concerns in good faith," Goldstein said. "That might have been a mistake."

Members of the coalition include the Capitol View Manor Community Group and the Capitol View Neighborhood Association, as well as four groups that encourage housing for low-income neighborhoods: the Georgia Housing Coalition, Interfaith, South Atlanta Land Trust and Southeastern Reinvestment Ventures.

The challenge was joined by the city's Neighborhood Planning Unit M, which includes the Bedford-Pine, Sweet Auburn and Techwood neighborhoods; the Historic District Development Corp., which is developing housing in the Martin Luther King Jr. Historic District; the Sweet Auburn Merchants Association; and several area residents.

The negotiations, from September 1986 until the complaint was filed in October 1987, were often contentious.

The bank said its lending patterns were caused mostly because it offers no fixed-rate mortgages, which it said are preferred by residents of slower-grow-

ing, less transient areas. It offers only adjustable-rate mortgages, which appeal more to residents who will sell in only a few years.

"Thus, the fact that fewer mortgage loans were made by Trust Company Bank in black neighborhoods than in white neighborhoods is the result of the differing mobility and growth patterns between the white and black neighborhoods, rather than to racial discrimination," Georgett Dickinson, assistant corporate counsel for SunTrust, wrote to the Federal Reserve.

As for a lifeline checking account, the bank said few people wanted such an account, it would lose \$25 a year on each account with a \$2.50 monthly fee, and it would not consider offering a lifeline account that lost money.

After negotiations started, Trust Company did advertise in the city's largest black newspaper, The Atlanta Daily World, in October 1986. It did not advertise again until October 1987, when it filed the merger application, but since then has been the newspaper's largest bank advertiser, according to advertising director W.A. Scott III.

At the same time, Trust Company began to make loans to a leading coalition member, the South Atlanta Land Trust.

"Trust Company has funneled half a

million dollars my way since the negotiations began," said the land trust's founder, the Rev. Craig Taylor. "They've co-opted me to absolve themselves of their larger responsibility."

"I just can't believe Craig said that," said Trust Company's Mynatt. "Trust Company Bank has entertained any loan request that's come to us. The bank is very receptive to any of these housing projects."

At one point Trust Company questioned methods of the coalition's legal counsel, the Atlanta Legal Aid Society, of which the late John Sibley of Trust Company was a founder.

Last April, Trust Company's corporate counsel, J. David Webb, wrote to the executive director of Atlanta Legal Aid, Steve Gottlieb, asking if Legal Aid was soliciting clients to challenge SunTrust. If the lawyers were soliciting clients, Webb said, Trust Company would be unable to give its annual \$100-per-attorney donation to Legal Aid. After Legal Aid gave assurances that the clients had come forward on their own, Trust Company made its usual donation.

Trust Company's arguments and information persuaded the federal regulators.

After one negotiating session, the

TRUST CO. Continued on page 26

Trust Co.

From page 25

chief regulator on the case, William Estes III, examining officer for the Federal Reserve Bank of Atlanta, wondered aloud why the group bothered to file a challenge.

"He said he was impressed by the communication between the bank and the community group," said lawyer Goldstein. "This was shocking to us, because the focus of the meeting was our complaint about the bank's lack of communication."

The coalition asked the Atlanta Fed

'Trust Company Bank has entertained any loan request that's come to us. The bank is very receptive to any of these housing projects.'

— Jim Mynatt
Trust Company Bank

to hold a public hearing. The request was denied.

In the end, the Federal Reserve Board in Washington refused to hear the challenge.

The coalition was not surprised, but it was angered that the regulator made

a point of praising Trust Company.

"The record in this case," the Federal Reserve secretary wrote, "reflects that Trust Company has made efforts to serve the low-and moderate-income and minority communities in Atlanta through its House Money program and through its participation in a loan consortium that will provide below-market rate financing of single-family homes."

House Money, through which Trust Company offers home-purchase loans at half a percentage point below market interest rates in targeted neighborhoods, made nine loans from 1985 to 1987.

And the loan consortium hasn't made any loans yet.

Banks need 'color-blind' policies to uphold city's image, Lomax says

By Bill Dedman

Staff Writer

If Atlanta is going to "continue to be a pacesetter racially," Atlanta's banks and savings and loans will need to develop "color-blind" lending policies, Fulton County Commission Chairman Michael Lomax said this morning on NBC's "Today" show.

Lomax was interviewed as part of an NBC report based on articles this week in The Atlanta Journal-Constitution. The articles, "The Color of Money," describe how Atlanta banks and savings and loans make few home loans in black neighborhoods, even upper-income black neighborhoods. A Sunday story in the Journal-Constitution told how Lomax had gone to three banks before he was able to borrow money to add a guest house to his home in Adams Park in southwest Atlanta.

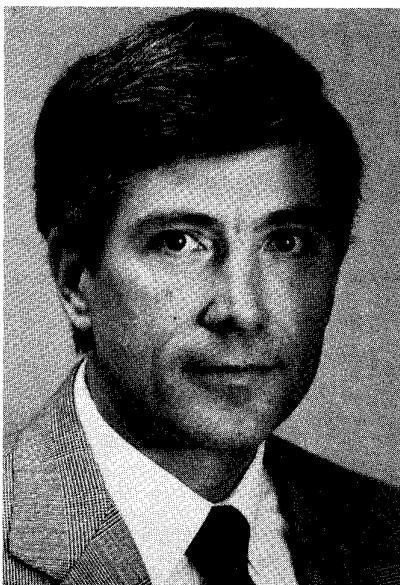
Lomax was asked how the lending records might affect Atlanta's national reputation, especially with the Democratic National Convention coming up in July.

"I'm not very concerned about the fact that we've had the problem (in the past)," Lomax said. "I'll be really judging our community on how we respond to it in the future. If the banks are defensive and angry, as some of the banks have been in response to the article, then I think we're not going to make any improvements."

"If they recognize with the help of the newspapers that there is a problem—that, whether they were motivated to discriminate or not, the effect of their policies has been discriminatory—if they change those policies and aggressively lend on a color-blind basis, I

'I'm not very concerned about the fact that we've had the problem (in the past). I'll be really judging our community on how we respond to it in the future. If the banks are defensive and angry, as some of the banks have been in response to the article, then I think we're not going to make any improvements.'

— Michael Lomax



think we'll continue to be a pacesetter racially."

With Lomax on the 8 a.m. segment was Henry B. Garmon, chairman and chief executive officer of Fulton Federal Savings and Loan. "Today" show producers said they called several of the largest Atlanta banks, but all declined the opportunity to have a representative on the show.

"Certainly it's troubling to think that these stats are true, and if they are, why they are, and we would like to find out exactly what we're doing that could prevent this sort of thing if in fact it's true," Garmon said. "We began to look at it yesterday and actually had a meeting scheduled with management this morning to discuss some of our internal stats that might help shed some light on this."

Garmon said Fulton Federal, the second-largest savings institution in the state, does not consider race in its lending. He added that his institution and others need to determine if they do not have enough contact with real estate agents who could refer home buyers from black areas.

'Certainly it's troubling to think that these stats are true, and if they are, why they are,' said Henry B. Garmon, chairman of Fulton Federal Savings and Loan

Bank protesters in Atlanta make ready to flex muscle

By Bill Dedman
Staff Writer

One summer day in 1986, more than 700 residents of minority and working-class neighborhoods across the country invaded the American Bankers Association headquarters in Washington. They chanted, "2-4-6-8, we know you discriminate!" Eight protesters stormed the executive offices and were arrested.

One fall day in 1987, a dozen residents of minority and working-class neighborhoods in Atlanta stood silently in front of Georgia Federal Bank on Marietta Street. They had intended to wrap a red ribbon around the bank and chant about how banks didn't make loans in their neighborhoods — redlining them — but they didn't bring enough ribbon. They demanded a meeting with the bank president, who didn't come out, so they left.

Bank protesting in Atlanta hasn't quite come of age, but it is growing. Two national community coalitions, with years of experience protesting and negotiating with bankers, are training neighborhood groups here. A dozen protesters from Atlanta attended a training session last weekend in Washington, where they debated bank regulators and joined in protests at several government offices and the home of Samuel Pierce, secretary of housing and urban development.

Atlanta banks are bracing for the storm. Trust Company Bank spokesman Willis Johnson has distributed an article by one group's national organizer. Marked in yellow is a quote from Mao Tse-tung: "Deception is not enough — the enemy's leaders must be confused; if possible, driven insane."

Johnson said, "You have to wonder about a man's politics when he quotes from the 'Little Red Book.'"

That has been the first response in other cities where community pressure has been applied. Bankers point out that activists talk of "pulling off" a bank



Where to report discrimination

- National Bank. ("National" or "N.A." appears in the bank's name.) Contact the Office of the Comptroller of the Currency, 404-331-4540 or 202-447-1600.
- State-chartered bank in the Federal Reserve System and FDIC-insured. (Sign at the bank will say "Member, Federal Reserve System" and "Deposits Insured by Federal Deposit Insurance Corporation. "National" and "N.A." do not appear in the name.) Contact the Federal Reserve Board, 404-521-8500 or 202-452-3000.
- State-chartered banks and savings banks not in the Federal Reserve but FDIC-insured. (Sign will say "Deposits Insured by Federal Deposit Insurance Corporation. No sign will say "Member, Federal Reserve System." "National" and "N.A." do not appear in the name.) Contact the FDIC, 404-525-0308 or 800-424-5488, or the Georgia commissioner of banking and finance, 404-393-7330.
- Federal Savings and Loan Associations and Federal Savings Banks. (Generally, "Federal" or "FSB" or "FA" appears in the name. Sign will say "Deposits Insured by FSLIC" or "Deposits Insured by FDIC.") Contact the Federal Home Loan Bank Board, 404-888-8000 or 202-377-6237.
- Federally chartered credit unions. ("Federal credit union" will appear in the name.) Contact the National Credit Union Administration, 202-357-1065.
- Finance companies and other lenders not listed above. Contact the Federal Trade Commission, 202-326-2222.

challenge the way robbers talk about a heist.

However, when banks have yielded to demands for more loans, they sometimes have been surprised by the results.

Three Chicago banks have made more than \$85 million in loans under agreements with community groups, and reported not one default in four years.

"We have learned that it is possible for a bank to expand its community reinvestment activities safely and moderately profitably," said Richard Hartnack, senior vice president of First

Chicago Corp.

In Cleveland, Ohio, "we learned some very important and admittedly surprising lessons," said John Kolesar, president of AmeriTrust Development Bank. "We learned that it was not necessary to dilute the bank's credit standards in order to approve these loans. And we discovered that the market for credit in these areas was much greater than we had anticipated."

As demonstrated by The Atlanta Journal-Constitution study of lending, banks and savings and loans rarely lend

PROTESTERS Continued on page 28

Protesters

From page 27

money in Atlanta's black and integrated neighborhoods.

