

MARYLAND ADVISORY COMMITTEE
TO THE
UNITED STATES COMMISSION ON CIVIL RIGHTS

PUBLIC HEARING

on

MORTGAGE LENDING AND EMPLOYMENT OPPORTUNITY IN
BALTIMORE SAVINGS AND LOAN INSTITUTIONS

Room 1208
G. H. Fallon Federal Building
31 Hopkins Plaza
Baltimore, Maryland
Wednesday, 1 October 1975

The public hearing was convened at 10:00 a.m.

BEFORE:

MARJORIE K. SMITH, Chairperson, Maryland Advisory
Committee

BERT BOOTH, Chairperson, Housing Task Force, Maryland
Advisory Committee

~~PRESENT~~

MARY LOKER, WILLIAM J. THOMPSON, and CHESTER WICKWIRE,
Members, Maryland Advisory Committee

Present:

ROBERT JEFFERS, VICTORIA SQUIER, NATALIE PROCTOR ~~and~~
EILEEN SIEDMAN, Commission Staff

EDWARD DARDEN, ~~Field Representative, Maryland Advisory~~
~~Committee~~

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P R O C E E D I N G S

SMITH: Good morning, ladies and gentlemen.

This public hearing of the Maryland Advisory Committee to the U. S. Commission on Civil Rights will come to order.

I am Marjorie K. Smith, of Baltimore, and I Chair the Maryland Advisory Committee to the U. S. Commission on Civil Rights.

The members of the Advisory Committee who will participate in this hearing are -- starting at your left, at the end of the table, Mary Loker, Bill Thompson, Bert Booth, Chester Wickwire, and myself.

Other members of the Advisory Committee who will not participate in this hearing are Rudolph Cane, Daniel Nitzberg, Lane Berk, Calvin Burnett, Jacqueline Fassett, John H. Murphy III, R. Taylor McLean, Janet Patrick and Lucille Metheny.

Commission staff appearing with us today are Robert Jeffers, who will act as counsel of the Committee, and who is sitting to your left of Mrs. Booth, Victoria Squier at the far left, Natalie Proctor and Eileen Siedman of the Regional Office of the Commission.

On my left is Ed Darden, who is Field Representative to the Maryland Advisory Committee.

I now turn the meeting over to Bert Booth, who

1 Chairs the Housing Task Force of this Committee.

2 BOOTH: Good morning.

3 This hearing is being held pursuant to rules
4 applicable to State Advisory Committees and other requirements
5 which are promulgated by the U. S. Commission on Civil
6 Rights.

7 The Commission on Civil Rights is an independent
8 agency of the United States established by Congress in 1957
9 and authorized by the Civil Rights Act since then in 1957,
10 1960 and 1964.

11 It's charged to investigate complaints alleging
12 that citizens are being deprived of their right to vote by
13 reason of their race, color, religion, national origin or
14 sex; to study and collect information concerning legal
15 developments which constitute a denial of equal protection
16 of the laws under the Constitution; to appraise Federal
17 laws and policies with respect to equal protection; to serve
18 as a national clearinghouse for civil rights information; and
19 to investigate allegations of vote fraud.

20 I'd like to emphasize now that this is an informal
21 hearing and not an adversary proceeding. Individuals have
22 been invited to come and to share with the Committee informa-
23 tion relating to home mortgage lending practices of savings
24 and loan institutions in Baltimore. Each person who will
25 participate has voluntarily agreed to meet with the Committee.

1 Every effort has been made to invite people who are knowledge-
2 able about the problems and progress in the area that we're
3 dealing with today.

4 In an effort to get a well-balanced picture, we've
5 invited savings and loan officials, public officials, repre-
6 sentatives of community organizations and concerned citizens.

7 Since this is a public hearing, of course the
8 press, radio and television stations, as well as individual
9 citizens are welcome to attend.

10 Any person discussing a matter with the Committee,
11 however, may specifically request, if he wishes, that he or
12 she not be televised. And in that case we will comply with
13 those wishes.

14 We are very concerned that we obtain all of the
15 information relating to this matter that we're working on.
16 We are also concerned, however, that no individual be the
17 victim of slander or libelous statements. As a precaution
18 against this each person making a statement today or tomorrow,
19 or answering questions, has been interviewed prior to the
20 meeting. However, if such a situation should develop -- and
21 we think it most unlikely -- but if it should, it may be
22 necessary for us to call this to the attention of the person
23 speaking, and ask that he or she desist from the statement.

24 If the testimony the person is offering, however,
25 is important to the Committee's findings, it may be necessary

1 for us to hear the information in a closed session. In that
2 case, the person against whom the allegations are being made
3 will have an opportunity to make a statement in closed session
4 before the Committee if he desires.

5 In any event, before the report of this Committee
6 is published every effort will be made to get complete docu-
7 mentation of the facts.

8 This hearing has evolved from the 1970 hearings
9 held in Baltimore County by the U. S. Commission on Civil
10 Rights. These were hearings devoted to the question of
11 suburban access. As a result of those, the State Advisory
12 Committee was charged to follow up the findings.

13 The Housing Task Force has concerned itself, or
14 did concern itself initially, with County housing problems
15 and policies. However, we soon realized that housing oppor-
16 tunities in the City were of crucial importance to the whole
17 picture in the whole area. Thus we came to focus about two
18 years ago on the availability of housing and home ownership
19 in the City and what factors influenced that.

20 Our purpose in the next two days is to determine
21 what, if any, changes are needed to bring about better
22 service to minority neighborhoods and women in home mortgage
23 lending. We're also concerned with the need to increase
24 opportunities of participation by minority persons and women
25 in all employment categories of Baltimore savings and loans

1 institutions.

2 We hope by obtaining information directly from all
3 those involved or concerned that we shall be able to recommend
4 action which will ensure equal opportunity for everyone.

5 At the conclusion of today's testimony anyone
6 wishing to appear in open session who has not previously been
7 contacted by us should notify Eileen Siedman, who is a member
8 of our staff -- and Miss Siedman is sitting on the back row;
9 she just raised her hand -- and we can include you in some
10 way.

11 Now, we have on the Federal books a new law which
12 I must brief you on before we begin. So this is our next
13 procedure.

14 This is a new enactment called the Privacy Act,
15 which became effective on September 27 of this year, so it's
16 a brand new act. Pursuant to this, the United States
17 Commission on Civil Rights and the State Advisory Committees
18 are required to inform the public and individuals from whom
19 it collects information of their statutory authority to
20 collect this information.

21 The Commission's authority to do so is set out
22 in 42 United States Code Section 1975d. The Advisory
23 Committees' authority is set out in 42 United States Code
24 Section 1975d(c).

25 Any information collected by this Advisory

1 Committee from any individuals prior to this hearing was
2 given voluntarily. All individuals participating in this
3 hearing have volunteered to do so, and any information this
4 Advisory Committee collects from you during the course of
5 this hearing will be voluntarily supplied by you.

6 The Advisory Committee will not impose any
7 sanctions on any individual who chooses not to answer a
8 particular question or to divulge certain information.

9 The Advisory Committee's principal purpose for
10 collecting information relating to the savings and loan
11 industry is to obtain enough information for the Committee
12 to prepare a report to the United States Commission on Civil
13 Rights regarding the employment and home mortgage lending
14 practices of savings and loan institutions in Baltimore,
15 Maryland.

16 Information obtained during the course of this
17 hearing will also be used for other purposes, as set out in
18 the United States Commission on Civil Rights' Notice in the
19 Federal Register, pursuant to the Privacy Act concerning
20 its State Advisory Committees' project files.

21 Copies of the U. S. Commission on Civil Rights'
22 statement on the relationship of the Privacy Act of 1974 to
23 information collected by the Commission and its Advisory
24 Committees are available to all participants and to members
25 of the audience. They are located on the table at the back

1 of the room, and if you'd like to you certainly may pick one
2 up.

3 Also on the table in the back of the room are
4 copies of other reports which have been made and published
5 by the United States Commission on Civil Rights at various
6 times. These are also there for your information if you'd
7 like to take some with you too.

8 Our first participant this morning is John
9 McCauley, who is the Deputy Commissioner for the Baltimore
10 Department of Housing and Community Development.

11 Good morning.

12 MC CAULEY: Good morning.

13 BOOTH: Mr. McCauley is going to extend greetings
14 to us on behalf of the Mayor, and open our hearing with a
15 brief description of housing problems and progress in the
16 City.

17 MC CAULEY: Thank you.

18 Well, I don't know if it'll be that extensive,
19 but we'll do what we can.

20 Miss Smith, Miss Booth, members of the Maryland
21 Advisory Committee to the U. S. Commission on Civil Rights:

22 I'm here representing Mayor Schaefer, who has
23 asked me to extend his greetings to you, and welcome, this
24 first day of your hearings.

25 We understand that you'll be gathering information

1 concerning the mortgage lending and employment practices of
2 the savings and loan institutions. We understand the need
3 for such information gathering hearings as you're undertaking
4 here, and I'm sure the Mayor is going to read very carefully
5 the published record when it's completed.

6 It is also important, we think, in a City like
7 Baltimore, that we understand and that all citizens have a
8 good understanding and confidence in the essential fairness
9 of its many institutions. This is particularly important
10 with respect to savings and loan institutions.

11 Of course, as we know, the City and specific
12 neighborhoods in the City are very much affected by mortgage
13 lending practices and policies, and, indeed, the mortgage
14 lending institution has the power to seriously retard the
15 development and stability of neighborhoods.

16 We look forward to what is developed in that area.

17 We note that you have a very extensive agenda
18 that includes many people, knowledgeable people, from the
19 City and other places, who will, I'm sure, have a lot of
20 interesting and productive things to say about the purpose
21 of your meeting here this morning.

22 On behalf of the Mayor let me say that if there's
23 any assistance the City can provide while you're in Baltimore
24 City, please let us know, and we hope that your meeting is
25 productive, and we do look forward to seeing your final

1 reports.

2 I think with that I'll close, and if there's
3 anything I could answer for the Committee I'll be glad to
4 do so.

5 BOOTH: Any questions?

6 (No response.)

7 BOOTH: Maybe we'll reserve the right to come back
8 to you later.

9 MC CAULEY: Okay. I intend to attend the meeting
10 every chance I get.

11 BOOTH: Thank you.

12 The next people we've asked to testify are repre-
13 sentatives from the Citizens Planning and Housing Association.

14 Is Mr. Dave Gillece here?

15 GILLECE: I am, but Al De Salvo is not.

16 BOOTH: Do you want to wait for him?

17 GILLECE: He'll be here in a few minutes.

18 BOOTH: Okay. We can wait for him.

19 Is Jim Vitarello here?

20 (No response.)

21 BOOTH: How about Mr. Hecht?

22 (No response.)

23 BOOTH: Well, I think we're going to have to take
24 a ten-minute break, or so, and wait until some of our people
25 show up. So we'll break until 10:30, and then resume.

1 (Recess.)

