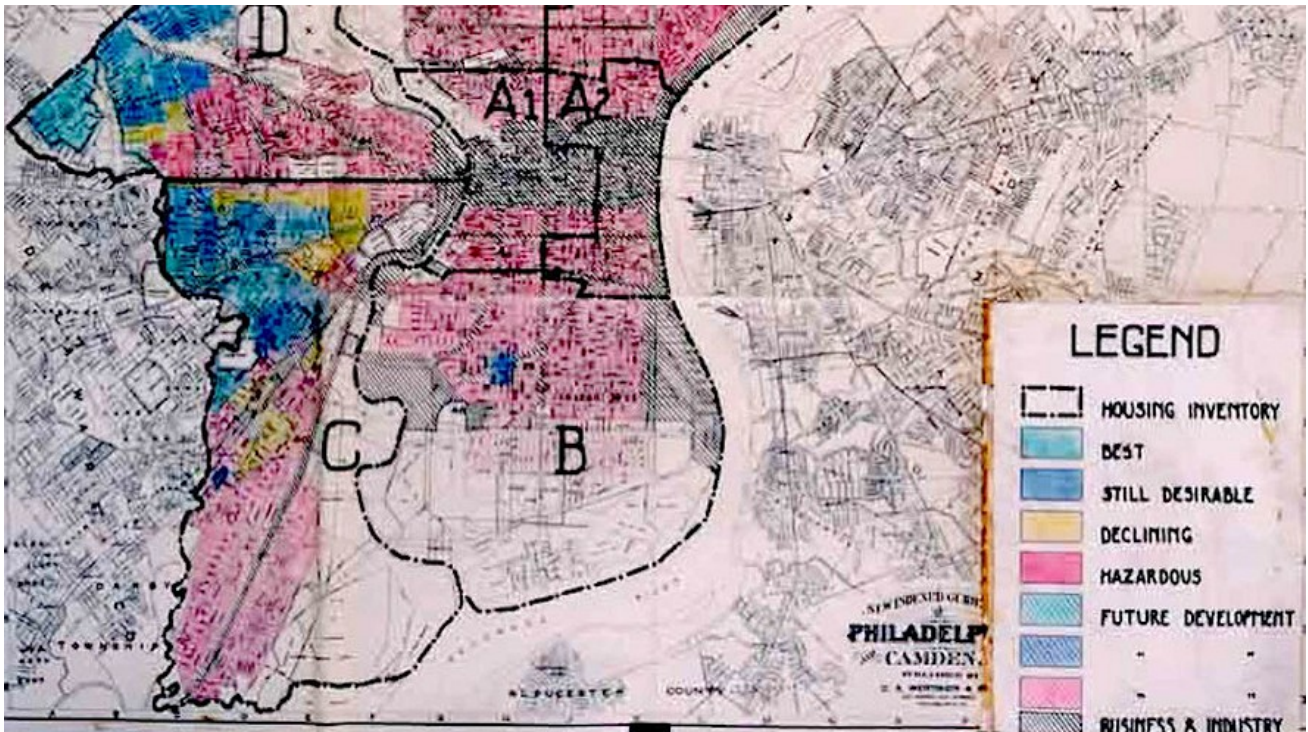


Redlining is not a thing of the past

By Washington Post, adapted by Newsela staff on 05.08.17

Word Count **691**

Level **970L**



A 1936 Home Owner's Loan Corporation map of Philadelphia, Pennsylvania. The neighborhoods in red are labeled "hazardous" and the neighborhoods in blue are labeled "best." Photo from Wikimedia

Whenever most people want to buy a new car or home, they likely have to deal with a bank. Banks can loan people money to help pay for expensive things. Banks make money by charging interest, a fee people pay until they have paid back the loan amount in full.

Before they hand over money, though, banks often turn into detectives. They study the person they're lending to, making sure that person will be able to pay back the money. They have the power to approve or disapprove people for a loan, but how they make that decision is not always fair.

"Crushing Effects On Poor People"

One example comes from a process called "redlining." In the 1930s, banks used red lines on maps of American communities to symbolize which ones had less money.