While there is a federal law saying banks have an affirmative obligation to serve all of the community, federal regulators acknowledge that enforcement has been less than comprehensive.

So community groups depend on local pressure.

Their agenda in Atlanta:

- Request the banks to include all neighborhoods in their normal lending programs for home and business loans, and to change loan policies that they believe discriminate against minority, working-class and older inner-city neighborhoods.

- Ask the banks to set up special programs to help lower-income neighborhoods. The groups say a \$10 million pool, debated for six months by Atlanta's largest banks, would be a start. They suggest \$100 million a year.

- Invite the banks, insurance companies, foundations and local governments to support housing efforts and help spawn others, such as a development corporation planned by Fulton County.

- Appeal to Atlanta city officials to keep city deposits out of banks with poor lending records.

- If all else fails, picket to encourage depositors to pull money out of banks.

Most neighborhood leaders say they are not accusing bankers of being racist.

"None of these people I've met are racist," said the Rev. Craig Taylor, a Southside non-profit housing developer and a director of the Atlanta Community Reinvestment Alliance, one of the two local organizations challenging banks. "None of them is your stereotypical hardhearted banker. I have never met a group of people with more honesty and integrity and good hearts than bankers in Atlanta."

"But, institutionally, the banks have been across-the-board clearly unresponsive to the city's major problems, they have tended to define those problems in their own self-interest, and they have tended to give nothing more than paternalistic appeasement to keep poor people and minorities in their place, to keep them corralled and isolated and controlled."

'Bank-ins' around the city

The first steps on the route from redlining to reinvestment were taken in 1970 on the northwest side of Chicago, when an angry Italian walked into the

'The culture that bankers live in is so different from the culture that low-income and minority people live in. That gap has to be bridged.'

— Jane Uebelhoer, ACORN's Washington legislative director

office of a Methodist minister.

"He said his son went down to the bank and couldn't get a loan 'cause of where he lived," said Shel Trapp, the minister. "So we went over to see the bank and they said, 'Of course we don't make loans in that neighborhood. It's a slum.' They weren't as careful about what they said back then."

Trapp, the baldheaded minister who quoted Mao, looks and acts more like a middle linebacker for the Bears. He huddled the members of his neighborhood group and rushed to the bank for a "bank-in."

They opened up their penny banks, took the pennies down to the bank, and changed them into dollar bills. Then they changed them back to pennies. Then they changed them into dollar bills . . .

"We tied up the lobby half the day," Trapp remembers. "That afternoon we got a meeting with the board of directors of the bank. They agreed to make \$4 million in mortgage loans in our neighborhoods, \$4 million in home-improvement loans, and they gave \$1,000 to our group. We thought that was the end of it, but other groups called us and we started bank-ins around the city."

On the West Side of Chicago another juggernaut was gaining power. It took the form of Gale Cincotta, a housewife and mother of six. She became a community organizer in the 1960s as a PTA mother upset that her children's West Side schools didn't get their share of city money. Then she found that Chicago's banks were accepting deposits from her neighborhood, but not making loans there.

"When we said, 'Why aren't you in our neighborhood?' we were really paying the banks and savings and loans a compliment. We want them in our neighborhoods. They didn't take it as a compliment," Mrs. Cincotta said.

Trapp and Mrs. Cincotta combined forces.

They stood in front of the banks in Chicago's Loop using a megaphone to lead residents in chants. They tried to

dock a houseboat at the city's convention center during the American Bankers Association convention. They led a parade of school buses full of residents to the suburban Chicago homes of bank presidents, including the president of the association.

"Gale and the banker were out front shouting at each other while the neighborhood women were taking their kids around to the back door asking to use the bathroom, and the banker's wife was letting them in. So here they go tramping through the house," Trapp said.

Congress gets into the act

By 1975 neighborhood groups had won congressional approval of the Home Mortgage Disclosure Act, which required banks to tell where they made home loans.

But releasing the numbers didn't end redlining, community groups said, so they went back to Congress. In 1977 they won approval of the Community Reinvestment Act, which for the first time said banks and savings and loans have "an affirmative obligation" to serve all segments of their communities.

Use of the law by community groups, particularly to stall bank mergers, has led to lending agreements in many cities.

"You're starting to see communities come back to life on the West Side of Chicago," Mrs. Cincotta said. "The decline has stopped. The neighborhood has hope. The banks are starting to see it as a good place to do business. Properties are going back on the tax rolls. The city is putting in sidewalks and curbs. It has this kind of snowball effect."

Through the years protesters and bankers around the country have built up some understanding, possibly even some mutual respect. The community groups have worked with bankers to implement lending agreements; they hold training sessions for regulators. They even invited bankers to their national training session last fall on "how to beat the banks."

"Banks are never going to admit they redline," said Tom Schraw, a Cincotta-Trapp disciple at their National Training and Information Center in Chicago. "What happens eventually is that we get past that debate and move toward agreement on an action-oriented program. You can look back a year or two later and the numbers [of loans] have gone up. Whether that's because they're doing something new, or because they stopped doing something they were doing doesn't matter. What matters is that the numbers go up."



NICK ARROYO/Staff

Demonstrators, red ribbon in hand, protest in front of Georgia Federal last fall over alleged 'redlining.'

Showing off the neighborhood

One of the most effective techniques, community organizers said, is to rent a bus.

"What we've found is the best thing," Mrs. Cincotta said, "is to drive them, the bankers, around the neighborhoods so they can see that there are good houses. We do not want them to make bad loans. You build that trust one step at a time."

"The culture that bankers live in is so different from the culture that low-income and minority people live in," said Jane Uebelhoer, Washington legislative director of ACORN (Association of Communities Organized for Reform Now). "That gap has to be bridged."

Now ACORN and the Chicago organization, the National Training and Information Center, are working in Atlanta.

Elena Hanggi, the former national president of ACORN, has been to Atlanta several times this spring to help its local chapter organize residents against the banks.

From the National Training and Information Center, Trapp has been advising the Atlanta Community Reinvestment Alliance (ACRA), which is seeking increased lending by banks in Atlanta. The alliance filed an unsuccessful protest with federal regulators last fall against SunTrust Banks, parent of Trust Company, and negotiated several changes in loan programs and depositor services at Georgia Federal.

After meeting with ACRA, Georgia Federal agreed to provide home- pur-

chase loans at lower interest rates in inner-city areas, financial counseling for potential homebuyers at inner-city branches, and low-cost money orders at three southwest Atlanta branches.

When ACORN showed up at Georgia Federal, the bank refused to meet, saying it was already negotiating with ACRA.

The groups have different approaches. ACRA criticizes ACORN for the paltry protest at Georgia Federal; ACORN claims ACRA members are too eager to accept a few loans.

And they have different constituencies. ACRA claims ACORN has too little business savvy to command respect

from the banks; ACORN claims ACRA is just a bunch of white liberals with no community base.

Still, they agree that minority and lower-income neighborhoods need to be organized.

"My agenda is to build power in these communities," Trapp said. "Kicking ass is power."

Bankers are getting ready.

But in the pamphlet where Trust Company's Johnson marked the quote from Chairman Mao, he missed a line. Trapp espouses the "fun" of having poor residents go to a banker's house and have a redlining party by throwing red crepe paper in the yard.

Council calls meeting to review lending patterns

By Bill Dedman

Staff Writer

The Atlanta City Council called a special meeting today with members of Atlanta's financial institutions to discuss lending patterns described in the Atlanta Journal-Constitution series "The Color of Money."

Chief executives of Atlanta banks and savings and loan associations were invited to the public meeting, which was set to begin at noon at the Westin Peachtree Plaza Hotel.

Marvin Arrington, president of the council, said a biracial group of council members agreed Monday to call the meeting.

"We're going to ask them if the numbers are correct, and if they're correct, what are they going to do about it,"

Arrington said before the meeting.

Council member Jabari Simama added, "We need to take serious, extraordinary steps to put pressure on the banks to do better."

The Journal-Constitution series, which concludes today, describes how Atlanta banks and savings and loans rarely make home loans in black or integrated neighborhoods. The articles were based on a five-month study of lenders' reports to the federal government.

In other reaction, the series was the focus of a report Tuesday morning on NBC's "Today" show. Henry B. Garmon, chairman and chief executive officer of Fulton Federal Savings and Loan, and Fulton County Commission Chairman Michael Lomax were interviewed for the NBC report.

'Anybody can sit out there and mouth off: He gets things done'

By Bill Dedman

Staff Writer

As a nuclear missile launch officer in the 1970s, Lt. Craig Taylor had the power to destroy cities. He was uneasy.

"We almost launched some nukes, and I got religious."

As a Methodist minister and housing developer in the 1980s, the Rev. Craig Taylor is gaining the power to build a city. He is uneasy.

His unease comes from his conflicting roles.

As a leader of a neighborhood coalition, the Atlanta Community Reinvestment Alliance, Taylor is the city's most outspoken critic of banks for not lending in minority and working-class areas.

As a leader of the South Atlanta Land Trust, a non-profit housing developer, Taylor is the first person banks lend to in those areas.

"Four banks have been giving me the red carpet the past two months: Trust Company, First Atlanta, Georgia Federal and C&S," said Taylor. "The banks probably think I'm ungrateful, and the other folks [activists] probably think I'm selling out. I'm castrated as a negotiator for the neighborhood."

In fact, bank officials and housing activists — who don't seem to agree on many things — agree that Taylor is the best example of the potential of Atlanta's inner-city Southside.