2 BOOTH: May we reconvene?

3 We now will hear from Albert De Salvo, who is
4 the Executive Director of the Citizens Planning and Housing
5 Association, and David Gillece.

6 JEFFERS: Before we start asking you some questions,
7 I just want to emphasize on behalf of the Committee that
8 this is not an adversary hearing, but that we're simply
9 taking a broad look at the problems of employment and lending
10 practices in Baltimore savings and loan industry. And so
11 we want to emphasize the fact that we're going to request
12 all of our participants to not name any individuals or any
13 specific institutions, simply because we only want the broad
14 picture and we want to look at the problem, and not any
15 individuals or institutions.

16 So with that, we'll begin the questioning.

17 Bill, I want to turn those over to you. We got
18 their names and addresses already.

19 THOMPSON: Okay. Fine.

20 Would you please give us the goals and objectives
21 of your organization?

22 DE SALVO: Yes. The Citizens Planning and
23 Housing Association is a private, non-profit 501(c)3
24 citizens organization with offices in Baltimore City and
25 Baltimore County.

1 CPHA has been in existence for 34 years. We have
2 a membership of about 2800 people and institutions and
3 businesses, including about 150 businesses and over 200
4 City and County improvement associations.

5 CPHA exists basically to support informed citizen
6 action, particularly in the areas of planning, housing and
7 zoning.

8 THOMPSON: Please describe some of CPHA's studies
9 which contain information about some mortgage loans. Now,
10 first we'd like to ask you to describe the changing patterns
11 in the home mortgage loan market, and present the reasons
12 for these changes, during the period January 1972 through
13 June 1975.

14 Secondly, would you please describe the pressures
15 which affected the market?

16 DE SALVO: Okay, I'd like to -- if you could just
17 hang on a second, let me talk to Dave about that and see
18 how we want to best make our presentation.

19 (Pause.)

20 I was wondering if the Committee or the Commission
21 would be interested in hearing an initial presentation by
22 us on some general comments and a statement we have for the
23 Commission prior to the questions, which may help put some
24 of the questions in perspective?

25 Would you like to proceed that way, or just ask

1 the questions directly?

2 BOOTH: No, I think that's fine.

3 THOMPSON: That's fine. Would you please do that?

4 DE SALVO: Fine. I would indicate, prior to our
5 discussion with you, that we have a statement but it's not
6 ready for distribution in terms of giving everybody a copy.
7 So we'll discuss our findings in the statement, and the
8 statement will be ready for distribution in a few days, after
9 it's typed and properly run off.

10 It would indicate that for nearly two years now
11 the Citizens Planning and Housing Association has been keenly
12 interested in the effect of mortgage lending practices and
13 patterns on the vitality of the area.

14 The CPHA mortgage monitoring project commenced in
15 February of '74 has produced quarterly evaluations of invest-
16 ment performance levels of local lending institutions. CPHA
17 experience with this study, as well as our continued interest
18 in the issue of urban investment and its effects on our
19 community have left us with certain rather firm impressions
20 that we trust may be of some interest to the Commission.

21 I'd like to pause here before getting into the
22 specifics to indicate that we are not going to address
23 ourselves -- and we cannot address ourselves -- to the
24 subject matter that was sent in a letter of September 24th
25 indicating the interest in equal opportunities for minorities

1 and women. That's something I think other groups might
2 address themselves to. We want to deal with the lending
3 practices, specifically.

4 Mortgage investment priority surfaced as a major
5 issue in 1974, and the issue peaked in early '74 as State
6 legislation in Maryland to increase the usury limit to 10
7 percent brought certain demands from City legislators. The
8 City's claim, at its simplest, argued that an increased
9 usury limit was unacceptable without some guarantee that
10 significant amounts of mortgage dollars would be channeled
11 into Baltimore City.

12 In an exchange for the authority to place
13 mortgages at an increased rate, the lending institutions
14 pledged \$45 million in mortgages for Baltimore City. I think
15 that we felt the actual dollar amount of that commitment
16 was hardly as significant as the fact that an actual
17 articulated commitment to City homes and City residents had
18 been made by lending institutions.

19 A commitment such as this one, it was hoped,
20 would be a very significant first step in wiping out the
21 specters of redlining and urban disinvestment which haunted
22 so many of our City's older neighborhoods.

23 In addition to the financial commitment that I
24 indicated, the lending institutions made promises which
25 could be even more important to the mortgage market in

1 Baltimore City; that is, many of the restrictive practices
2 applied by the institutions would be dropped, such as the
3 age of the house, the width of the house -- a major factor,
4 of course, in Baltimore City's row-house market -- the size,
5 and that kind of thing. In the past many lenders would not
6 place loans on homes more than 20 years old, a practice which
7 obviously excluded a majority of Baltimore City, and the
8 working and middle-class areas of Baltimore County, particular-
9 ly in the southeast and southwest.

10 In February CPHA appeared before the Maryland
11 House Economic Matters Committee and testified in favor of
12 the increase in the ceiling on home mortgages from eight
13 percent to ten percent. Our organization took this move with
14 rather extreme reluctance, only after intensive study showed
15 that it would be impossible for moderate and middle-income
16 home buyers to either sell or to purchase a new home in
17 Baltimore City or Baltimore County.

18 CPHA's statistics showed that in the last quarter
19 of 1973 the conventional mortgages declined to 30 percent of
20 the City market, and, more importantly, cash sales and
21 private mortgages increased to 55 percent of the market in
22 Baltimore City.

23 CPHA's testimony before the House Economic Matters
24 Committee stated in part -- and I quote:

25 "The clear impression we have received from

1 our study is that the present eight-percent ceiling
2 is denying mortgage opportunities to all but the most
3 wealthy of our citizens. The increase of cash and
4 private mortgages denies participation to all but
5 the wealthy or the investment purchaser."

6 The facts on Baltimore County were equally
7 startling. CPHA found that conventional mortgages had declined
8 from 80 percent of the market to 67 percent across the
9 County, and that in most working-class or middle-class areas
10 that the decline was rather sharper.

11 For these reasons, CPHA endorsed the temporary
12 increase in the mortgage ceiling and committed itself to
13 monitor mortgages in order to test the commitment of the banks
14 and savings and loans.

15 I would also indicate that CPHA has been very
16 active in researching and in testifying in favor of Senate
17 Bill Number 1281 that just recently was passed by the United
18 States Senate and reported favorably out of Senator William
19 Proxmire's committee.

20 I'd like to turn the rest of the presentation
21 over to CPHA's Deputy Director, David Gillece, who will talk
22 more specifically about the effects of mortgage lending
23 practices, as we have seen them, over the last couple of
24 years in Baltimore City, and he will also give you an
25 indication as to where we see our organization going from

1 here on out with the mortgage program.

2 GILLECE: Thank you.

3 As Al mentioned, starting in approximately February
4 of 1974, CPHA initiated what we call a mortgage monitoring
5 project.. I'm going to try not to get into the specific
6 details, specific banks that we have analyzed in that project,
7 but rather I would like to give you an indication of some
8 general impressions that we have gained as to what's happening
9 in terms of mortgages, what happens in terms of how to look
10 at mortgages, and certain cautions in that regard.

11 I'd like to make four basic overviews:

12 One, that the issue of mortgage lending practices
13 is a very complex one, and as such, it defies facile explana-
14 tions and conclusions. Such, unfortunately, is particularly
15 the case in dealing with discriminatory practices in the
16 industry.

17 The most fundamental difficulty surfaces because
18 of the lack of available data with which to adequately
19 analyze lending practices. And I'd like to give you the
20 example of the CPHA project.

21 The CPHA was able to obtain enough data to compare
22 mortgage lending totals in Baltimore City with those in
23 Baltimore County. The reason our project broke down that
24 way was, quite simply, because that's the form that the data
25 is available in today in Baltimore City, primarily because of

1 the publication of the LUSK reports in this area, something
2 that doesn't exist on a nationwide basis. Those LUSK reports
3 merely are broken down into City and County reports. In the
4 County there is some differentiation in terms of an election
5 district breakdown, which we similarly used indicating, as
6 Al mentioned earlier, certain discrepancies within Baltimore
7 County, particularly in working-class areas.

8 After comparing those totals we quickly learned
9 that there were many limitations to such an approach. While
10 Baltimore County obviously garnered approximately twice as
11 many mortgage dollars as did Baltimore City, we soon
12 discovered that certain working-class areas of Baltimore
13 County were experiencing the same disinvestment syndrome that
14 plagued many of the City's older neighborhoods.

15 When certain improvements became obvious in the
16 City's mortgage profile during the third quarter of 1974, we
17 quickly realized that such improvements were not spread
18 evenly across the City, as some neighborhoods continued to
19 attract virtually no conventional mortgage dollars. Other
20 limitations surfaced as well.

21 Were savings and loan institutions offering
22 mortgages under less favorable terms in one locale than in
23 another? What we mean here is that the mere existence of
24 conventional mortgages in a given neighborhood or in a given
25 geographical area does not mean that there are equal lending

1 practices going on. There are subtle ways of discrimination.

2 The terms of the mortgage can be worse. For
3 example, you can require a higher down payment, you can
4 shorten the term of the loan, you can charge a higher
5 interest rate or, in the case where points are allowable,
6 higher points might be charged in older neighborhoods than
7 they are in newer suburban neighborhoods.

8 Were applicants being rejected for mortgages on
9 other than legitimate grounds? We had no way of finding that
10 out.

11 Where were the investments of individual institu-
12 tions going? To Baltimore, to Baltimore County, Columbia,
13 to Ocean City, or out of the State? Once again, we had no
14 way of quantifying that material, because our available data
15 was limited to LUSK reports, which merely gave us totals
16 for Baltimore City and Baltimore County.

17 Unfortunately, these are but a few of the factors
18 that must be weighed if one is to make any competent
19 appraisal of the issues of mortgage lending practices and its
20 effect on city neighborhoods.

21 Our second overview is the fact that, though the
22 issue undoubtedly remains a complex one, our experience has
23 made it clear that citizen and governmental action can
24 produce favorable results. Locally, little pressure has been
25 exerted on lending institutions until the winter of 1973 and

1 the spring of 1974, during which time the lending industry
2 was lobbying heavily for the passage of legislation that
3 would raise the State usury limit from 8 to 10 percent.

4 During negotiations over that issue, the City of
5 Baltimore obtained a pledge from the lending industry that
6 it would place \$45 million of mortgages in Baltimore City
7 during 1974.

8 Cognizant of the importance of that pledge, CPHA
9 announced that it would undertake a monitoring project where-
10 by that \$45 million commitment might be evaluated. Inciden-
11 tally, the \$45 million figure was attained.

12 More interesting, however, was the change in
13 lending profiles experienced by several of the lending
14 institutions of the Baltimore area during that period.

15 In 1974, the ten largest savings and loan
16 associations in the area placed 720 mortgages in the City
17 of Baltimore. In 1974, those same institutions placed
18 1276 mortgages, or some 177 percent of the previous year's
19 total.