But the red lines had crushing effects on poor people, particularly anyone who wasn't white.

At the time, the government sponsored a program called the Home Owner's Loan Corporation. It first drafted maps of American communities to sort through which ones should get mortgage loans. In a mortgage loan, banks lend people money to help them pay for a house.

In the maps, neighborhoods were ranked and given special colors. The D-rated ones — avoided for their "inharmonious" racial groups — were typically outlined in red.

Redlining Is Illegal, But It Still Exists

During this era, homeownership was expanding rapidly in the U.S. This government practice of redlining was swiftly adopted by private banks, too. And the visual language of the maps became a verb: To redline a community was to cut it off from essential money and resources.

The federal government eventually stopped the practice. It was outlawed by the Fair Housing Act in 1968. However, for black communities, it can still exist in somewhat hidden forms.

Banks have tactics that have targeted these same neighborhoods for predatory lending. That's when banks push someone into taking a loan they cannot pay.

There are also new patterns like "retail redlining." That is when companies and governments don't build grocery stores or restaurants in areas that have a certain ethnic or racial group.

Some other kinds of modern-day redlining, though, still look an awful lot like the redlining of the 1930s.

Associated Bank Makes Amends

The Department of Housing and Urban Development (HUD) is part of the government. It is in charge of providing affordable homes for all. In May 2015, HUD punished Associated Bank, the largest bank headquartered in Wisconsin. The government claims that from 2008-2010, the bank discriminated against black and Hispanic borrowers in Wisconsin, Illinois and Minnesota.

The bank denies wrongdoing. Still, HUD itself is declaring victory. They call it "one of the largest redlining complaints" ever brought by the federal government against a mortgage lender.

HUD concluded that Associated Bank unfairly denied loans to people who qualified for them. This took place in largely minority neighborhoods in Chicago, Milwaukee and Minneapolis. Now, Associated Bank has agreed to a long list of actions to make amends over the next three years. It must provide nearly \$200 million in home loans in areas the bank neglected within these cities. The bank must pay nearly \$10 million in assistance to borrowers. It must also open four new offices in minority neighborhoods in Chicago and Milwaukee, and invest \$1.4 million in advertising to these communities to make it known that these loans are available.

Most of all, this case is about one thing: offering equal access to families that look just as eligible on paper as white homeowners nearby.

Harder To Become A Homeowner

It is still a reality that redlining makes homeownership very difficult for many families in these communities today. And that's regardless of how the big banks behave now.

The effects of redlining can ripple for decades. If your family was denied a mortgage in the 1930s, or the 1950s, or the 1970s, then you may not have the means to become a homeowner today. For example, a family's hardship means they were less likely to save up money. That means they can't pass down wealth to the next generation, who may need help buying a home.

Quiz

- 1 Which detail BEST supports the article's CENTRAL idea?
- (A) Associated Bank is the largest bank headquartered in Wisconsin.
 - (B) Associated Bank will invest \$1.4 million in advertising.
 - (C) Banks loan money to people so they can buy a house.
 - (D) The next generation needs the wealth of past generations.
- 2 Which statement would be MOST important to include in a summary of the article?
- (A) The Department of Housing and Urban Development recently punished a big bank.
 - (B) Even though redlining is illegal, some banks still do not treat everyone fairly.
 - (C) There are largely minority neighborhoods in Chicago, Milwaukee and Minneapolis.
 - (D) It is easier to buy a home if your parents and grandparents own homes.
- 3 What is the MOST likely reason why the author included information about Associated Bank?
- (A) to show that versions of redlining still take place today
 - (B) to show that it is a bad bank in Wisconsin
 - (C) to show that people still need bank loans to buy a house
 - (D) to show that it is important to advertise bank loans
- 4 In the introduction [paragraphs 1-2], HOW are bank loans introduced?
- (A) with an example to show how they work
 - (B) with a definition of the problem of redlining
 - (C) with a strong argument against unfair loans
 - (D) with a detailed explanation of what they are

Answer Key

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