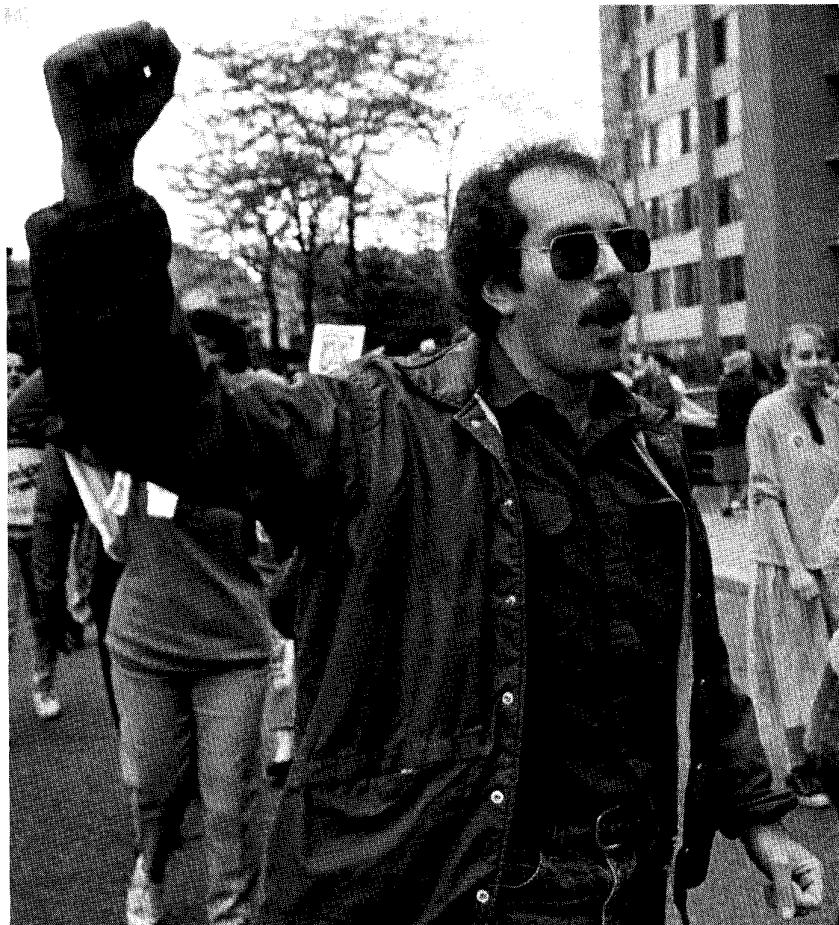
"I wish we had a hundred more like him," said Jim Mynatt, first vice president of Trust Company Bank, which Taylor's coalition unsuccessfully accused last fall of redlining. "Anybody can sit out there and mouth off: He gets things done."

The back door of Taylor's office on Jonesboro Road has three peepholes and a slot — so former tenants could watch for cops and receive drug deliveries, he said.

A 36-year-old Louisianian with a hint of Cajun accent, Taylor came to the South Atlanta neighborhood four years ago through Wesley Community Centers.

He found a sliver of the Southside, with 42 of its 500 houses vacant and dilapidated. (The South Atlanta neighborhood is bounded by Carver Homes on the west, Jonesboro Road on the east, McDonough Boulevard on the north and Turman Avenue on the south.)

Junk piles flourished. Speculators had bought up much of the neighborhood, waiting for Southside development that was always "just five years away."



RICK MCKAY/Cox Washington Bureau

Craig Taylor, leader of the South Atlanta Land Trust, marching Sunday in Washington, D.C., during a protest over Reagan administration housing policies.

"If you can do housing in this neighborhood, you can do housing anywhere," Taylor said.

He did not expect government to solve the neighborhood's problems.

"I see my approach as somewhat akin to Mr. Reagan's. I think government's role ought to be enabling local communities to meet their local needs, as opposed to having governments do it themselves."

When he arrived in 1984, residents already had formed the South Atlanta Land Trust (SALT), which he joined as full-time consultant.

SALT started small — clearing a junk-piled vacant lot — then began buying land to protect neighborhood boundaries from speculators.

In 1985, SALT started renovating houses. It moved in 13 others from the airport noise zone.

Residents also began to push the city to enforce laws against trash piles and unsafe buildings, and to police an area that residents called "Cocaine Alley."

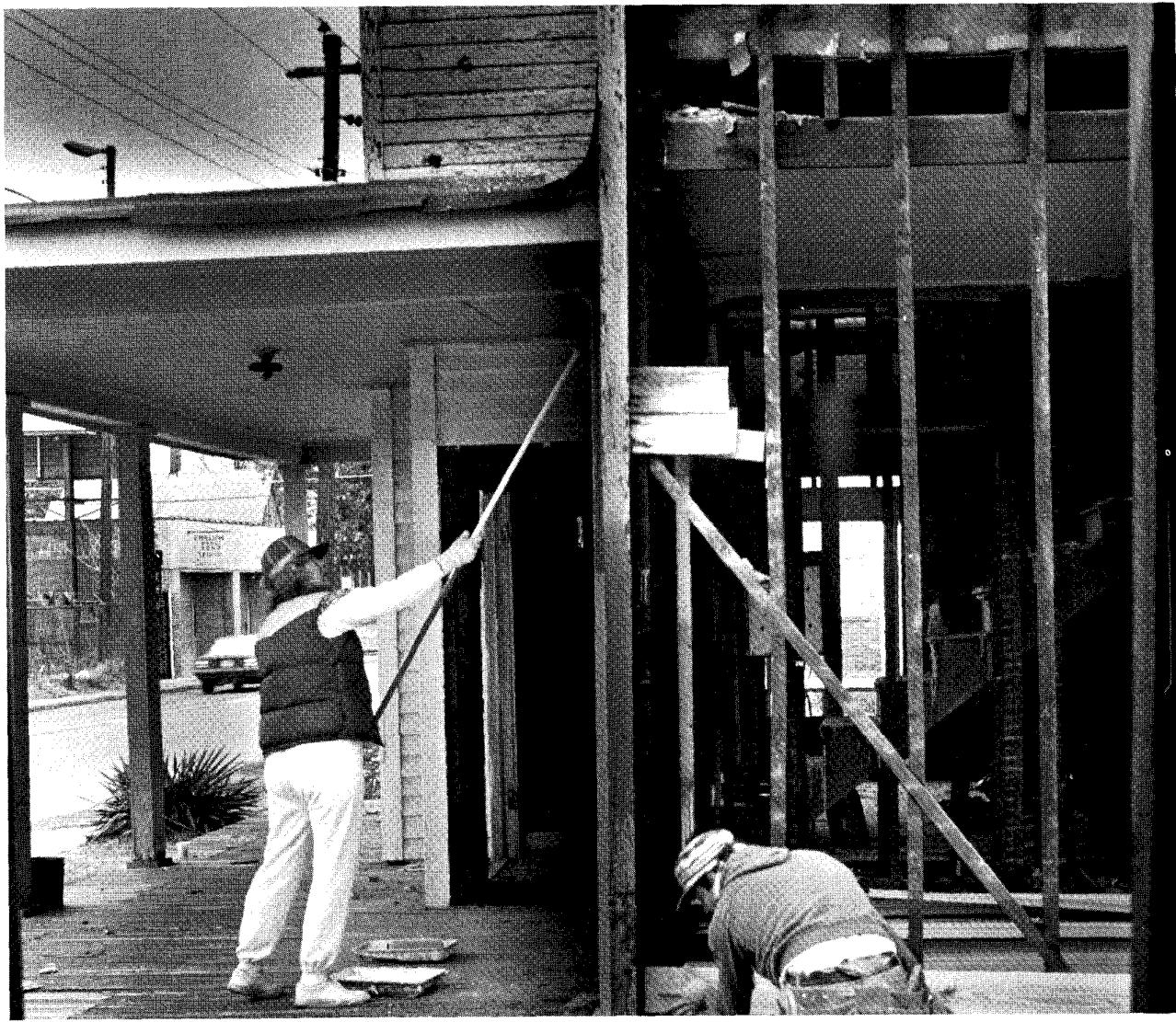
And they looked to the banks.

"We tried to get long-term financing for our people from several banks and didn't get the time of day," Taylor said.

"So we became bankers — not out of choice but out of necessity."

Taylor persuaded banks to begin lending money to SALT, which then loaned to homebuyers. Residents buy only the house; SALT keeps the land to prevent residents from selling to speculators.

The preacher-developer-banker once received a pinstriped suit as a gift, but he still usually wears jeans. And he chooses borrowers somewhat differently than banks do.



RENEE HANNANS/Staff

Church volunteers Dan Rodrigue (left) and Connie Trainor work on a house on Bisbee Avenue

being restored under the auspices of the South Atlanta Land Trust.

"I ask them a question and look directly in their eyes and see if they're telling the truth. If they're honest, I'll sell them a house."

Not one of his more than 30 borrowers has defaulted, Taylor said.

Taylor calls bank lending rules "arbitrary and impersonal." For example, under standard banking rules, a borrower can have no more than 28 percent of gross income committed to long-term debt.

"If they're able to pay 60 percent for garbage rental housing, they can pay 40 percent for homeownership," Taylor said. "It's that kind of cultural understanding that the bankers downtown lack."

Banks also will usually lend no more than 80 percent of the value of a home without requiring private mortgage insurance, which homebuyers and lenders report is difficult to obtain in

some inner-city neighborhoods.

Taylor suggests that lenders look at it from a different perspective:

If a two-income suburban husband and wife have an income of \$100,000 and make a 10 percent down payment on a \$100,000 house, or \$10,000, they have invested one-tenth of a year's pay.

If a \$20,000-a-year city sanitation worker and his wife, a homemaker, put down 10 percent on a \$40,000 house, or \$4,000, they have invested one-fifth of a year's pay.

"Which family has a greater stake in its house? Which family is less likely to walk away from that loan?" he asks. "We make 99 percent loans and families don't walk."

Karen Pleas heads one of those families. The 32-year-old is raising four children — two of hers and two of her late sister's — in a SALT house. Ms. Pleas works at a bank, Citizens and Southern (C&S), but knew she didn't

qualify for a loan because of an unpaid student loan.

"We bought one of the riffraff houses," she said. "People were scared and just shut off their lives. Now my neighbors are painting their houses. There's a gorgeous blue around the corner."

SALT is ready to begin work on its 37th home, and soon will finish its eighth apartment. Taylor's goal is to renovate 125 houses, one-fourth of the neighborhood.

"By the time we reach that level, it should have turned a corner."

That's a theory," Taylor said.

When that happens, Taylor hopes the banks will be ready to meet the credit needs of individual residents. And, as SALT sponsors other land trusts on the Southside, he hopes those trusts won't have to wait the years he waited to build credibility with banks.

City Hall clout could sweeten home-loan pot

By Bill Dedman

Staff Writer

In 1979, when most Atlanta banks excluded blacks and women from their boards of directors, Mayor Maynard Jackson threatened to move city money to banks in Birmingham or California. The Atlanta banks found seats in the board rooms for blacks and women.

In 1984, when some Atlanta banks loaned money to South Africa, the City Council made it illegal to put city money in banks that continued the loans. The banks stopped lending to South Africa.

Today, Atlanta banks rarely lend money to homebuyers in black and integrated neighborhoods, according to The Atlanta Journal-Constitution's lending study.

Activists protesting lending practices in Atlanta say it's time to use city deposits as a lever again.

"In the city we have a black political structure. Why not exercise some of that clout on the white business community, the banks, the foundations, the United Way?" asked the Rev. Craig Taylor, housing developer with the South Atlanta Land Trust and a director of the Atlanta Community Reinvestment Alliance.

Atlanta's political powers are not united on the question.

Only one leading politician, City Council President Marvin Arrington, spoke for more regulation.

"There's no question in my mind that I would approve an ordinance like this," Arrington said. "If it wouldn't pass, what did Martin Luther King Jr. live for?"

Mayor Andrew Young expressed more ambivalence.

He recalled that he had less trouble getting a mortgage from a savings and loan when he moved to Atlanta in 1961 than he had had in New York City.