20 The performance of the three largest S&L's, who
21 incidentally underwent the greatest scrutiny during the
22 press coverage of this issue of the \$45 million commitment,
23 the performance of these S&L's was particularly improved.
24 Loyola Federal Savings & Loan placed some 235 loans in the
25 City in 1974, compared to an average of 29 per year in the

1 period 1970 through 1973. Baltimore Federal Savings & Loan
2 led all S&L's in 1974 --

3 BOOTH: Excuse me. Would you just not mention the
4 institutions by name?

5 GILLECE: Okay, fine.

6 The second largest savings and loan led all S&L's
7 in 1974 with some 588 city mortgages, compared to an average
8 annual output of 65 for the preceding four years. And the
9 third largest S&L placed 66 city mortgages in 1974, compared
10 to a total -- a total of 76 mortgages for the entire four
11 preceding years.

12 The point quite clearly here is 1974 was the first
13 time that there was any citizen or governmental pressure on the
14 savings and loan institutions in the City of Baltimore to
15 properly service this area. What we evidenced during that
16 year was dramatic gains in the commitments of those S&L's,
17 particularly those large S&L's I just indicated.

18 Other encouraging signs surfaced as well.

19 I think I can mention the name here, because I'm
20 sure it will be mentioned later anyway. Baltimore Federal
21 Savings & Loan announced its Dedicated Dollar Program, in
22 which individual savers can earmark their savings dollars
23 for mortgage investment in specific neighborhoods. This
24 program has obtained national attention as being one of the
25 most creative affirmative marketing devices of any savings

1 and loan in the nation.

2 Positive programs such as this one are welcome
3 departures from the "free gift" philosophy of savings account
4 incentives that we had to live with in the past.

5 A third general overview is that garnering
6 additional mortgage dollars for heretofore neglected areas
7 is in many respects an educational problem. I'd like to deal
8 with that in several areas.

9 It has taken a great educational effort on the part
10 of many persons and many organizations to destroy the myth
11 that older housing and city housing are bad risks. Supporters
12 of lending policies that exclude certain areas for mortgage
13 dollars have claimed in the past that good business, combined
14 with fiduciary trust to their depositors, have dictated such
15 practices. All too often, however, such practices have meant
16 the deterioration of otherwise stable neighborhoods.

17 The renaissance of many of Baltimore's older
18 neighborhoods have helped dispel that myth, as has the growing
19 evidence of viable, integrated urban communities within the
20 City of Baltimore.

21 Additionally, sales data for the City of Baltimore
22 has revealed a steady appreciation of City property values,
23 the average sales price of city housing having risen from
24 \$12,400 in 1972, to \$13,700 in 1973, to \$16,400 in 1974. It
25 is of paramount importance that these new realities be conveyed

1 to the area lenders.

2 Mortgage loans in the City of Baltimore reflect
3 not merely good-faith gestures on the part of the lenders
4 chartered to do business in the area, but rather the sound
5 business practices that in no way breach that fiduciary trust.

6 Additionally, on that educational issue, we might
7 add that mere disclosure of lending on a geographic basis
8 may reveal that the aggregate impact of lending policies by
9 institutions that are to this point unaware of the actual
10 patterns formed by their loans. Redlining and disinvestment
11 may be as much a result of oversight as of any conscious
12 effort to avoid a specific area. That might sound a little
13 confusing, so let me explain it to you if I might.

14 A given savings & loan, it has become my impression
15 from working in this area, may not know whether they have made
16 a mortgage in Waverly, in Harlem Park or in Guilford over the
17 past three years. They might know how many loans they have
18 made, they might know if they made them in Baltimore City
19 or not, but very often they do not know in what specific
20 geographic areas loans have or have not been made.

21 What I am suggesting, therefore, is that redlining
22 might not be the issue of the black-hat guy drawing the red
23 line around a particular neighborhood, but rather the
24 aggregate result of individual policies, of individual
25 decisions on individual houses.

1 Disclosure of mortgage loans, as CPHA has been
2 undertaking will be required if the Bill recently passed out
3 of Senate successfully makes its way through the House, will
4 at least reveal to lenders the pattern of their lending
5 practices. Armed with that information, I would then suggest,
6 affirmative marketing campaigns can be much more easily
7 induced upon the lenders, once they realize exactly what the
8 aggregate impact of their lending policies is on a community.
9 And I suggest that the lenders are not aware of the aggregate
10 impact of their lending policies.

11 The fourth general area of overview is that, as
12 we've indicated, it is a complex problem and that citizen
13 action can work, and that educational programs are necessary,
14 it remains tolerably clear to us that certain problems remain
15 unresolved. And I'd like to turn to some specific data that
16 CPHA has uncovered during the course of its mortgage monitor-
17 ing reports.

18 Using some comparative figures for Baltimore City
19 and Baltimore County developed over the period of 1974, first
20 of all we note in Baltimore County mortgage bankers -- that
21 is, the mortgage bankers that deal primarily in FHA and VA
22 insured loans, account for some 18 percent of the total
23 mortgage market in Baltimore County.

24 Commercial banks and savings & loans in Baltimore
25 County account for some 82 percent of all mortgage transactions.

1 The comparable figures for Baltimore City:

2 Mortgage bankers account for 27 percent; commercial
3 banks and savings & loans for 73 percent.

4 It would take a long time to get into exactly what
5 that data means, but I might refresh your memory with certain
6 of the problems that have surfaced within the past six
7 months concerning commercial bankers and the fast-foreclosure
8 problems that have been occurring all over the country.

9 Those fast-foreclosure problems-- and I think Fr. Quayle
10 will probably talk more about this -- are occurring primarily
11 in the mortgage banking industry. It is a general thesis that
12 it is preferable for the community to have as high a percent-
13 age of commercial bank and savings & loan investments in the
14 area as opposed to mortgage bankers, or going even further
15 down the line to private or cash sales.

16 Cash sales in the City of Baltimore, even though
17 we've seen some improvement, cash sales continue to account
18 for 30 percent of all housing transactions within this City.
19 Cash sales, once again, I think we can make the assumption
20 that few home owners -- that is, few average citizens who
21 are buying a home -- are able to pay for that home in cash.
22 A higher frequency of cash sales necessarily means that there
23 is a higher frequency of investment properties being
24 purchased in a particular geographic area.

25 A third indicator is conventional mortgages.

1 Conventional mortgages in the City of Baltimore account for
2 34.1 percent of the total of all transactions. The comparative
3 figure for Baltimore County is 59.1 percent.

4 I might add as an aside that I'm doing these
5 City-County comparisons rather reluctantly, and I'd remind
6 you that that is because of the limitation of data that I
7 spoke about before. Baltimore County shares many of the same
8 problems of Baltimore City, and it can't be dealt with as
9 an homogeneous political jurisdiction. But I think the
10 comparisons of the totals are valuable and valid, and that
11 you see at least the comparison to an outlying political
12 jurisdiction, what kind of relationship there is between that
13 and Baltimore City.

14 A fourth indicator of the continuing problem could
15 be indicated in the fact that the load of mortgage invest-
16 ments -- that is, the load being spread across the entire
17 industry -- is not evenly spread. Let me give you an
18 example:

19 The third quarter of 1974 saw the biggest gains
20 in conventional mortgage activity in the City of Baltimore.
21 \$20.2 million worth of mortgages -- this is total mortgages,
22 not just conventional -- \$20.2 million in mortgages were
23 placed in the City in the third quarter of '74. \$5.3 million
24 of that total in the third quarter was placed by one savings
25 & loan institution in the City of Baltimore. In other words,

1 26 percent, or roughly 26 percent, of every mortgage dollar
2 in the City of Baltimore in the third quarter of 1974 was
3 placed by one savings & loan institution. So even though we
4 saw significant gains, those gains weren't spread across the
5 board. There was one institution holding up more than its
6 share during that period, and I think that you can draw the
7 conclusions on the other side as to what the other institu-
8 tions were or were not doing.

9 Another indicator of a problem:

10 A local savings & loan announced on their June 30
11 statement that some \$40-plus million of mortgages had been
12 placed by that savings & loan institution; that is, for the
13 first six months of 1975 a particular savings & loan had
14 placed over \$40 million of mortgages. CPHA data for that
15 institution indicated that only between \$1 and \$2 million
16 were placed in the City of Baltimore. It leaves you the
17 question: Where is the rest of that money going? And, again,
18 I've got a problem with data, and I can't tell you where
19 the rest of that money is going. I can tell you that
20 approximately \$5 million went to Baltimore County, but I
21 quite frankly have to scratch my head and ask where the rest
22 of it went. It doesn't bode well for the City of Baltimore
23 or an even spread of mortgage money getting into the City
24 of Baltimore.

25 A final area that I'd like to discuss is the fact

1 that CPHA, aware of the weaknesses in just doing City-County
2 comparisons and broad comparisons, is trying to launch a
3 program in which we are going to do evaluations of specific
4 neighborhoods in the City of Baltimore and what's happening
5 in those specific neighborhoods.

6 There are a lot of problems with that type of
7 research that I'm sure most of you are aware of. Problems
8 such as converting census tract material in order to match
9 up with natural boundaries of neighborhoods. To date we've
10 done some initial analysis. It's not perfect, and therefore
11 I'm only going to give you some rough figures. But it can
12 indicate some of the problems we're going to be looking
13 into.

14 Matching up census tracts as closely as we could,
15 we picked some sample neighborhoods. I'm going to give you
16 some percentages of conventional mortgages -- or conventional
17 mortgages as a percent of the total housing transaction
18 market within those neighborhoods.

19 Although the City average for 1974 was 34.1
20 percent conventional: Waverly, approximately 28 percent
21 conventional; Homewood, approximately 80 percent conventional;
22 Edna Gardens-Lakeside, 45 percent; Mount Washington, 78
23 percent; Harlem Park, 3 percent; Mount Holly, 22 percent;
24 Remington, 18 percent; Bel Air Edison, 39 percent.

25 You see a rather large fluctuation there. I have

1 to caution you, however, that we can't really read a whole
2 lot into that at this point, because there are several
3 limitations in terms of the study that we haven't yet got
4 into.

5 For example, we haven't been able to measure the
6 demand for housing in any one of those particular areas. It
7 could very easily be said that there were only 18 percent
8 conventional because there really wasn't many applications
9 made for conventional mortgages in that area. I don't know.
10 I don't have the figures to dispute such a claim or to confirm
11 such a claim.

12 We have no figures to date on the turnover factors
13 within those particular neighborhoods. We haven't measured
14 the terms of the loans within the particular neighborhoods,
15 where you have neighborhoods that look like they might be
16 middle-income, lower-income neighborhoods and a relatively
17 high percentage of conventional mortgages.

18 Additionally, in terms of conventional mortgages,
19 you would naturally expect wealthier neighborhoods to garner
20 a higher level of conventional mortgages. You'd expect
21 middle and lower-income neighborhoods to go more frequently
22 the FHA or VA route because of a lack of capital assets in
23 order to afford the large down payment usually associated
24 with conventional mortgages.

25 I think the data is interesting, nonetheless, and

1 we're going to continue that project, hopefully refine it,
2 and we would be glad to make that material available to the
3 Commission upon its completion.

4 Concluding, then, I would trust that we haven't
5 presented you with too muddled a picture. Progress in the
6 Baltimore mortgage market has been clearly evidenced. Need
7 for further action, however, is similarly clear.

8 Quantifying the gaps of where we are and where
9 we should be, however, is a virtually impossible task.
10 Drawing clear lines of what is a good bank and what is a
11 bad bank is similarly futile.

12 The most reasonable approach, we remain convinced,
13 is one of citizen, governmental and industry cooperation.

14 We would be glad to entertain any questions.

15 THOMPSON: David, do you have any projections for
16 the future of the Baltimore mortgage market? Do you want
17 to specifically zero in on that?

18 GILLECE: I don't have any projections, per se.
19 The evidence that we've seen in the first half of 1975 has
20 indicated to us that the gains we made in 1974 don't have
21 to be viewed in a short-run frame of mind. We were worried
22 in 1974 that maybe the only reason we were getting mortgage
23 money in Baltimore was because the industry was living up
24 to a particular \$45 million commitment. Evidence in the
25 first half of this year indicates that those S&L's that

1 showed a dedication to the City in '74 are continuing to do
2 so in '75.

3 If I went down the specific list with you, I could
4 show you some that personally I don't think are doing as good
5 a job as they should, and others that are doing exceptional
6 jobs. But overall I don't see any depreciation in '75 over
7 the levels we attained in 1974.

8 THOMPSON: In listening to some of your testimony
9 it appears to me that there is a gap, or a strained relation-
10 ship or no relationship between certain segments of the
11 Baltimore communities and the savings & loans. Would you
12 have any suggestions as to how this relationship might be
13 improved, or how certain segments of the Baltimore community
14 might have a better relationship with the savings & loans?

15 GILLECE: I would think that there would be
16 several avenues, some of which could be started by the
17 savings & loans, others of which could be started by the
18 residents of the particular neighborhoods. I'll deal with
19 the latter one first.

20 I've been very encouraged from what I have seen
21 across the country in terms of greenlining efforts. That is,
22 local communities getting together, pledging their savings
23 into savings & loans institutions that, in return for their
24 savings dollars pledges, make pledges that they will grant
25 mortgages in that particular neighborhood.

1 Certain S&L spokesmen have called that bribery,
2 and other nasty things, but it has worked in certain
3 communities. If it's handled properly I think it can work
4 very well.

5 A second thing that I think would work, and that
6 would be starting from the S&L's, is that I think we should
7 see more affirmative marketing on the part of savings & loan
8 institutions, indicating not only their willingness but their
9 desire to get involved in communities that in the past they
10 have not been involved in.

11 DE SALVO: I think to add to that, the Federal
12 Government's National Housing Service Program is one thing
13 that we're hoping, too, would be a model to show savings &
14 loans and city governments across the country that there can
15 be good partnerships among community organizations, municipal
16 government and the banking industry within that government.

17 I'm hoping, quite frankly, that the National
18 Housing Service will put itself out of business shortly,
19 because if it works it's hoped that what's happening, for
20 instance, in the eastern part of Baltimore City can be
21 duplicated on a voluntary basis by other organizations in
22 the City; most specifically, that a number of banks and
23 savings & loans would see that doing business in middle-class
24 or working-class neighborhoods is good business, and NHS
25 doesn't have to continue to make the intense effort that

1 it's making.

2 Hopefully, this could at least show them the
3 situation.

4 THOMPSON: Okay. In working-class neighborhoods,
5 sometimes you have unfamiliarity with savings & loans, with
6 some of the terms and some of the difficulties they have in
7 understanding some of the technicalities with the loans.
8 Is there any intermediary that you might think of, or are
9 there any suggestions you might have as to how someone who
10 is unfamiliar with some of the practices of savings & loans
11 might be educated, so to speak?

12 GILLECE: I would personally encourage and have
13 encouraged greater utilization of the citizens programs in
14 that regard. The Home Ownership Development Program offers
15 free counseling for prospective home owners.

16 I would hope that the Mayor and the City Council
17 in their wisdom would funnel adequate funds to that agency
18 so free counseling can be provided to prospective home
19 owners, so that the confusion at the settlement table might
20 be avoided.

21 Additionally, there are other agencies in the
22 City, such as the St. Ambrose Housing Aid Center and a few
23 others that will provide such counseling services.

24 I think it is, once again, the problem of not
25 enough people and not enough money to make sure everybody is

1 covered by these services.

2 DE SALVO: I think it's important to recognize,
3 too, as Dave indicated there's an educational need here on
4 both sides of the fence, so to speak. I interpreted your
5 question as asking how can people find out about what banks
6 are doing what, what banks would be good to invest in or
7 get mortgages from. And, of course, the greenlining efforts
8 are one way.

9 I think another thing is there is an educational
10 program awareness that's needed on the part of people about
11 savings in certain banks. Most people feel savings banks
12 that are convenient to them offer the higher interest rate,
13 or, unfortunately, offer certain giveaways that induce you
14 to save there.

15 I think people have to realize that the private
16 decisions that are made by banks and savings & loans have
17 sometimes as much impact on a neighborhood as the public
18 decisions, and that even though they might get a half a
19 percent less interest, perhaps, at one bank that's doing
20 better in their community as far as lending there, that in
21 the long run it may be better for them to save at that bank
22 because that bank is supporting the neighborhood in which
23 they live.

24 BOOTH: Are there any other questions?

25 (No response.)

1 BOOTH: Thank you.

2 I note that Mr. Vitarello has arrived, and so has
3 Mr. Hecht, and I would like to ask: Mr. Hecht, we understand
4 you are under a time constraint, is that correct?

5 HECHT: Yes, I am.

6 BOOTH: Would you like to go next, and Mr.
7 Vitarello, can you wait?

8 VITARELLO: Yes, I'll be here all day.

9 BOOTH: Fine. Thank you.

10 This is Mr. Robert Hecht, President of the
11 Baltimore Federal Savings and Loan Association.

12 JEFFERS: Mr. Hecht, as you walked in I think you
13 saw that we had a small problem, in that we'd asked all the
14 participants not to name individuals or a specific savings
15 institution by name, and we want to reaffirm that, our
16 reason being that those individuals or representatives of
17 those institutions may or may not be present to give their
18 side of the story. So we're simply going to add another
19 caveat that if you do name an individual or an institution
20 by name that you do so in a favorable light, or try to
21 refrain from mentioning that at all.

22 HECHT: I would hope there's an exception on the
23 basis of my own organization.

24 (Laughter.)

25 JEFFERS: In any event you may mention that name.

1 Would you state the address of your institution,
2 for the record, please?

3 HECHT: 19 East Fayette Street, Baltimore.

4 JEFFERS: Okay. Thank you. And you are the
5 President or -- do you have any other titles or positions?

6 HECHT: I'm the Board Chairman and President.

7 JEFFERS: Okay. Thank you. I'll turn the question-
8 ing over to Mr. Thompson.

9 THOMPSON: Mr. Hecht, we'll be asking you for some
10 documents, and if you have those we'd appreciate it if you'd
11 just set them aside and someone will get them after you're
12 finished. Or, if you don't have them with you, I'd appreciate
13 it if you would get them to us, if you would send them to us
14 in the mail. We'll get the address to you that you should
15 use.

16 May I ask you first, do you have a written affirma-
17 tive action plan?

18 HECHT: We do, at Baltimore Federal. It's been a
19 matter of development over a period of time. As early as
20 1963 a resolution was passed by the Board of Directors in
21 which it was made clear that there would be no discrimination
22 on the basis of race, sex, age or national origin.

23 We from time to time update this program, and
24 I'd like to go over some of the features of it.

25 Incidentally, a statement of the policy of the

1 Association was recently re-published and distributed to the
2 officers and staff members of the Association.

3 There are two officers of the Association appointed
4 as the Equal Opportunity Officers, or directors of equal
5 opportunity and assistant director of equal opportunity.

6 The program itself calls for a giving in to the
7 support of action programs that have been suggested. We work
8 with the National Alliance of Businessmen, the Veterans Job
9 Fair, Baltimore Urban League's Manpower Service Center, and
10 so forth. And we make available to these organizations the
11 substance of our policies on equal opportunity.

12 We have a management training program which has
13 been in operation for several years, and during this time
14 four individuals have entered the program and completed it,
15 one of them a Black and one of them a female. The young lady,
16 upon the completion of her program -- or very nearly to the
17 completion of her program became engaged to be married and
18 has left our employ, but we do have the intention to replace
19 her with another female.

20 The greatest single thrust of the current period
21 on equal opportunity has been given to a staff program of
22 indoctrination on the requirements, the needs, the total
23 concept of equal opportunity.

24 The Association was able to obtain a slide
25 presentation which has been developed, I understand, under

1 the auspices of the Equal Employment Opportunity Commission,
2 and it sets out very well the meaning of equal employment
3 opportunity, both from a conceptual standpoint and from a
4 penalty standpoint, it might be said. But the thrust of that,
5 the purpose of engaging in that kind of training for our
6 staff, was to give them a better understanding of what is
7 meant under the laws and regulations of this nation concerning
8 equal employment opportunity.

9 There was a work book in connection with this,
10 and each seminar lasted approximately four hours. This took
11 six full working days of each of our two officers assigned
12 to this responsibility, and the course was given to some
13 57 officers and management personnel.

14 We, of course, keep data as required for the
15 various governmental agencies on race, sex and so forth.

16 And, lastly, we do make reports to the Equal
17 Employment Opportunity Commission on an annual basis.

18 THOMPSON: Fine. The only other question I have
19 is, would you please, if you have it, give us a copy of your
20 plan? We'd appreciate it.

21 SMITH: Mr. Hecht, I wonder if you have the current
22 employment statistics for minority men and women, and
23 non-minority women in your institution?

24 HECHT: Yes, I have them.

25 SMITH: Would it be possible for you to share

1 those with us?

2 HECHT: I would prefer to do that under less public
3 circumstances. The form of report for these data has been
4 very decidedly phrased or cloaked on a confidential atmosphere
5 by the Equal Employment Opportunity Commission, and we intend
6 to observe that confidentiality.

7 I think I can speak in terms of percentages, but
8 not speak in terms of raw data.

9 SMITH: I wonder if you could do that? We
10 certainly appreciate the confidentiality requirements, and
11 we want to support them. But if you could give us a general
12 idea it would be very helpful to us.

13 HECHT: I can. In the period from '72 to '74, the
14 Association has augmented its Equal Employment Opportunity
15 programs, beginning perhaps in the most sensitive level. We
16 have in this time elected to the Board of Directors a woman
17 of international acclaim as a humanitarian, and from this
18 position we feel that we have the benefit of her thoughts,
19 her advices, on any matters relating to humanitarian needs.