"I would hate to think we've slipped," Young said. "It's the kind of thing you want to hope we've moved beyond. If there is serious redlining, it's not good for the city. It poisons the whole city."

At the same time, the mayor said he thought banks were not intentionally avoiding black areas, but might be fearful of risking money anywhere in the city. He said Atlanta bank financing has eluded even white developers of commercial property, such as John Portman.

After a real estate crash in the 1970s, "the banks lost a lot of their bullishness on Atlanta," Young said. "But they've made money hand over fist being conservative. The city's grown — almost despite them."



Public deposits

Where governments put public money

Bank	\$ Public deposits	Share**	% of bank's total deposits
1. C&S Bank	\$593,600,000	52%	9%
2. Bank South	202,132,000	18	10
3. First Atlanta Bank	109,917,000	10	2
4. First American Bank	81,630,000	7	7
5. Trust Company Bank	74,180,000	6	2
6. First Union Bank	61,707,000	5	3
7. Citizens Trust Bank *	22,578,000	2	29
8. Other banks	845,000	0	4

* Black-owned institution

** Share of public deposits

Note: These figures represent federal, state, county and other government deposits.

In 1986, when these figures were gathered, the city of Atlanta rotated its largest account, the general fund, among the five largest banks in the city from year to year. It was deposited in Bank South when these figures were gathered. In 1987 the city began to seek bids for this account, and First American won the first two-year bid. Other city deposits are not bid. The city places federal grant money in the black-owned bank, Citizens Trust, and pension funds in First Union.

Source: Sheshunoff's Banks of Georgia, 1986.

Young said he hoped that city regulation would not be necessary. He said the banks have responded well to his personal pleas for involvement, such as for Underground Atlanta and loans to help finance the Democratic National Convention.

The two men most likely to compete to be the next mayor also stressed negotiation first.

Fulton County Commission Chairman Michael Lomax has received contributions from banks for his 1989 campaign for mayor but also said he was turned down by two banks for a home-improvement loan because he lived in the wrong neighborhood. Lomax opposes linking city deposits to bank lending.

"I've never encouraged that in Fulton County. My preference would be to raise the issue with the banks in a positive way," Lomax said. "It can be a win-win situation. Nobody has to lose for blacks to make their neighborhoods acceptable."

And Jackson, the city's first black mayor and expected to be a candidate again next year, hopes to raise campaign funds from the white business community, or at least to blunt its oppo-

sition. He said pulling money out of the banks is an option, but not the first option.

"I like to try to negotiate things first," Jackson said. "You're talking about conservative institutions. That's not going to change. There are probably banks that are going to be more responsive than others; we have to find those banks and work with them, organize their efforts. To whatever extent we can legally and economically leverage city money, I'm willing to consider that."

Some cities and states have used city deposits to increase lending.

"After you get done impugning each other's motives, and who should do more for whom, and how somebody's a rat and you're not, and you get past that level, ultimately you have to get down to what's practical," said George Stone, first deputy commissioner of Chicago's Department of Housing.

"Taking money out of a bank is practical."

Governments have tried two approaches: the carrot and the stick.

The carrot: Put government deposits in banks to reward them, or set aside city funds as a loss reserve for loans to lower-income homebuyers and small



MICHAEL BARRETT/Special

Former Mayor Maynard Jackson and Mary Webb listen to Annette Wilcoxson (left), president of the

Association of Communities Organized for Reform Now, question bank lending practices.

businesses. Chicago, Iowa, Michigan, Missouri, Ohio and Wyoming have tried such measures.

The stick: Chicago, Washington, D.C., Hartford, Conn., Colorado, Illinois, Massachusetts and West Virginia place government funds only in banks that meet specific standards for lending.

To determine which banks should receive taxpayer deposits, other governments have required banks to disclose where they make business loans, where their depositors live and their lending rules.

Deposits are the raw material of banking, like iron to U.S. Steel. And Atlanta's five largest banks receive more than a billion dollars in public deposits from local, state and federal governments — 6 cents of every dollar in the bank, according to bank annual reports.

Most of the money in Atlanta's \$290 million budget is funneled immediately to investments, mostly at banks. On an average day the city has about \$1.4 million in regular accounts, according to Pat Glisson, city commissioner of finance.

The city used to rotate its 12 larger checking accounts from year to year among what were the city's five largest banks. Beginning January 1987, the city pooled its funds in one account and sought bids from banks. The bank offer-

'I like to try to negotiate things first [before removing deposits from banks]. You're talking about conservative institutions. That's not going to change. There are probably banks that are going to be more responsive than others; we have to find those banks and work with them. To whatever extent we can legally and economically leverage city money, I'm willing to consider that.'

**Former Mayor
Maynard Jackson**

ing the highest return on the city's money got a two-year contract. That was First American Bank. The next bids will be taken this fall.

First American ranked last in the Journal-Constitution's study of lending to comparable white and black middle-income neighborhoods.

Besides the general fund, the city keeps other accounts in the black-owned Citizens Trust Bank and in First Union Bank.

Citizens Trust, too small to compete for the general fund, receives the city's

federal grant money.

First Union, previously First Georgia, handles the city's two pension funds. It was the first Atlanta bank with a black director.

While the city isn't using its deposits as a lever, Jackson suggested that residents could.

"You've got to ask yourself, 'Do I want to continue doing business with that bank?' And the answer is no," Jackson told a recent meeting of the Association of Communities Organized for Reform Now (ACORN). "They're using your money to lend to somebody else."

Months of work, but lending pool still bone-dry

By Bill Dedman
Staff Writer

Imagine a mortgage rate of 6.8 percent in Atlanta.

That's the rate that could be offered to about 250 working-class homebuyers in the city from a \$10 million lending pool formed by Atlanta's largest banks.

Maybe.

Although the pool was proposed by a neighborhood coalition 18 months ago, although plans were drawn up by bankers a year ago, and although negotiations among banks began six months ago, the pool today is dry.

"You've got to know how difficult it is to bring seven or eight lenders together and agree," said Jim Mynatt, a first vice president of Trust Company Bank, which is leading the pool effort. "We have commitments from everybody, but we're working on the details."

The effort suffered a blow in February when Citizens and Southern Bank (C&S), the state's largest bank, pulled out. C&S had been expected to make the largest contribution, more than \$2 million. C&S said it could help neighborhoods more through its own efforts.

Pool leaders declined to discuss many details. However, a copy of "working drafts" was obtained by The Atlanta Journal-Constitution, and several participants discussed negotiations.

Trust Company called the pool meetings last fall after a community alliance filed a redlining claim against the bank's parent, SunTrust Banks. Regulators with the Federal Reserve Board cited the effort to set up the pool as one of their reasons for dismissing the complaint filed by the Atlanta Community Reinvestment Alliance (ACRA).

"The mortgage consortium, I guess, is a response to ACRA's desires," Mynatt said.

At the same time, Trust Company's Willis Johnson suggested that the need for such a pool may have been overstated.

"We hope it will meet some of the needs that have been raised — even if they aren't that awesome," he said.

This pool would be small compared with those in some other cities — three Chicago banks committed \$150 million for special home loans. And it keeps getting smaller.

■ As proposed in 1986 by the alliance, the pool would have included \$10 million a year each from 10 banks for single-family homes, a total of \$100 million. That would fund 2,500 loans at \$40,000 apiece.

■ As modified in March 1987 by Trust Company, the pool would include \$5 million a year from 10 banks, a total of \$50 million or about 1,250 loans.

'The worst thing we could do is to make a loan to a fellow and he not be able to repay it properly. He's lost his down payment and he's lost his dignity.'

— Thomas Boland
Vice chairman
First Atlanta

■ As now being discussed, the pool would include eight banks and a total of \$10 million, or about 250 loans.

■ The original Trust Company proposal also identified multifamily housing as a great need in the city, and included an additional \$5 million a year per bank for loans to non-profit developers of multifamily buildings. However, no multifamily housing is now included.

"We'll learn to walk before we can run," Mynatt said.

■ The original plan also allowed for "creative" underwriting and appraisal, allowing more homebuyers to qualify. This proposal has been hotly debated.

"Unfortunately, my feeling is it isn't going to work unless you lessen the underwriting criteria," said Frank Burke, chairman and chief executive officer of Bank South. "You won't have the applicants."

"There's no doubt you'll get applicants. The question is, will you get applicants who are qualified," said Thomas Boland, vice chairman of First Atlanta. "I wouldn't mind some with lesser underwriting criteria, but the worst thing we could do is to make a loan to a fellow and he not be able to repay it properly. He's lost his down payment and he's lost his dignity."

The original plan called for each bank to take turns handling pool paperwork. Trust Company volunteered to be the first lead bank, handling all paperwork until the job rotated to another. Borrowers would pay only one origination fee, which the referring bank and the lead bank would share.

However, a majority of the lenders preferred creation of a separate company to make the loans, Trust Company officials said. Legal questions about that possibility are being worked out with state officials.

"I can't tell you how fast this will happen," said Johnson, a Trust Company spokesman. "We're not dragging our feet over here."

The largest setback so far was the pullout by C&S.

"We traditionally will do better if we're competing with somebody than if we're holding hands," said Bill VanLandingham, C&S president. "We're looking

at some things that could be done. It's not as if we're not doing things now."

On Tuesday, C&S spokesman Dallas Lee said the bank plans to offer \$5 million in home-purchase loans, about 125 loans, at 1 percentage point below its normal interest rate. The loans would be available south of Interstate 20 inside the Perimeter. Lee said the program has been planned for months, but VanLandingham had not been in a position to announce it earlier.

The banks that were invited to a meeting on the pool last October by Trust Company were C&S, First Atlanta, Bank South, First Union, First American and Citizens Trust. Georgia Federal Bank was added later. Each bank would contribute according to size, as measured by deposits. Others have since agreed to make up the amount lost by the C&S pullout.

The low interest rate would be achieved by a combination of bank and government effort. The banks would offer an interest rate half a percentage point below market rate. The Georgia Residential Finance Authority would push that lower by using a mortgage credit certificate, which provides a homebuyer a federal income tax credit of up to 20 percent of the annual mortgage interest, in addition to the normal interest deduction for homebuyers. Homebuyers could adjust their tax withholding at their place of employment to receive the tax credit up front.

So, if the market rate were 9.5 percent, the pool would offer loans at 9 percent. The tax credit would reduce the effective rate to about 6.8 percent.

"That's dynamite," said David Crum of the residential finance authority.