20 In addition, among officials who would be
21 classified as officers and managers, there has been a 125
22 percent increase in the female complement.

23 Among professionals who would be employed as
24 accountants or appraisers, we have a 100 percent increase.

25 Among data processing technicians and other

1 technicians, we have a 400 percent increase.

2 And among office and clerical, we have a 42 percent
3 increase.

4 The total female augmentation over this period
5 is 13 percent. The total minority staff and officer comple-
6 ment is 57 percent -- shows a 57 percent increase. And the
7 total of female minorities shows a 100 percent increase.

8 SMITH: Thank you very much.

9 WICKWIRE: Mr. Hecht, pursuing this in the same
10 vein, would you tell us what the composition of your loan
11 review board is? For instance, I think what we're interested
12 in is male-female percentage, minority-non-minority, and
13 what do people have to be, residents of the city or residents
14 of the county, and generally what sort of qualifications for
15 membership do you have in the loan review board?

16 HECHT: Our loan committee qualifications are
17 professional, not geographical. We have both city membership
18 and county -- non-city membership. As the chief executive
19 of the Association, I'm a city resident.

20 WICKWIRE: In terms of composition, male-female,
21 or minority-non-minority, can you give us any more?

22 HECHT: There are no females on the loan committee,
23 and there are no minorities on the loan committee.

24 WICKWIRE: In terms of the Board of Directors,
25 give us an idea of the composition of that, in male-female,

1 minority and non-minority, and residency and qualifications
2 for membership.

3 HECHT: Well, I'm not prepared to answer with
4 precision all of your questions.

5 As I've already related, one of the nine members
6 is a female. Of the nine--there are no minority members on
7 the Board--of the nine, the majority are City residents.

8 WICKWIRE: Can you say any more about qualifica-
9 tions for membership on the Board of Directors, maybe how
10 they're chosen?

11 HECHT: They're chosen on the basis of their
12 suitability to direct a very large financial institution.

13 WICKWIRE: Do you have intentions to increase the
14 number of minorities and women in decision-making positions
15 in your institution?

16 HECHT: I think the record shows that.

17 WICKWIRE: Do you have any suggestions you want
18 to share with us about increasing the number of qualified
19 minorities and women in decision-making positions in
20 institutions, such as training or whatever?

21 HECHT: Well, as I've indicated, we have published
22 established policies, we have conducted training sessions.
23 Again, in terms of the affirmative action program which I've
24 recited to you, all of that is directed toward the results
25 that you've asked about.

1 WICKWIRE: Thank you.

2 HECHT: You're welcome.

3 LOKER: Mr. Hecht, I'm going to talk to you about
4 your lending policies. How many applications for home
5 mortgages has your organization processed in the years
6 1972 through 1975?

7 HECHT: I take it your question is a repeat of
8 the former question asked or sent to me before the meeting?

9 LOKER: We're mainly interested in the number of
10 females and males and minorities and non-minorities, in
11 contrast.

12 HECHT: Yes. I'm unable to give you the statis-
13 tical components of our loan experience according to
14 minority and non-minority, female and male, on the basis
15 of the identities of the applicants, because records are
16 not kept in that way.

17 I have some fairly -- well, I have some totally
18 accurate statistics on urban lending, mortgages made within
19 the City of Baltimore, but not on the basis of either sex
20 or race.

21 LOKER: Would you like to give us these documents?

22 HECHT: Well, I can -- you have a recorder here --
23 I can recite them to you now.

24 LOKER: Okay.

25 (Pause.)

1 HECHT: While I'm looking for that, perhaps if
2 there are some other questions I . . .

3 LOKER: Well, we're also interested in the criteria
4 that you use to approve applications.

5 HECHT: Well, financing of any type is predicated
6 on three things being found: the economic capacity of the
7 borrower, the disposition of that borrower to face financial
8 obligation, and lastly the physical condition of whatever
9 collateral is offered.

10 LOKER: So it's basically those three things?

11 HECHT: In the case of mortgage financing, that's
12 correct. There isn't always a collateral offered, but in
13 terms of our discussions here there certainly would be when
14 one considers financing homes.

15 LOKER: Do you have any set criteria to reject
16 applications?

17 HECHT: The criteria are directed toward the
18 acceptance of applications. If the data do not measure up
19 to the criteria, then a rejection occurs.

20 LOKER: Do you tell the applicant the reason for
21 rejection?

22 HECHT: In accordance with prevailing laws, yes.

23 LOKER: And do you discuss optional methods of
24 financing with a rejected applicant?

25 HECHT: At times, yes, if we feel there's a

1 solution to the financing needs of the party. By all means.

2 LOKER: Would you suggest -- could you give me an
3 idea of what you would suggest?

4 HECHT: If someone needed 100 percent financing
5 for a home, which, as a Federal savings and loan association,
6 Baltimore Federal would be unable to provide, it would be
7 suggested that the Maryland Housing Fund might be able to
8 finance the loan, and at perhaps a lower interest rate
9 because of their subsidized backing.

10 LOKER: Okay. Did you find your statistics?

11 HECHT: No. I got interested in your questions.

12 (Laughter.)

13 HECHT: You indicated I could deliver this later,
14 anyway?

15 LOKER: Yes, you can.

16 SMITH: Mr. Hecht, could I just go back for one
17 moment? I was not clear about something. When we talked
18 about that form, would you be willing to submit that to us
19 at a later date, in not so public a manner as would be
20 required here?

21 HECHT: I would consider that.

22 SMITH: Thank you very much.

23 SMITH: Mr. Hecht, what percentage of your home
24 mortgage loans were made in Baltimore City each year, 1973
25 and 1974, and then for the first six months of 1975?

1 HECHT: Yes. This was one of the questions which
2 I received either late last week or early this week.

3 Our percentage now -- was your question as it is
4 stated here percentage of investment? Do you mean loans orig-
5 inated in a year, or loans in portfolio in a given year?

6 SMITH: Loans originated in the year.

7 HECHT: All right.

8 SMITH: Rather than -- not your on-going figures,
9 which I assume would be much more complicated.

10 HECHT: All right. Well, those are the data that
11 I have, and I wanted to make sure we had the same question.

12 In 1972, the percentage was 1.2 percent.

13 In 1973, it was 1.36 percent.

14 In 1974, the percentage was 14.3 percent.

15 And in 1975, the first six months, the percentage
16 is 8.9 percent.

17 SMITH: Thank you. Do you have similar figures
18 for Baltimore County, that same period?

19 HECHT: I do not. As a result of the great
20 interest in Baltimore City financing over the past several
21 years, a matter of great concern to the Association as well
22 as to others, we separately kept records on Baltimore City.
23 However, our operations extend throughout the State of
24 Maryland, and particularly in the surrounding counties of
25 Baltimore, and we did not collect or records and our

1 information on the basis of other geographical subdivisions.

2 I might say, though, in terms of the total position
3 of Baltimore Federal in Baltimore City financing, I have some
4 very recent information that I think is relevant. It covers
5 the numbers of loans on which taxes were paid. As you know,
6 with a mortgage loan most frequently the tax, insurance and
7 ground-rent money is escrowed.

8 In the tax payments made in 1975, or for the
9 taxes paid on behalf of borrowers in 1975, 27 percent of the
10 numbers of mortgages held and serviced by the Association
11 represented Baltimore City property, or better than a fourth
12 of our portfolio in numerical terms is located -- or, rather,
13 covers property in the City of Baltimore.

14 SMITH: In dollar value, or --

15 HECHT: Numerically.

16 SMITH: Numerically. I gather from what you
17 said you make loans, of course, outside of Baltimore City
18 and Baltimore County?

19 HECHT: Of course.

20 SMITH: Is that throughout the State of Maryland?

21 HECHT: Yes.

22 SMITH: And outside the State?

23 HECHT: At times.

24 SMITH: Could you give us some idea of just what
25 general percentage of the money goes outside the State?

1 HECHT: Well, I'd say there are times when we go
2 out of State. I couldn't respond to your question as it was
3 put to me, unless I have the data, and I don't have the data
4 here, to reflect the statistics for a period of time.

5 The position of the Association is to attend to
6 the needs of the community in which it is organized and
7 operates. And when that need is satisfied, and opportunities
8 are available to invest in mortgages outside of this area,
9 then, as a matter of good business practice, it is done.

10 SMITH: Has your institution ever had a policy on
11 minimum limits for home loans?

12 HECHT: It did.

13 SMITH: Could you tell us about that policy?

14 HECHT: Well, going back several years, underwriting
15 standards as practiced generally in the mortgage finance
16 industry, included limitations on age, size of the home,
17 number of storeys, that sort of thing. Square footage,
18 width of the front.

19 I'm happy to report that over the last several
20 years those underwriting criteria have been reexamined, and in
21 most if not all cases have been changed now. So there are no
22 fixed limitations as to those aspects of loans.

23 The conditions of approval are those which I
24 mentioned earlier: economic capacity of the borrower, the
25 disposition to repay, and the stature of the collateral.

1 SMITH: And those exclusively? There are no
2 others, such as the length of the loan or the width of the
3 house, or the --

4 HECHT: Well, we have regulatory limits on the
5 length of the loan. We can't make them for a hundred years.

6 SMITH: That would be nice, wouldn't it?

7 Thank you.

8 HECHT: You're welcome.

9 BOOTH: Do you have any future plans for increas-
10 ing the amount of mortgage money available in the City,
11 particularly with minorities and women?

12 HECHT: We have an on-going disposition to make
13 financing available in Baltimore City. I think our record
14 is very ample to demonstrate that there has been no change
15 in it. There is no change expected.

16 BOOTH: You don't plan to try to involve women
17 and minorities more than you have been?

18 HECHT: Oh, I misunderstood your question. Would
19 you ask it again, please?

20 BOOTH: Maybe I phrased it incorrectly.

21 Do you have any plans for increasing the amount
22 of mortgage money available to minorities and women in
23 Baltimore City, particularly in the next year? Is there any
24 way you can sort of focus, or do you plan to? Do you think
25 it would be a good idea?

1 HECHT: Yes. I would not consider that to be a bad
2 idea, except possibly the geographical limitations you put
3 on it, if you limit that to the City of Baltimore. I would
4 certainly urge that it be given a much broader application
5 than that.

6 BOOTH: But you don't have any specific plans to
7 do it?

8 HECHT: Well, very frankly, I don't know how I
9 could urge women to apply more than they do. We have no
10 stigma of reluctance to work with women or minorities, and
11 I think that the matter of daily availability -- certainly
12 we do nothing to discourage that. And perhaps as an out-
13 growth of these hearings some suggestions might develop as
14 to how they might be encouraged.

15 BOOTH: Are there any other questions?

16 JEFFERS: I have some. I've got a long string of
17 questions, so please bear with me.

18 I've sat here and I've listened to this, and I
19 haven't heard any mention of a program that your institution
20 has called the Dedicated Dollar Program.

21 HECHT: Well, I was going to give a little run-
22 down at the beginning, but we got right into the questions,
23 so . . .

24 (Laughter.)

25 JEFFERS: Well, what I wanted to ask you is if

1 you could tell us what that is, and what it's about, and how
2 it works.

3 HECHT: The Dedicated Dollar Program is a very
4 simple concept. I've heard the earlier remarks of Mr.
5 Gillece. He mentioned greenlining. This is a greenline
6 program, but it doesn't have the thrust or the direction of
7 the kind of greenline programs that are most often spoken
8 of.

9 This -- the thrust of the Dedicated Dollar Program
10 is a calling out from the financial institution to the
11 community with an offer, and an assurance, that whatever
12 funds are deposited and dedicated to a particular community
13 will be reinvested there and a report made back to the
14 depositor.

15 The other greenline programs which have gained
16 some notoriety all have their thrust originating in the
17 community.

18 This is a very simple program, entirely voluntary.
19 It gives a vehicle, a very workable vehicle, to anyone who
20 is interested in expressing his preference or her preference
21 in where his funds should be invested.

22 JEFFERS: What type of mortgage financing does
23 it normally look to, conventional, FHA, or VA?

24 HECHT: 'This doesn't look to any one of them. It
25 simply offers financing.

1 JEFFERS: Well, basically, I guess, the question
2 that I'm trying to get to is that assuming your bank were
3 making -- or your savings and loan institution were making
4 loans in what might be termed low-income areas, what type of
5 loan would it normally make? Would it be an FHA-insured loan
6 versus a conventional loan?

7 HECHT: If requested. We don't put limitations
8 on kind of loan, in terms of whether it's conventional, FHA
9 or VA. A house is being bought -- and, by the way, we're
10 chiefly in the business of financing the purchase of homes,
11 fostering home ownership from that standpoint, although we
12 do some re-financing too.

13 But when the buyer and seller get together, the
14 terms of how that property is going to be sold are pretty
15 well worked out. That's a rather decided matter when it comes
16 to us. We accept applications on conventional, FHA and VA
17 basis.

18 JEFFERS: Okay. I still want to pursue that train
19 of thought. A lot of savings and loans have made claims that
20 they can't make what might be termed a low loan or a small
21 loan because it normally goes through FHA, and they want it
22 federally insured or something like that, and they don't want
23 to go conventional.

24 And I guess what I'm asking you is whether or not
25 your bank would be willing to go conventional, and if it does

1 whether or not you'd see any difference in, let's say, the
2 risk or in terms of the loss ratio if you do go conventional,
3 as opposed to federally insured?

4 HECHT: No, I think I understood your question and
5 I thought I'd answered it. There are no restraints.

6 I might note that in connection with the Dedicated
7 Dollar Program a very large deposit was recently received, and
8 the dedication was not to a geographical location, surprising-
9 ly, since all the others were. But the dedication was to no
10 loans over \$15,000, a point of view which we honored and will
11 undertake to perform in our response.

12 JEFFERS: I believe earlier there was a question
13 directed towards the qualifications for board membership. I
14 believe you said that you would pick someone who was suitable.
15 I may be using the wrong phrase, but I was wondering what
16 constitutes suitability. Is that someone who has a sort of
17 stature in the financial community, has a financial background,
18 or just what sorts of things? And, you know, maybe it's a
19 long list, short list, or whatever.

20 HECHT: What's important, I think, is the capacity
21 to direct. Now, how do you find the capacity to direct? You
22 find it, for the most part, with those who have a certain
23 level of education, those who have a certain amount of
24 business experience, those who have a certain amount of back-
25 ground, those who simply have acquired in their lifetime that

1 experience in dealing with people in a way that their mature
2 judgments can be rendered.

3 I think that to ask that someone be put on a board
4 of directors because he or she might be a minority member is as
5 discriminatory as it would be to exclude any one of those
6 for the same reasons.

7 JEFFERS: But then you're saying that if a minority
8 person were to have all those qualifications, then that person
9 might be considered for board membership?

10 HECHT: I am. And, as indicated, the scope of this
11 inquiry is not just minority, but is female. And we do have
12 a female who did meet those qualifications.

13 JEFFERS: Okay. I don't have any further questions.

14 BOOTH: Let me start over here to the right.

15 LOKER: None.

16 THOMPSON: Mr. Hecht, I wonder if I might ask you
17 one thing. There are segments of our community that would be
18 almost wholly unfamiliar with the concepts such as interest
19 rates, principal, closing costs, et cetera. Is there any
20 vehicle or means by which you might be able to think of or
21 suggest wherein a person such as I described might make a
22 better loan risk, or a better person as a homeowner?

23 HECHT: Yes, there are. Some of them were alluded
24 to by Mr. Gillece. In addition to St. Ambrose Housing Aid
25 Center and the Housing Home Ownership Development Office of

1 the City, I might mention that the Real Estate Board of Greater
2 Baltimore gives seminars to those interested in finding out
3 more about the matter of home ownership, who had not previously
4 had an opportunity to engage in it.

5 Now, getting it back down closer to home, in our
6 loan operations we have established a procedure under which
7 applicants for loans are screened as to their probable
8 condition of knowledge about the transaction that they would
9 enter. And in cases where it's obvious that there's been no
10 home ownership in the past, perhaps on the basis of the
11 economic background, we felt that some counseling by Associa-
12 tion officers would be helpful. We do that, and we do it
13 before the settlement.

14 We have senior officers of the Association who
15 reserve time and get in groups of several borrowers before
16 the settlement and give them an A-to-Z presentation, beginning
17 with what to expect at the settlement table, so that wouldn't
18 be such a mystifying and baffling experience. They get to
19 see the documents that they're going to be shown then, not
20 all completed with the numbers, of course, but they get to
21 see what a monthly bill looks like to pay the mortgage, what
22 the responsibilities for home ownership are with regard to
23 insurance, maintenance, and so forth.

24 And this seminar lasts for several hours. There's
25 an invitation given to the parties attending it to keep in

1 touch if they have any other questions they might want
2 answered.

3 Then we tell them, of course, if they run into
4 difficulty in repayment of the loan don't remain silent.
5 Consult with us, and we'll try to help you and ease you out
6 of your difficulties in any way that we can.

7 It's a strengthening factor in our lending. We're
8 glad to do it, and we think it's a service to the borrower.

9 WICKWIRE: Mr. Hecht, as I recall, earlier Mr.
10 Gillece indicated, when talking about educational problems
11 that needed attention, he stated that often maybe a lender
12 is unaware of the disinvestment that may be occurring in
13 terms of geographic pattern.

14 Now, the impression I get from your testimony is
15 that you're aware of where your money is going, geographical-
16 ly and otherwise, and I was wondering whether you had any-
17 thing you would share with us about -- that we might share
18 with others -- knowing where the money is going, so that --
19 again, I hope I haven't misquoted Mr. Gillece in terms of
20 the possibility of an oversight in disinvestment. I get
21 the impression that you know where your money is going.

22 Would you respond to this?

23 HECHT: I'm uncertain as to the intent of your
24 question, Mr. Wickwire. Would you rephrase it?

25 WICKWIRE: All right. Again -- Mr. Gillece,

1 correct me if I'm wrong -- but I understood you to say that
2 possibly the whole matter of disclosure of lending on a
3 geographical pattern -- okay, this is desirable -- that
4 maybe it's been disinvestment. The term disinvestment may
5 mean it's simply been an oversight on the part of the lender.

6 Now, I get the impression from you, Mr. Hecht,
7 that you know where your money is going, in terms of
8 geographic pattern or whatever. I'm wondering whether you
9 have any advice to share with others about how to know where
10 their money is going.

11 HECHT: Well, if I understand your question,
12 perhaps there are two different phenomena involved here.

13 WICKWIRE: Yes.

14 HECHT: One is that it perhaps might be an
15 oversight, as you feel you're quoting Mr. Gillece. And the
16 other is ~~an~~ an oversight on disinvestment. And the other is,
17 you say we know where our money is going.

18 Knowing where your money is going is after the
19 fact. True, we can report what our results are. I couldn't
20 tell you today, though, how many loans in any particular
21 area or in any particular group are going to be made at any
22 point in the future.

23 It is an after-the-fact situation.

24 Now, disinvestment, let me say that I wanted to
25 cover this in some opening remarks. A word like disinvestment

1 or redline does have meaning, but it doesn't have the same
2 meaning to all people, and these are words that should be
3 defined in terms of having an intelligent conversation about
4 them.

5 So, I'm not being at all critical about your use
6 of the words. I understood the way that you were using them.
7 But I would like to say that disinvestment, if that means
8 that there is arbitrary refusal to consider loans in a certain
9 prescribed geographical sector, then that's wrong in my
10 opinion. It should not be that way.

11 Our policies and procedures are directed to the
12 opposite.

13 SMITH: Mr. Hecht, in reading public testimony
14 of hearings interested in somewhat the same area with which
15 we're concerned today, I have read again and again testimony
16 from officers of savings and loans institutions which would
17 indicate that they have no idea of the geographic location
18 of where they are approving loans, except for the general
19 jurisdiction, whether it's a city or a county or a township.
20 They know nothing more specific. They don't keep records in
21 any way which would reflect census tract location or zip code
22 or even traditional community designation.

23 Because of your Dedicated Dollar plan, it would
24 seem to me that you have to know where your money is going,
25 because in part you'd have to know where your depositors

1 expect you to put that money.

2 Can I conclude from that, then, that your record
3 keeping system at Baltimore Federal Savings and Loan does
4 permit one -- permit the institution, to keep track on a
5 rather specific basis of where the money is going? Again,
6 after the fact?

7 HECHT: Yes. Well, no, that isn't possible, for
8 several reasons, the chief of them being that a Dedicated
9 Dollar depositor selects his own terminology and his own
10 topography.

11 SMITH: Well, how do you know you're complying
12 with his wishes?

13 HECHT: Well, we can understand what he's saying.
14 We can respond to it in those terms -- which brings me to
15 the second point that I wanted to make, and it may be the
16 basis for a broad misunderstanding between financial organ-
17 izations and any large business members of the community --
18 business citizens.

19 In the day and age of mass data accumulation
20 processing, the need for automating is obvious to everyone.
21 And systems are developed to collate information in a
22 certain way according to the needs which are determined by
23 the user of the information.

24 As data is developed, and as a timely process --
25 and an expensive one -- at some later time a party might come

1 in from the outside and ask, "Do you have this set of data?"
2 or "Do you have other information?" And it simply doesn't
3 fit the patterns of collection and retrieval that's set there.

4 That does not necessarily indicate an unwillingness
5 to do -- to break down information in the way that the outsider
6 is seeking, but simply tells you that mechanically it's a
7 misfit.

8 SMITH: Well, I can understand that, and respect
9 that problem in terms of programming a computer. But as a
10 depositor in Baltimore Federal Savings & Loan, I'm a little
11 unclear as to how you take a request under your program and
12 make sure that you are meeting that request.