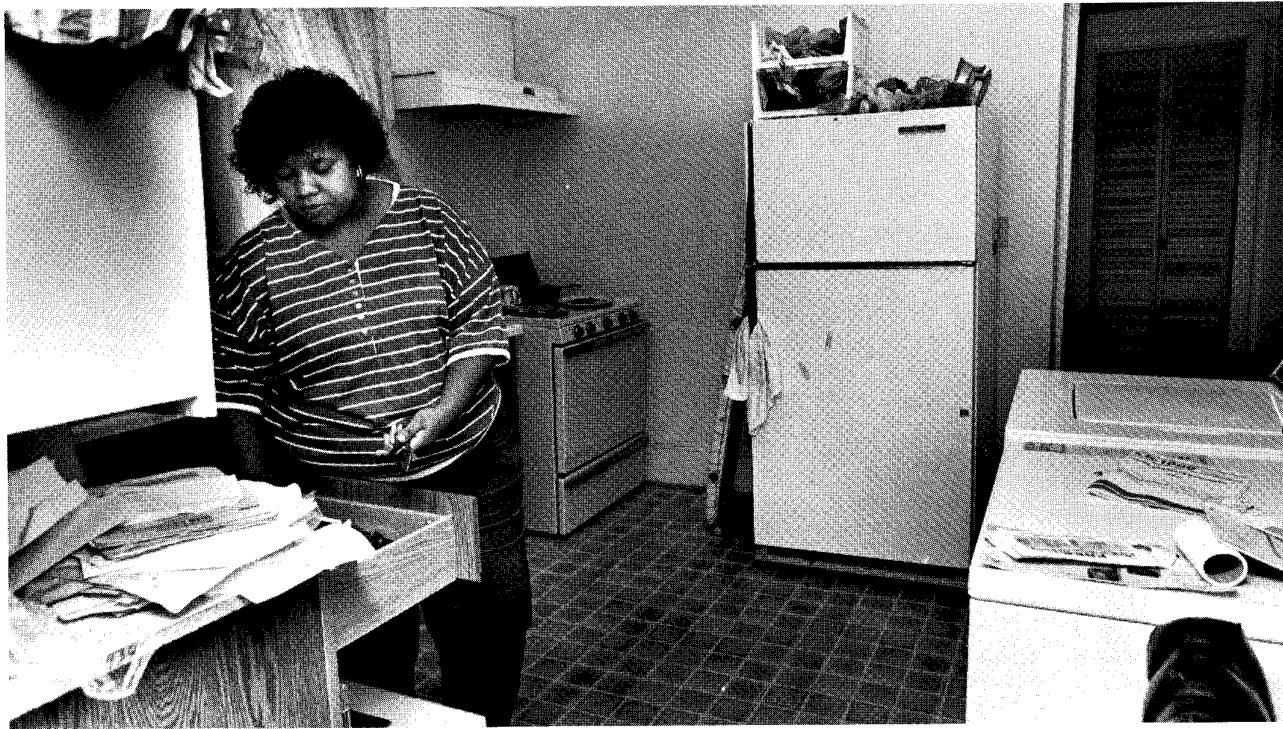
The proposal called for 30-year, fixed-rate loans to homebuyers with household income of \$33,000 or less. The proposal also said borrowers would have to have at least one month's payment set aside, a provision opposed by neighborhood groups. The proposal allowed loans of 97 percent of home value on loans up to \$35,000, and 90 percent on larger loans up to \$50,000.

The pool also would have an effective income minimum.

"You're not going to find much [housing] under \$40,000 in the Atlanta market that can stand up to a 30-year mortgage," Crum said. "People can only afford a home valued at a little more than two times their annual income, so this program would be good for anyone who makes more than about \$18,000."

Some neighborhood advocates are critical of the pool.

"They're throwing us a bone," said Grant Williams, an Atlanta organizer for ACORN, the Association of Communities Organized for Reform Now.



RENEE HANNANS/Staff

Activists like Karen Pleas, of 104 Bisbee Ave., hope to create new housing in Atlanta with non-profit corporations.

Self-help the aim of non-profit housing corporations

By Bill Dedman
Staff Writer

Bankers don't like to be the first to risk money in a neighborhood. They are more comfortable if others are taking a risk there, too.

Housing activists around the country are finding ways to make that risk more palatable.

The most popular way to do this is a combination of 1960s liberalism and 1980s Reaganomics. Called a community development corporation (CDC), a non-profit company uses government money and expertise to support private, non-profit efforts at self-help.

In Atlanta, for example, the successful South Atlanta Land Trust, which is redeveloping a Southside neighborhood, was sponsored by a CDC — in Massachusetts, because Atlanta had none.

Something closer to home may be on the way. The Metropolitan Atlanta Community Development Corp. is being planned by a middle-class white female housing activist and a middle-class black male lawyer.

Lynn Brazen, the housing activist, is an economic development specialist for the Fulton County Department of Planning and Economic Development and a leading banking activist through the Atlanta Community Reinvestment Alliance.

Of 3,000 community development corporations, the Boston Housing Partnership is used by planners as a model. Formed in 1983, it raised \$37 million to fix up 701 housing units and is working on 1,100 others in a second phase.

Sherman Golden, the lawyer, is an assistant director of the same department and chairman of The Progressive Alliance, a leading group of young black professionals and executives in Atlanta.

Together they hope a CDC will:

- Help neighborhoods form housing corporations.
- Become a developer, sponsoring projects itself or with others.
- Invest \$1 million in non-profit and for-profit housing efforts.
- Lend \$50 million for single-family and multifamily housing.

A CDC was proposed in 1986 by Mrs. Brazen's reinvestment coalition, which was negotiating with Trust Company Bank over alleged redlining. The bank called other banks together in February 1987 to hear the proposal, but they rejected it.

The banks said they preferred to work on one of the CDC's goals through

a loan pool for home loans, although the pool has not yet been formed. And they expressed skepticism about contributing to a development agency they did not control, noting dissatisfaction with previous development efforts to which they had contributed.

So Mrs. Brazen and Golden are starting their own CDC.

They hope it can act as an intermediary between local housing efforts and financiers, providing the credentials that can take neighborhood groups years to build.

Of the more than 3,000 CDCs nationally, the planners have chosen as a model the Boston Housing Partnership. Formed in 1983, it raised \$37 million to fix up 701 housing units and is working on 1,100 others in a second phase.

So far Golden and Mrs. Brazen have formed a board with members from the city of Atlanta, Fulton and DeKalb counties, Citizens and Southern Bank, Decatur Federal Savings and Loan, housing developers, neighborhood and advocacy groups, and experts in law, insurance, real estate and finance.

Now they need money.

"What we have so far is a clear commitment from the local interest groups and the governments," Golden said. "What is not clear is the level of commitment from the banks and the foundations.

That is the hurdle."

How study of Atlanta home loans was conducted

The Atlanta Journal-Constitution study of lending patterns tracked home-purchase and home-improvement loans made by every bank, savings and loan association, and large credit union in metro Atlanta from 1981 through 1986.

The newspapers used the federal Freedom of Information Act to obtain the information on computer tape from the federal government, which compiles it from lenders' reports. These institutions are required to report the location of each loan by census tract under the federal Home Mortgage Disclosure Act. The reports were compiled by the Federal Financial Institutions Examination Council, a federal agency.

The newspaper matched the lending data with demographic data from the 1980 U.S. census, updated with 1987 information from the Atlanta Regional Commission.

The study also analyzed federal reports prepared for bank examiners, real estate sales records, market studies and other data, and included interviews with bankers, homebuyers, regulators, real estate agents, appraisers, housing specialists, legal experts and neighborhood leaders.

The study was controlled to ensure that each census tract in the study was homogeneous with regard to race, and that only tracts of similar income were compared.

Regarding race, a neighborhood was not considered to be white or non-white unless 80 percent of its residents were in that group; all other areas were considered integrated.

Regarding income, the 332 census tracts in the metro area were separated into income groups, based on each tract's median household income as compared with the metropolitan area's median income. These groups were (1) tracts with median incomes above 122 percent of the area median, which were excluded because no non-white tracts had income above that level; (2) tracts below 70 percent of the area median, which were excluded because many of these households would not be able to afford homeownership; and (3) the remaining "middle-income" tracts, which were further separated into three groups of "lower-middle," "middle-middle" and "upper-middle" tracts. (The metro area's median income at the time of the 1980 census was \$18,355.)

In addition, certain neighborhoods were excluded to ensure comparability and so that any statistical bias actually would underestimate the differences between lending to white and black areas.

For example, an area that experienced a great deal of new construction naturally would receive more home-

The newspapers used the Freedom of Information Act to obtain lender reports compiled by the Federal Financial Institutions Examination Council and matched the data with demographic data from the 1980 census, updated with 1987 information from the Atlanta Regional Commission. The study included interviews with bankers, homebuyers, regulators, real estate agents, appraisers, housing specialists, legal experts and neighborhood leaders.

purchase loans than a stable neighborhood. Because most high-growth areas in metro Atlanta are predominantly white, including them would have overstated the discrepancy between lending to whites and blacks. Overall, Fulton and DeKalb counties, where all the predominantly black census tracts in the metro area are located, grew by 12 percent in single-family housing from the 1980 census to 1987, according to the Atlanta Regional Commission. To be conservative, any census tract in the metro area that grew by 10 percent or more during that time was excluded from the study.

The study also excluded six tracts that had shown a loss in single-family housing (most of them around Hartsfield International Airport); 22 tracts with fewer than 500 owner-occupied housing units to begin with; and, because their rates of growth or decline could not be determined, 33 tracts outside the seven-county Atlanta Regional Commission area.

After these deletions, the study focused on 64 middle-income tracts: 39 white, 14 black and 11 integrated.

All lending comparisons were based on an estimate from census data of the number of one- to four-family structures eligible for mortgages in each census tract. This estimate was achieved by adding the number of households in free-standing single-family homes or condominiums, half the number of households in duplexes, and the number of households in three- and four-unit structures divided by 3.5.

The Home Mortgage Disclosure Act data that form the basis of the study have limitations.

First, the law requires financial institutions to disclose to the public only the location of actual borrowers. No figures on the number of applicants or the percentage approved are available by race or location. Information about rejection rates of blacks and whites is available to federal regulators, but not to the public.

The Journal-Constitution asked each institution to volunteer informa-

tion about applicants. Only two, Georgia Federal Bank and Fulton Federal Savings and Loan, the two largest savings institutions in the state, provided the information.

Second, the study could not include every home loan in the metro area, because not all lenders are required by federal law to report their loans. Only banks, savings and loans, and large credit unions are covered by the law.

Therefore the figures leave out loans made by separate mortgage companies owned by banks, unaffiliated mortgage companies, life insurance companies and individuals, which altogether make more than half the home-purchase loans. Congress recently expanded the law to require reporting, beginning with this year's loans, by these bank-owned mortgage companies.

Because most banks did not supply these data from subsidiaries and because banks traditionally lend less money on real estate than savings and loans, institutions were not ranked by their volume of lending to minority and lower-income neighborhoods. One ranking was based on comparisons of lending to black and white neighborhoods of comparable income, and the other on the portion of a bank's loans that go to black or lower-income neighborhoods.

To offset the lack of data on applications and on the subsidiary companies, the Journal-Constitution analyzed real estate records for 23 neighborhoods, including 16 of the 64 middle-income neighborhoods, for 1986. These records, compiled by Real Estate Data Inc. and made available by the DeKalb Board of Realtors, identify the seller, buyer, lender, type of loan, loan amount and other information.

In each case these real estate records showed at least as great a disparity between white and black lending as the federal loan data.

Although the study could not include all home loans, it did include 82,610 home-purchase loans and 26,721 home-improvement loans for a total of \$6,241,374,000 in lending by banks and savings over six years.

Follow-up and reaction

Sunday, May 1 ☆ Opinion Page ☆ Atlanta Journal-Constitution

Redlining: An economic war waged on black communities

Atlanta's black neighborhoods are under attack, and under attack from some unlikely sources: the city's most reputable banks and savings and loans. Their artillery is called "redlining." And on the homes and businesses they hit, the effects are devastating.

The economic war on black communities must stop, for no other reason than because it is wrong, and that it drains economic lifeblood from communities that desperately need it.

An in-depth series on redlining begins in today's Journal-Constitution and runs through Wednesday. It ought to spark discussion of ways we can cease the bombing of Atlanta's black communities.

The series is the result of analyzing \$6.2 billion loaned by Atlanta's major banks and savings and loans over a six-year period. The facts were gleaned from federal banking records, which were obtained through the Freedom of Information Act. The facts are indisputable: Major banks and savings and loans make few loans and mortgages in black neighborhoods, regardless of income. Overall, banks and savings and loans lend to whites five times as often as to blacks of the same income.

The careful research of staff writer Bill Dedman, who compiled and wrote the series, isolates and explains away factors other than race that could account for banks' uneven lending patterns. Lower income could explain why banks

write fewer loans to blacks, but it doesn't: When blacks and whites of similar income are paired, blacks still fare far worse in getting loans.

A bad credit standing also could account for the lending disparity, but fails to: Blacks' creditworthiness is no worse than whites'.

Creditworthiness, income, and other factors Dedman examines could account for lending disparities, but they don't. When those explanations fall to the facts, just one factor remains standing: the color of neighborhoods.

And the economic bombing persists even though blacks deposit some \$765 million a year into banks, much of it into the same institutions doing the redlining. Few of those deposits are making their way back into black communities in the form of home loans. So black neighborhoods are left with fewer funds to improve and increase the value of their homes; and more homes in need of roofs, an exterior paint job, a new porch.

Redlining hits blacks not just in depressed home values and lost profits from sales. Worse is a nefarious transfer of blacks' bank deposits to "safer" loans in other communities. That hemorrhage of black deposits drains the economic lifeblood from black communities — and transfers much of it to white neighborhoods.

A city that's truly too busy to hate will find ways to stop the economic war that's being waged on black communities. Hopefully, our series will spark discussion of ways to do so.

Wednesday, May 4 ☆ Editorial Page ☆ The Atlanta Constitution

If it's not redlining, prove it

The chairman of a local bank has already said it best: "Those numbers are damning," said Frank Burke of Bank South. "Those numbers are mind-boggling."

The numbers Burke was referring to came from

an exhaustive study by The Atlanta Journal-Constitution of home-purchase and home-improvement practices of local banks and savings-and-loan institutions. A series by reporter Bill Dedman showed a disheart-

REDLINING Continued on page 38

Redlining

From Page 37

ening gap in the number of loans received by white residents and black residents from the city's major banks and savings and loans. Not only do the financial institutions shun low-income minority neighborhoods; they neglect affluent black areas. Whites receive five times as many home loans as blacks *of the same income*.

The study was careful to compare neighborhoods of similar homes, rates of growth and levels of income. Still, the figures are astonishing. Financial institutions return about 9 cents of each dollar deposited by blacks in home loans to black areas. They return 15 cents of each dollar deposited by whites in home loans to white areas.

Only two of the 88 institutions studied agreed to disclose their racial figures on home loan applications. While blacks made proportionately fewer applications for those loans, they were also rejected four times as often as whites by the two banks.

Banks shouldn't lend money to poor risks, should they? No. But that doesn't appear to be the problem in affluent black neighborhoods. Citizens Trust Bank, a black financial institution, makes the majority of its home loans in black areas. And it has had a lower default rate on real estate loans than the city's six largest banks.

The effect of racially uneven practices is devastating. Home ownership is the main vehicle by which

American families accumulate wealth. The practices of the city's major financial institutions result in a myriad of financial setbacks for blacks: 1) They must go to unregulated mortgage companies, which often charge higher interest rates. 2) They cannot easily get the money to improve their property, so some neighborhoods decline. 3) The tendency of white appraisers to undervalue property in black areas — whether of modest income or high — means that those black homeowners cannot accumulate much equity. That helps explain why the net worth of the typical American white family is 12 times greater than that of the average black family.

If residents of affluent black areas have trouble securing real estate loans, then those in low-income neighborhoods have much more. While the banks shouldn't make bad loans, they do have an "affirmative" obligation, under the Community Reinvestment Act, to help meet the credit needs of their local communities, including low-and moderate-income neighborhoods. Think how much the inner city could contribute to the metro area if it could repair its aging housing stock (adding to the tax base), make homeowners of renters and turn those apartments over to those now homeless.

The problem isn't hard to fix. The chief executive officers (CEOs) of the major banks and savings and loans can call in their loan officers and say they want a drastic increase in their home-improvement and home-purchase loans in black areas. The CEOs can reopen branches in black neighborhoods. They can insist their loan originators court real estate agents who work in black areas. If racism isn't the motive of the current disparities, then CEOs have it in their power to show quickly that it isn't.

Monday, May 9 ★ Editorial Page ★ The Atlanta Constitution

Banks can fix racial disparities

In the wake of Atlanta Journal and Constitution reports showing that Atlanta's banks are making, proportionally, far fewer home and business loans in black parts of the city than in comparable white ones, black state legislators have called for a meeting with Georgia's banking commissioner. In addition, City Council President Marvin Arrington is forming a special committee of politicians, bankers and citizens to look at bank practices.

These are appropriate moves, but let's not lose sight of the one thing that counts most: what the bankers do on their own.

The bankers have said racism is not behind the clear disparity in their performances in the black and white communities, and there is no specific reason for doubting their word on that.

If the inequities just slipped into practice, bit by bit, without anyone wanting that or noticing, then they can be fixed literally within days.

The heads of the banks can order their managers

to instruct loan officers to pay close heed to their showing in black neighborhoods — and expect to have their prospects for raises and promotions judged in part by whether they succeed in closing the racial gap.

The heads of the banks can order branches established in black neighborhoods where there are none now.

The heads of the banks can order their loan originators to go out and hustle business from realtors in black neighborhoods just as they hustle business in white ones.

This is not, happily, a problem that is difficult to solve, nor one the bankers have to fix at any expense to themselves. Indeed, the plea is for them to make more money, not less. They are not being asked to make loans of unusual risk, only to make the same loans to black homeowners and homebuyers that they make to white. They are being asked to open

branches only where they can make money with them.

Nor is any elaborate oversight necessary to see if they are performing. After all, the same figures the Journal and Constitution used in compiling its recent reports are available annually. There is a data base

for comparison next year.

The product from this matter should not be meetings, committees and protests, though some such may be justified. The product should be change, and the banks can't hide from their own statistics.

Tuesday, May 3 ☆ Editorial Page ☆ The Atlanta Constitution



Saturday, May 7 ☆ Editorial Page ☆ The Atlanta Journal-Constitution



May 5

Panel appointed to probe banks' lending policies

By Bill Dedman

Staff Writer

Black leaders moved on several fronts Wednesday in response to disclosures of unequal lending patterns by Atlanta banks and savings and loans.

The actions came after a series of articles this week in The Atlanta Journal-Constitution. The series, "The Color of Money," described how Atlanta banks and savings and loans rarely lend money to home buyers and home owners in black or integrated neighborhoods.

Among the developments:

■ At a special meeting, the Atlanta City Council formed an "action committee" of politicians, bankers and citizens to investigate the lending practices of Atlanta financial institutions. Council President Marvin Arrington said the committee should "come back with some hard recommendations" in 20 days.

■ The Fulton County Commission unanimously approved a law prohibiting discrimination in the sale, rental or finance of housing. The fair housing ordinance had been held last week; several commissioners said the Journal-Constitution articles spurred the reversal.

■ Earl Shinhoster, the Southern regional director of the NAACP, said in an interview that black depositors should withdraw funds from white-owned banks "if lending policies and practices do not change substantially."

■ Bank executives said at the City Council meeting that they do not quarrel with the figures in the Journal-Constitution report but emphasized that they do not intentionally discriminate.

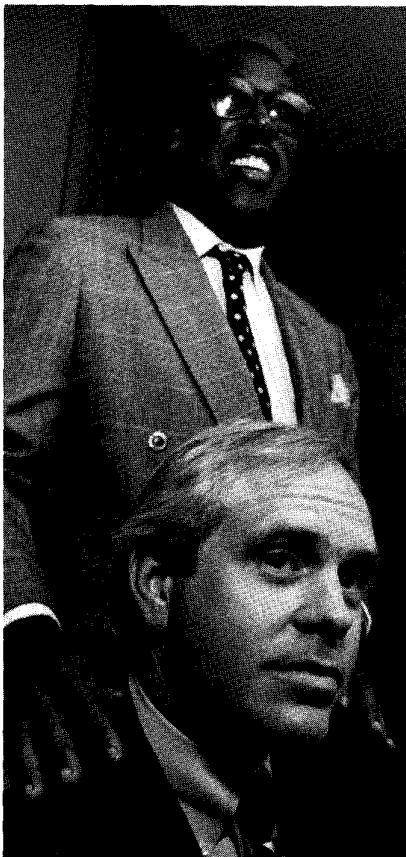
■ City Councilman Bill Campbell urged the city and other local governments to reconsider where they deposit taxpayer money.

■ Fulton County Commissioner Gordon Joyner said local governments should consider asking the U.S. Justice Department to investigate lending practices in Atlanta.

■ Fulton Commission Chairman Michael Lomax called on banks to take "affirmative action" to improve lending records and to publicly apologize to the black community and the city.

■ City Councilman Victor Maslia, a white bank officer, said banks should release figures on applications by blacks and whites so the full story can be told. Just two of 88 institutions would divulge those figures to the Journal-Constitution.

■ State Sen. Arthur Langford, chairman of the Senate Consumer Affairs Committee, said in an interview that his



ANDY SHARP/Staff

City Council President Marvin Arrington (standing) and Lee Sessions, C&S executive vice president, at special meeting on bank-lending practices.

committee would call hearings and seek "clear-cut, definite solutions" if banks and savings and loans did not change lending practices.