13 Perhaps -- let me ask the question in a slightly
14 different way: Could you give us a general idea of what you
15 have found with that Dedicated Dollar Program? Have people,
16 indeed, been participating in it; and, if so, what kinds of
17 suggestions have they made? You mentioned one which I think
18 we all found interesting which dealt with the size of the loan,
19 rather than a geographic area. What other general kinds of
20 descriptions have been given?

21 HECHT: There are neighborhood descriptions, and
22 this is perhaps what you're looking for here, to get together
23 on the subject.

24 Normally, geographical classifications are based
25 either on zip codes or census tracks or the like. Neighborhood

1 descriptions are more meaningful to the citizens or the
2 community residents. And if he says, "I would like my money
3 invested in Edna Gardens," that's a geographical thing. But
4 we don't have anything wired up for Edna Gardens, but we
5 have addresses that come out of our computer and tell us that
6 this is where the activity is.

7 Now, when we do have applications coming up on
8 this area we can respond to that dedication by reporting
9 that an Edna Gardens mortgage has been made.

10 SMITH: But it would be a mortgage that you would
11 have made in any event. The only difference is that somewhere
12 in the City there's a depositor that feels good about the
13 fact that that money is going into Edna Gardens. If, indeed,
14 it hadn't been his money, it would have been money from your
15 general pool, because the mortgage met your requirements which
16 aren't changed by virtue of this program?

17 HECHT: The question you're asking is: If we
18 didn't get any depositors, would we still loan in Baltimore
19 City? The answer is emphatically yes. And maybe we don't
20 get any requests for a dedication in a particular community
21 and we still get an applicant, we don't turn that applicant
22 aside.

23 There is some fortuity in this thing, but that's
24 not the important part of it. The important part of it is
25 the satisfaction the depositor gets in knowing that, having

1 put the money there, he will be assured that it was so used.

2 SMITH: Thank you very much.

3 HECHT: You're welcome.

4 BOOTH: I have one additional question.

5 First, does it seem feasible to you to do -- and
6 I don't mean necessarily your institution, but the entire
7 industry -- to do some kind of market research and direct its
8 advertising, maybe, so that you can have a pre-knowledge of
9 where you might be lending?

10 HECHT: Well, yes, a business organization can
11 stimulate their markets, that's true. We do this in a number
12 of ways: by contact with -- let's say the subject at hand,
13 minority real estate brokers, which we've done over a period
14 of time; communication with citizens organizations, publiciz-
15 ing the Dedicated Dollar Program; or with church groups,
16 pastors of churches of any denomination, synagogues.

17 So it can be stimulated in that way, yes, and we do
18 exercise those kinds of steps.

19 BOOTH: You do already?

20 HECHT: Yes.

21 BOOTH: The other question I had is, you said that
22 you submit your affirmative action plan to the EOC. Have
23 you ever been monitored by the EOC? Do they ever respond to
24 the plan you send in?

25 HECHT: We don't submit an affirmative action plan --

1 BOOTH: Report -- I'm sorry -- you send a report.

2 HECHT: We -- EEO-1, it's a statistical report.

3 BOOTH: Yes.

4 HECHT: In the past, the department or the office
5 in the Treasury Department has reviewed our affirmative action
6 plan, several years ago, and reports have been made to that
7 agency yearly.

8 BOOTH: Yes, and --

9 HECHT: -- and responses have been made.--

10 BOOTH: Responses have been made?

11 HECHT: -- that it was satisfactory.

12 BOOTH: Okay. Thank you.

13 You indicated in the beginning that you might have
14 had an opening statement. Are there other things you'd like
15 to tell us?

16 HECHT: I only wanted to say that I welcome the
17 opportunity to be here. I'm interested in the subject matter,
18 and it's a very broad and very complex subject.

19 Words, as mentioned a minute ago, like disinvest-
20 ment, redline, are too easy of misunderstanding and so
21 difficult of understanding, I think this kind of forum can
22 produce some better results in that respect.

23 I am vice chairman of a national committee of the
24 U. S. League for Savings Associations on urban problems, so
25 my interest in it goes beyond our meeting today in the daily

1 operations at Baltimore Federal.

2 I am grateful, of course, for the willingness of
3 the Committee to hear me out of order, and I hope by that same
4 token that the information that we've been able to exchange
5 today you have found to be in order.

6 I have nothing more to offer.

7 BOOTH: We thank you very much for being here.

8 Mr. Vitarello, do you want to talk to us?

9 JEFFERS: Mr. Vitarello, will you please state your
10 name for the record, please?

11 VITARELLO: Yes. My name is James Vitarello. I
12 am the Executive Director of the D. C. Public Interest
13 Research Group, in Washington, D. C.

14 JEFFERS: Okay. Thank you.

15 Bert?

16 BOOTH: Can you tell us what you believe to be
17 the factors that create urban disinvestment, urban decay, and
18 what, if anything, can be done to address the problem?

19 VITARELLO: Okay.

20 Thank you, first of all, for this opportunity to
21 come here, and I certainly applaud the Committee's attempt --
22 and it's a very difficult attempt -- to understand redlining
23 and disinvestment and other such nebulous words. It's
24 certainly a problem, by whatever term we call it.

25 I would like to, for the record, before going into

1 that, point out that I'm going to leave with you our report
2 on mortgage disinvestment in the District of Columbia, by not
3 only PIRG but also the Institute for Local Self Reliance,
4 a national organization called the Institute for Policy Studies,
5 which some of you may have heard of. And I will discuss that
6 report later on.

7 I'd also like to submit in the record an article
8 that I wrote for "Focus" called "The Redlining Route to
9 Urban Decay," where I talked at great length about the
10 national scene. Incidentally, this magazine is written by
11 Howard University's Joint Center for Political Studies, and
12 is a national newsletter covering 12,000 recipients.

13 Specifically with regard to the factors of neighbor-
14 hood disinvestment, I don't think anyone knows exactly what their
15 relative values are. I have seen a report by the Harvard-MIT
16 study, commissioned by the Federal Home Loan Bank Board,
17 which, as you know, is the agency which regulates savings
18 and loans -- or at least is supposed to regulate savings and
19 loans.

20 They concluded, at least in their initial findings,
21 that the factors are many, and that no one quite understands--
22 and they admitted right out that they did not understand--
23 the interrelationships. So who am I to refute the Harvard-
24 MIT Joint Center?

25 I would, however, like to list what I consider to

1 be the four or five major factors in disinvestment, without
2 attempting to really quantify them, because I do think it is
3 a very difficult thing.

4 Certainly financing, in my opinion, is, if not the
5 major, one of the two major factors in neighborhood deterior-
6 ation or neighborhood stability. I've been in the housing
7 industry a short period of my life, about seven or eight
8 years. I was a special assistant to Secretary Romney, and
9 I also worked for the National Tenants Organization in the
10 national office, and I also studied housing in Sweden for
11 over a year.

12 The thing I found about Sweden, for example, was
13 that the banks are told, "You shall commit 'X' million kroner
14 to housing the following year, and in the following geographic
15 areas." They're told. They have absolutely no choice. So
16 when the Swedish Government determines that they shall build
17 100,000 new units per year, and that they shall rehabilitate,
18 oh, somewhere in the neighborhood of about two million units
19 per year, they know exactly where the financing is going to
20 be. And it comes from private -- mainly private -- money,
21 not socialist government money -- okay -- it comes from
22 private money.

23 And the reason being is very simple: that these
24 private organizations -- so-called private -- are given
25 substantial government support, which I don't really

1 want to go into now, but not unlike our own private institu-
2 tions, which I'll discuss a little later.

3 Well, that's one thing.

4 Another thing, of course, is taxes, which we also
5 are studying in D.C., studying at greath length, in fact,
6 because in marginal neighborhoods the current real estate
7 tax system -- regardless of what city it is; every city I know
8 of in the country has the same system -- you actually penalize
9 for rehabilitating and improving a home.

10 In many disinvestment neighborhoods or deteriorating
11 neighborhoods there's no incentive to put any rehabilitation
12 money into your home, because you know that your property is
13 only going to devalue. It's not going to increase in value.
14 And I've known several people in D.C. who had to sell their
15 rehabilitated home at a loss -- several years ago, not now.
16 The trend is quite different right now in most areas of D.C.

17 So particularly in those neighborhoods that we're
18 interested in, that being declining neighborhoods, the whole
19 real estate tax system is totally inequitable. I would like
20 to see a more personal income tax approach as opposed to a
21 real estate tax approach.

22 Another factor, of course, is the whole housing
23 code, building code -- let's just call them government build-
24 ing restrictions. For example, some building codes do require
25 copper pipes, which in many areas in the city is ridiculous

1 to even think of, in terms of cost, also because they are
2 easy to vandalize, and so on.

3 Many building and housing codes should be reformed.
4 Again, I'm not going to get into specifics about how it should
5 be done, because every city obviously is going to have to
6 look at their own. But that's certainly a disinvestment
7 factor.

8 Another is zoning. Zoning is another one of those
9 crazy, hodge-podge, good-will type things that never really
10 quite came out right. Zoning originally was intended to
11 direct the growth, the size, the quality and so on. It never
12 really quite came out that way. If you look at a variance
13 map on a city planner's desk, you'll see that zoning is a
14 myth. If you're big enough, powerful enough, and rich
15 enough, or sweet enough -- or whatever -- you'll get a
16 variance nine times out of ten -- at least in D. C. And I
17 don't think it's much different -- plus things like political
18 corruption that's not unknown in Maryland, as in D. C. and
19 other places too. It's just too susceptible to a patch-quilt,
20 non-planning sort of approach.

21 Again, there are several solutions to this problem.
22 I'm not sure whether or not they are equitable and reasonable
23 solutions, but the present zoning system, as I'm sure you have
24 in Baltimore, and as we have it in D. C., is actually an aid
25 to disinvestment.

1 Also, the presence of a city-wide housing and
2 economic development program is absolutely essentially. Again
3 I'll discuss Sweden very briefly. In Sweden every city has
4 to develop a housing and economic development program every
5 year for a five-year projection. The five-year program is
6 revised every year. But at least it gives you some guidance
7 in terms of the quality and the quantity of housing, and in
8 different parts of the city where they're going to put their
9 money in, so to speak.

10 In fact, they are told to do this by that same
11 federal government that tells the banks, "You shall reserve
12 'X' amount of money." So it's all done in a fairly orderly
13 way.

14 Of course, there are problems with that system
15 too, because it is difficult to determine housing needs
16 because of demand. We are doing this now for the City Council
17 of D. C. They commissioned our organization, along with
18 the Institute of Local Self Reliance, to do such a study.

19 So to really project what the housing and economic
20 development demands -- and by economic development I mean
21 primarily commercial development, which goes hand in hand with
22 neighborhood disinvestment. If little businesses, particularly
23 small, necessary retail shops in neighborhoods begin to
24 disappear, you can pretty much bet that the whole neighborhood
25 is on its way out. They're usually the first to go -- sort of

1 like rats on a sinking ship, that sort of thing. But really
2 you can't blame them.