■ U.S. Rep. John Lewis said in an interview that he planned to call on members of congressional banking committees to strengthen the Community Reinvestment Act, which says banks have "an affirmative obligation" to lend to all parts of their communities.

The special City Council meeting had been scheduled as a quiet discussion over lunch. But the small meeting room at the Westin Peachtree Plaza Hotel was packed with more than 60 politicians, lenders, journalists and citizens.

"We're not here to beat up on anybody, but to find some solutions to some problems," Arrington said. "I want to hear from some of our banking friends and people at the savings and loans if we have a problem, if what we read in

the paper was true, and how do we respond to it."

Several times when Arrington called for responses from bankers there were no volunteers. However, three bankers did suggest that lending disparities do exist.

"I think anytime that there's a perception of a problem, that there must be a problem," said Lee Sessions, executive vice president of Citizens and Southern Bank. "I think obviously there's a perception of a problem, and we need to address it. I think there might be a wrong impression, though, that the financial community has been idle. In the past three years, we've tried to put out in the low-income census areas of Atlanta some \$39 million in mortgages. That may not be enough ... but we're trying."

On Tuesday, C&S spokesman Dallas Lee said the bank planned to offer \$5 million in home purchase loans, about 125 loans, at 1 percentage point below its normal interest rate. The loans would be available south of Interstate 20 inside the Perimeter. Lee said the loan program was not in response to the newspaper series but had been planned for months.

Wade Mitchell, executive vice president of Trust Company Bank, said: "I think it's obvious that there are problems. All you've got to do is drive through neighborhoods that are not developing and see that the problems exist. I think the financial institutions recognize that and are trying to do something about it."

"I don't take any quarrel with the numbers in [the Journal-Constitution] report," Mitchell said. "Even if they were plus or minus 20 percent, the thrust would be in the same direction. I do take exception, if I'm reading properly between the lines of the report, that the condition exists as it does today because of active racism, bank policy. I think that that is irresponsible, unfair, and it also is untrue. There are no policies that call for redlining and certainly no policies that restrict the race to which any bank that I know anything about can lend money."

I. Owen Funderburg, chairman and chief executive officer of the black-owned Citizens Trust Bank, said: "I think it's institutionalized racism. We have to find an approach to break with that tradition."

Funderburg said after the meeting that "a couple dozen" new accounts have been opened at his bank this week by former depositors at white-owned banks.

May 7

State banking chief urges lending law

By Bill Dedman

Staff Writer

Georgia legislators should approve a law requiring banks and savings and loans to lend in all segments of their communities, the state banking commissioner said Friday.

"The state is going to have to do more," said Commissioner Jack Dunn. "I don't think there's any question we're going to have to pass a community reinvestment law in the state. I've talked to a number of the legislators. Without any question, we'll do that."

Dunn was responding to articles this week in The Atlanta Journal-Constitution. The articles described how deposit-gathering institutions rarely make home loans in black or integrated areas, and rarely make Small Business Administration loans to minority-and women-owned businesses in metro Atlanta.

Also Friday, 40 protesters marched through the downtown lobby of Trust Company Bank, shouting, chanting and praying to protest bank lending practices. Most were members of the Association of Communities Organized for Reform Now (ACORN).

"If you got any money in here, get it out," Martina Barnes shouted into a megaphone. The 72-year-old black retired schoolteacher jabbed her cane in the air as she led a chorus of "We Shall Not Be Moved."

The demonstrators marched in the front door, through the teller lobby, back to the front hall and out.

They demanded a federal investigation by bank regulators of lending practices in Atlanta, a 90-day freeze on acquisitions or mergers by Atlanta banks, specific lending goals for minority and working-class neighborhoods, and public hearings in the neighborhoods. Several protesters also handed out brochures for the "Justice for Janitors" campaign for higher wages.

The bank protesters picked Trust Company "because it seems to symbolize the Atlanta banks," said ACORN organizer Grant Williams.

Trust Company employees watched the procession in stony silence. Executive Vice President Wade T. Mitchell had no comment.

At the Capitol, the comments by Commissioner Dunn came after several black legislators requested to meet with him. Dunn said the meeting would be arranged next week.

Dunn also said his office would try again in the next legislative session to gain authority to regulate mortgage

companies. He cited the case of James Fletcher, whose experience was described in Sunday's Journal-Constitution. Fletcher went to a mortgage company for a \$5,000 loan, but his 27 percent interest rate added up to a bill for \$30,700.

"The word is unconscionable," Dunn said. "I think the free market should be allowed to set interest rates. But at some level — 27 percent is above that level — you have to look at whether it's unconscionable."

The prospect of a state version of the federal Community Reinvestment Act was received coolly by industry spokesmen.

"I think it's redundant," said Joe Brannen, executive vice president of the Georgia Bankers Association. "We already have the provision that applies to every bank at the federal level, and there's no need to do it at the state level."

"I think there are probably ample

rules and regulations on the books that take care of this problem," said Grady Perry Jr., president of the Georgia League of Savings Institutions.

Both spokesmen said financial institutions were pained by the Journal-Constitution articles.

"They are concerned about the image that this projects," Perry said. "I think some of the institutions are not aware of opportunities to make money in these areas that appear to be underserved."

"I think it gives banks a chance to tell the whole story about what they do in the community," Brannen said. "I think the articles were fair, because you reported our numbers. But I think it was a little unclear: To conclude that the banks are racist is not true."

The Georgia Bankers Association is holding its annual convention this weekend in San Diego. Brannen said he didn't think the lending articles would be discussed.

May 5

Fulton approves fair-housing law

By Gary Hendricks

Staff Writer

The Fulton County Commission unanimously approved a fair housing ordinance Wednesday, spurred by a series of Atlanta Journal-Constitution articles on how Atlanta banks and savings and loan institutions rarely make home loans in black or integrated neighborhoods.

In an all-day session, the first since the conviction of suspended Commissioner A. Reginald Eaves on federal extortion charges, the commission also:

■ Adopted legislation toughening its ethics code with financial disclosure requirements and

■ Appointed Michael G. Cooper, 34, as the county's contract compliance-affirmative action officer.

In a 6-0 vote, the commissioners passed the first local ordinance in the state on fair housing.

State Rep. Billy McKinney (D-Atlanta) and Atlanta City Council member Hosea Williams appeared before the commission to urge adoption of the ordinance, citing this week's newspaper articles on banking industry loan practices.

"I just can't tell you what a signifi-

cant day this is," said the ordinance's author, Commissioner Gordon Joyner. He credited the newspaper articles with helping gain passage of the ordinance.

He said the articles helped educate the public on fair housing problems, which also include blockbusting, unfair appraising practices and attempts to hide available housing from minorities.

The ordinance prohibits discrimination based on race, color, religion or national origin in the sale or rental of housing, making the county attorney and county manager the enforcement officers. It has a section prohibiting lending institutions from refusing to grant loans to minorities on the basis of race.

The Georgia Legislature earlier enacted a fair housing law sponsored by Rep. Lorenzo Benn (D-Atlanta). Both laws track federal regulations.

Last week, at a specially called commission meeting, the ordinance was held because of internal politics on the commission. Joyner has been accused of political haymaking by fellow commissioners, and several said they delayed action to teach him a lesson about how to deal with his colleagues.

May 10

Atlanta NAACP calls for boycott, probe of banks

By Bill Dedman

Staff Writer

The Atlanta chapter of the NAACP called Monday for a boycott and federal investigation of white-owned Atlanta banks and savings and loans.

The statement, accusing the financial institutions of "wicked practices," was issued by chapter President Julian Bond and Executive Secretary Narvis Grier. They said it was prompted by disclosures last week in The Atlanta Journal-Constitution that these lenders rarely make home loans in black or integrated neighborhoods, whatever the income.

Officials at Atlanta's largest banks responded by urging calm, denying any intentional discrimination and promising improved efforts to serve black communities.

"The Atlanta Branch NAACP deplores the redlining of black Atlanta by local banks and savings and loan associations," the statement said. "We call upon local, state and federal officials to move swiftly and surely to prohibit racist banking practices in the future and ask that public funds be withdrawn from any institution whose services deliberately exclude whole sections of the public solely because of their race."

"We intend to ask each financial institution to make a public, enforceable covenant that it will end racial lending and will begin an aggressive drive to serve all of the public."

"Until there is some satisfactory resolution of this crisis, we ask our members and supporters to withdraw their funds from banks which practice discrimination, and to invest them instead in institutions which serve everyone equally."

"These wicked practices exposed skillfully by The Atlanta Journal-Constitution should be condemned by everyone. Their effect is nothing less than the purposeful destruction of black Atlanta, the tightening of the white noose around the center city, and a cheapening of the hopes and dreams of generations of hard-working citizens. It must end."

Bank officials urged black customers not to overreact.

"I would hope that the bank customers would pause and think about that," said C&S spokesman Dallas Lee. "The feeling among many bankers is one of missed opportunities, so these customers are going to be seeing more aggressive competition for their business in the near future. C&S intends to compete for more market share in all Atlanta neighborhoods."

"It's going to move beyond business as usual, and I think that will be clear very shortly."

At Trust Company Bank, officials said the NAACP statement should not apply to them.

"Our position is that we do not discriminate in the extension of credit on the basis of race," said Wade T. Mitch-

ell, executive vice president. "The development of the city and neighborhoods and society in general may reflect a different result, but I can assure you there is no discrimination on the basis of race. We are not a bank that discriminates. All you've got to do is come into our main office and sit and watch for about 30 minutes."

May 16 ★ Newsweek

The Return of 'Redlining'

An Atlanta bank exposé revives a tindery issue

The Sunday, May 1, edition of The Atlanta Journal and Constitution led off with a shocker. It was the beginning of a series of articles accusing Atlanta's banks of discriminating against blacks. According to the painstaking analysis of computer data provided by the banks themselves, lenders were five times more likely to give mortgage and home-improvement loans to whites than to blacks. The paper quoted an Atlanta mayoral candidate, Fulton County Commission chairman Michael Lomax, who had to approach three banks before he was able to get a \$115,000 home-improvement loan. Lomax asked, "If I, a powerful black elected official, can't get a loan, what black person can?"

The series hit Atlantans hard. Atlanta City Council president Marvin Arrington recalls that when he read the first article on Sunday, "I sat there with my head in my hands, with tears running out of my eyes." The news was especially jarring since Atlanta has built an image as a bastion of good race relations and opportunity for blacks. The timing couldn't be worse. Atlanta hopes to showcase its achievements during the Democratic convention there in July. The series also underlined the fact that "redlining"—denying loans in ethnic neighborhoods—is alive and well, and not just in Atlanta. Similar investigative methods used for the articles have turned up inequities in Chicago, Washington, D.C., Denver and Baltimore. A hot topic in the 1960s and '70s, the issue of redlining had largely died down thanks to federal action and bank efforts to promote minority interests. Despite that progress, a pat-

tern of discrimination persists—a subtle, institutional discrimination that shuts the teller's window on blacks.

Bankers generally deny that racial redlining exists. They say the problems are economic. "Banks are not worried about color of skin," says George Stone, first deputy commissioner of the Chicago Department of Housing. "They're worried about capacity to pay back loans." Still, some lenders concede the result is unfair—and damaging. Lee Sessions, executive vice president of C&S bank, said, "Anything that is perceived as a problem is a problem."

Few defaults: The next step is Atlanta's to take: the city has pledged to work with banks to develop better investment in the predominantly black south side of town. If that doesn't work, boycotts could result. City leaders say lawsuits could be in the works and that Atlanta might even pull funds from banks with bad investment records. Arrington hopes that won't be necessary. "We're not here to beat up on anybody," he said at a meeting with bankers. "We're looking for solutions."

It's unclear how much even well-intentioned institutions will be willing to do. Mortgages in some poor urban areas actually have low default rates. But they yield less profit and often require government subsidies to make them work. Still, banks have absorbed much bigger losses on supposedly high-profit ventures like loans to the Third World and to the oil patch. In comparison, equal-opportunity lending looks like a smart investment.

JOHN SCHWARTZ with FRANK S. WASHINGTON
in Atlanta

May 13

Banks to lend \$65 million at low interest

By Bill Dedman

Staff Writer

Atlanta's largest banks say they will lend \$65 million — at interest rates as low as prime rate — for home purchases and home improvements, particularly on the metro area's black Southside.

In addition, two banks said they will keep Southside branches open on Saturdays, accept loan applications there, solicit more real estate agents in black and integrated areas, begin offering government-backed loan programs, and advertise on media outlets with large black audiences.

Also, at least two banks plan to "adopt" Southside neighborhoods, making innovative \$200-a-month grants to police officers who choose to live in these neighborhoods and offering financial counseling for homebuyers.

The programs, announced this morning, are the first specific bank responses to disclosures of unequal patterns in home lending to whites and blacks. The 5-to-1 ratio of home loans in middle-income neighborhoods was described in "The Color of Money," a series of articles last week in The Atlanta Journal-Constitution.

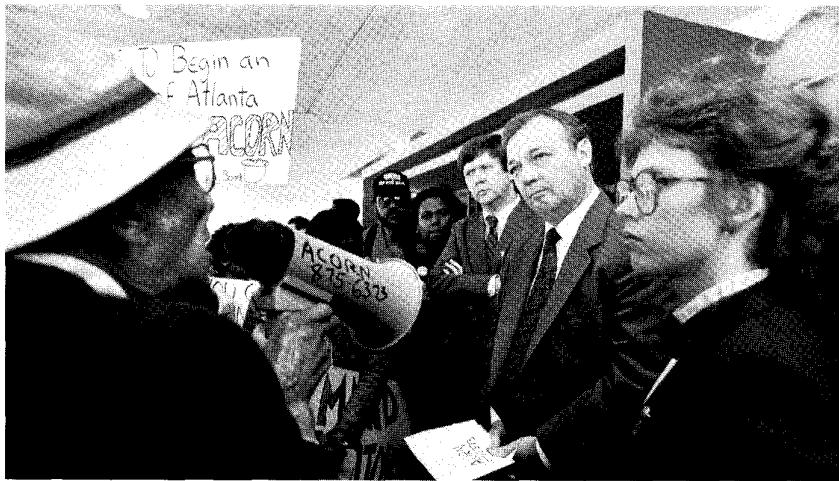
Black leaders have claimed the loan patterns were caused by intentional discrimination, but bankers said their announcement today was not an admission.

"No, it's not an admission of any racism. I think it was a recognition of what was actually happening in the lending," said Bill VanLandingham, president of Citizens and Southern Bank (C&S).

"This economic issue has been made to appear that it is a racial issue and the story has gone all over the nation with the implication that this form of discrimination is taking place in Atlanta," said Raymond Riddle, president of First Atlanta. "Race relations in our city not only set the standard for the South, but for the United States and the entire free world. So, in these matters, Atlanta is like Caesar's wife — it must be above suspicion."

Bankers said the programs are intended to help low-income and middle-income families, with the increased access to services intended to help families of all incomes. Political, neighborhood and civil rights leaders called the programs a good start, but said more is needed to increase access to credit for minorities.

"Something good has begun to emerge from the bad," said City Council



LOUIE FAVORITE/Staff

J.C. Fagin uses bullhorn in redlining protest outside Federal Home Loan Bank annual stockholders meeting Thursday; listening are Federal Home Loan bankers Robert Warwick (third from right) and Tom Zimmerman.

President Marvin Arrington. "It is a start."

The programs:

- A \$20 million loan pool from nine banks and savings institutions, with low interest rates and relaxed credit requirements in targeted working-class neighborhoods. All lenders in the metro area had been invited to participate, and others may add to the pool later.

- A \$25 million commitment for low-interest loans from C&S — \$10 million for home-purchase loans and \$15 million for home-improvement loans. The loans will be offered at low interest rates and low closing costs to families with incomes of \$35,000 or less who live in any area.

- A similar \$10 million commitment from First Atlanta Bank, for families with incomes of \$30,000 or less in specific working-class neighborhoods.

- A \$10 million program from Trust Company Bank, with low-interest loans in targeted neighborhoods.

The programs, which could offer more than 1,000 loans, were announced at a joint press conference at First Atlanta with city and county leaders.

"Everyone in this room wants to put this issue behind us in a constructive way, and that's what we're doing here today," said Riddle of First Atlanta.

"What you are seeing today is the Atlanta tradition at work," said Fulton County Commission Chairman Michael Lomax. "Black and white, public and private, this problem has been transformed into an opportunity. What's

been done here today is an important first step." He said the pool should be expanded for multifamily housing.

Arrington said he also wants more lenders to join the pool, wants loans for minority businesses, and wants surety bonds for contractors. He said long-term solutions will be addressed by a city committee he appointed today. The Fair Lending Practices Action Committee includes 24 bankers, citizens and public officials.

The Rev. Joseph Lowery, president of the Southern Christian Leadership Conference, said, "It's a good first step. It's by no means enough. We are also going to talk to them about employment practices, at least tripling the number of blacks on their boards. Some of them don't have anybody. We need black loan officers with power to make decisions on these loans."

The Rev. Craig Taylor, a non-profit housing developer and community leader on the Southside, said, "In terms of anti-redlining efforts around the country, \$65 million is a fairly substantial commitment. But these banks have probably written off 10 times that much in bad South American debt."

The \$20 million loan pool, called the Atlanta Mortgage Consortium, is an expansion of a \$10 million pool that lenders have discussed for nearly a year. The effort was led by Trust Company Bank after the bank was accused of redlining in a legal challenge filed by a coalition of neighborhood groups, the Atlanta Community Reinvestment Alliance.

Banks act swiftly to close lending gap in black areas

Hold the tough talk, NAACP. Cancel your boycott, Concerned Black Clergy. Atlanta banks and savings and loans know how to make friends and keep friends.

With money. Lots of it.

The banks have agreed, as a first step in narrowing the lending gap uncovered in our series, "The Color of Money," to offer southside Atlanta \$65 million in loans for home improvements and home purchases.

For possibly the first time, the banks will offer mortgages for 97 percent of the purchase price of a southside house — and without private insurance. They will accept gift money — anathema to banks — as down payments. They will cut interest rates and forgo discount points. In short, they'll bend backward to demonstrate good faith to black communities — and to begin narrowing the lending gap uncovered by staff writer Bill Dedman.

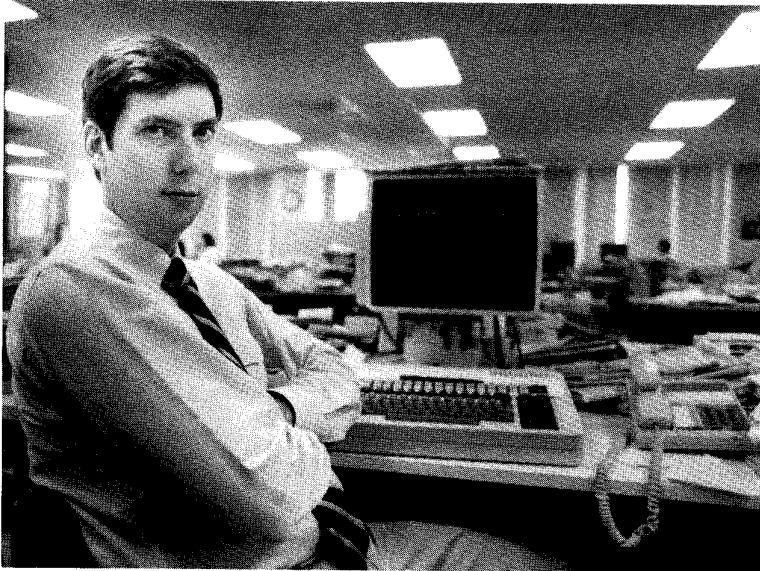
The question is whether \$65 million will close the gap. With blacks depositing some \$765 million into Atlanta banks, we doubt it. The goal of banks should be to reinvest in black communities at the

rate they reinvest in white communities. Our series showed that in black communities the rate of reinvestment is just \$9 of every \$100 deposited in banks; in white communities it is \$13 of every \$100 deposited. The goal should be to equalize that rate of reinvestment.

To do so, the banks may have to commit funds over and above this initial \$65 million. Subsequent lending commitments probably won't be — probably can't be — more 97-percent, uninsured mortgages. But home-improvement loans granted on the ability to repay — not on home equity — can help narrow the gap. Georgia Federal unveiled such a loan recently. Writing more 90- to 95-percent mortgages with private insurance might also help narrow the gap. Whatever tack the banks eventually use, the goal should be to equalize levels of reinvestment in black, white and integrated communities.

The banks still have a distance to go. But with the \$65 million lending commitment last week, they've moved swiftly and admirably in the right direction. We're inclined to believe they've done so not just to avoid political heat, but to show their good will and good citizenship with all of Atlanta.





Bill Dedman researched and wrote series on home loans.

The people who worked on this series

"The Color of Money" was researched and written over a period of five months by Journal-Constitution staff writer Bill Dedman. A native of Chattanooga, Tenn., Dedman, 27, joined the Journal-Constitution in 1987.

The project was supervised by Hyde Post, assistant city editor for special projects, and copyedited by Sharon Bailey. Dwight Morris, assistant managing editor for special projects, supervised the analysis of lending data.

The statistical analysis used methodology largely developed by Calvin Bradford and Charles Finn of the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota. These researchers together have nearly 20 years of experience in the field of community economic development. Research assistance was provided by Stan Fitterman, a graduate student in city planning at Georgia Tech.

The Journal-Constitution also adapted some methods and ranking systems used by researchers at Johns Hopkins University and Temple University.