3 So you really have to look at the commercial
4 development. And I urge you, when you speak to the banks,
5 to ask them not so much about housing -- because the first
6 thing they'll tell you is we don't many housing loans, and
7 unlike savings and loans they're not required to do so. But
8 they do have quite an important role in the commercial
9 development, which I'd say is equally important to housing.

10 So it is important to also look at the economic
11 development of the city as a whole, and then broken down
12 by neighborhoods.

13 I don't know about your City Department of Housing
14 and Urban Development, but I know ours is absolutely a mess.
15 They have absolutely no idea where they're going from day to
16 day -- and they sort of proudly admit that. We're really in
17 bad shape in D. C.

18 I understand that your Department is quite good,
19 and I'm glad to hear that. I don't know what sort of plans
20 they have, and again, I obviously cannot discuss them. But
21 that, to me, is actually foremost in my opinion in terms of
22 resolving the problem. Unless you have a fairly well thought
23 out, long-range plan in these two areas, the banks really
24 have no direction, the savings and loans really have none,
25 community organizations basically have none outside of maybe

1 their own little neighborhood.

2 So who is to say where they should be going, and
3 how much, and so on? That's first. Everything else should
4 then sort of mold around that, zoning, taxes, housing assist-
5 ance programs that I know this city has, and perhaps can
6 develop even others, because redlining -- or the opposite,
7 greenlining, could not truly help the very poor. Let's face
8 it.

9 People earning -- at least in D. C. -- \$5,000,
10 \$6,000, \$7,000 a year are not going to buy anything near a
11 house in D. C., and still be able to rehabilitate it satis-
12 factorily to the code. They could probably buy a shell for
13 two or three thousand, but I don't think they can live in
14 a shell. They're going to have to fix it up. And even under
15 our Homesteading program in D. C., which is again very
16 limited, it was estimated that the average rehab cost is
17 \$15,000, which they have to put up. We don't have any
18 assistance for that in D. C. I understand, again, Baltimore
19 does.

20 So the City government has to decide, along with
21 the communities and the lenders, what neighborhoods and what
22 income groups need particular assistance, assistance beyond
23 conventional loans. And there are going to be a substantial
24 number of people in that.

25 In the areas where conventional loans can meet

1 demand, then I think that they should be pushed to their
2 limits. But I don't think you should expect the private
3 lenders or the developers to go into ventures where the
4 incomes are too low, or where the neighborhoods are already so
5 bad that private financing, per se, would be very marginal.

6 Does that answer your question?

7 BOOTH: Yes.

8 Are there programs being developed, or on-going
9 programs in other cities?

10 VITARELLO: Yes. Oh, yes, the second part of your
11 question. There are many things going on around the country
12 and, again, it would take hours to discuss them. There are, as
13 I'm sure you know, many reports similar to the PIRG report
14 documenting redlining. That's a first step.

15 The City of Chicago passed an ordinance requiring
16 disclosure, initially by zip code and thereafter I believe
17 by census track, and the disclosure not only of the number and
18 volume of loans, commercial, consumer and housing loans, but
19 also the terms of the loans. I believe it's called the
20 effective average weight, something like that -- again, by
21 geographic area. That's a good start.

22 The State of Illinois has recently passed an even
23 more comprehensive anti-redlining statute that prohibits
24 redlining, per se, and begins to develop some sort of a
25 policy for city governments to follow.

1 The State of California Banking Commission, I
2 believe it's called, is in the process of drafting disclosure
3 laws and affirmative action plans for all of the State
4 institutions.

5 The State of Massachusetts Commission on Banking --
6 I guess, again, it's called that -- themselves have also
7 already promulgated -- and they are being challenged in the
8 courts today by savings and loans -- promulgated disclosure
9 regulations, again.

10 And I believe that the State of New York is in the
11 process of developing a State-owned bank, which is, again,
12 related to this, where the bank would finance ventures that
13 are simply too risky for private investment.

14 There are a number of greenlining agreements that
15 have been signed around the country, Chicago being the most
16 noteworthy, I suppose, because they probably have the greatest
17 number.

18 Minneapolis had the first greenlining agreement
19 a couple of years ago, where the second largest S&L -- I
20 won't mention its name, because I've probably forgotten it
21 anyway -- it doesn't matter -- agreed to increase its invest-
22 ment in Minneapolis-St. Paul from \$19 million average for the
23 last three years to \$54 million. And I understand there were
24 some problems with that, monitoring and so on, and I'm not
25 quite sure how successful it's been.

1 These are the basic approaches that community
2 groups and governments have in dealing specifically and
3 directly with the redlining problem. But I might add that,
4 getting back to what someone said earlier, we cannot look at
5 disinvestment in a fish bowl. You have to look at it in terms
6 of the whole range of housing and economic problems, and
7 various tools that are accessible or readily available to the
8 finance industry, developers, government in that area, and
9 so on.

10 I can give you -- well, examples are, like
11 neighborhood housing services, which is a very meek start, but
12 at least it's a start. It really isn't that great, I don't
13 believe, because it really has no teeth at all. I particularly
14 like the approach that Sweden does, not only credit alloca-
15 tion but, even more importantly, the Swedish Government gives
16 between five and thirty percent of the selling price of a
17 home as a down payment. As a matter of fact, I think it's
18 zero to thirty percent -- no, how could it be zero -- one to
19 thirty percent, I think it is, of the selling price as a
20 down payment; a low-interest loan that is spread out over a
21 much longer period of time than the mortgage, depending upon
22 the income of the recipient.

23 Now, one of the major problems I've found in D. C.
24 is that moderate-income people who could afford a mortgage
25 payment even under these ridiculously high rates today, don't

1 have the down payment. Now, where do they go? They try to
2 get a second mortgage. But do you know that a number of
3 savings and loans in D. C. -- in fact, most of them that I
4 know of -- prohibit a second mortgage? They say you've got
5 to come up with 20 percent or 30 percent yourself, you can't
6 go and get it from the seller or from your mother, or from
7 your uncle, it's got to be yours. I think that's absurd.
8 But, nevertheless, they require that.

9 Now, if government got into providing some of
10 these low-interest, long-term, down payment loans, I think
11 that you'd remove a lot of the barriers to marginal income
12 people, because they just don't basically have much of a
13 savings account.

14 So that's a program that, I'm sorry to say, we've
15 had in the District of Columbia for three years, and yet
16 they've never funded a person under it. And they had the
17 money to. That's really sad.

18 There are other cities, however, in the country
19 that have it. And New York City -- perhaps a bad example --
20 has it. It has worked fairly well there, I understand. I
21 believe the City of San Francisco also has this, and I
22 believe the City of Milwaukee has it as well.

23 I'm sure that other cities are developing all
24 these things. And, again, tax abatements. You have one,
25 I believe, in this City too, where people do not have to pay

1 higher taxes for the improvements they make over, let's say,
2 a five-year period of time. So that it encourages them to
3 make improvements.

4 There are numerous ones. There are at least 30 or
5 40 different programs, some of which are suitable to
6 Baltimore, some of which probably are not. But I've got to
7 reiterate again that they should not be done on a piecemeal
8 basis, that they should be done on a very rational, clearly
9 understood basis, and various programs should apply to various
10 neighborhoods.

11 Could I possibly do this? Could I -- are you
12 interested at all in my sort of explaining the results of this
13 study? Some of you are already familiar with it. It pretty
14 much follows the same lines -- do you want me to just read
15 one or two major findings, that's all, and then I can get
16 into something else that I want to talk about? Is that
17 all right?

18 BOOTH: Yes.

19 VITARELLO: All right. Again, we use LUSK's. We
20 have LUSK, which is a real estate directory guide, in case
21 anyone doesn't know it. What we did was we divided it between
22 City versus suburbs, and then what we call geographic
23 distribution within the city. All right.

24 The major finding, city versus suburbs, was that
25 only 11.6 percent of the total real estate loans made by

1 D. C. savings and loans, were made to properties located in
2 D. C. Some savings and loans were as little as one and two
3 percent of the total real estate loans -- it's not total
4 assets now, it's total loans made during the year. And this
5 is volume by dollar, not number. I don't care that much
6 about number, I care about money.

7 The other interesting fact that we found was,
8 comparing -- and I don't know whether you've done this in
9 Baltimore or not, yet, but I think it's an interesting compar-
10 ison -- we compared four predominantly Black zip code areas --
11 we had to do all this by zip codes, by the way, since it was
12 the easiest way -- 92 percent Black, 1970. They were middle-
13 income neighborhoods. There was a very high owner-occupied
14 percentage, and having 28 percent of the city population.
15 Yet they only received 7.7 percent of the total volume of
16 loans made within the city. Meaning of all the loans made
17 in D. C., only 7.7 percent.

18 Now, let's look at their White counterparts across
19 the park. Again, four zip codes, with half the population;
20 yet they had 40 percent of the loans, or almost five, six --
21 five and a half times the amount of loans.

22 The average loan in those four zip code areas,
23 in the White zip code areas, was \$72,500. Savings and loans,
24 now.

25 The average loan in the Black neighborhood -- again,

1 remember, these are middle class, these are not ghetto, war-
2 torn, riot-scarred neighborhoods. These are very solid Black
3 neighborhoods. Their average loan was only \$22,000, less
4 than one third.

5 All right. So much for statistics in D. C.

6 My major point, of course, is to come here and talk
7 to you about what's going on in the nation, and I wanted to
8 specifically address three major myths that I keep hearing
9 bankers and savings and loan people say, and want to try and
10 convince the public of their horrible plight.

11 The three myths are these:

12 One, that savings and loans and banks operate in
13 a free-market system. They have free enterprise, with a lot
14 of competition going on. Absolutely false.

15 Second, that a lender's determination of what is
16 or is not a high-risk loan is based on their long experience
17 in the area, on objective data they have, that supports these
18 conclusions. That's also false, at least in D. C., and I've
19 understood by my colleagues in other cities that it's equally
20 false in other cities.

21 And, thirdly, that there's no demand in the inner
22 city for conventional loans, particularly by Blacks. This
23 was specifically mentioned by the representative of the U. S.
24 Savings and Loan League, who made the statement that:

25 "Blacks do not want conventional loans." That's

1 actually what he said, at the hearings before Senator
2 Proxmire's committee on the Mortgage Disclosure Act. I was
3 appalled to hear that, but yet he said it.

4 That is, again, absolutely false.

5 Now, I will address these three, because I think
6 they deal with a national phenomena, not just D. C., and I'm
7 sure it occurs in Baltimore too.

8 Let's look at the so-called free-market enter-
9 prise myth. The most heavily-regulated industry in America
10 today are banks and savings and loans. This is told to us
11 when we're in law school time and time again. Professor
12 Davis from Harvard, who wrote the Administrative Law
13 Treatise, is quoted in that thing by saying that they are,
14 by far, the most heavily-regulated industry in the United
15 States.

16 I've spoken to the President of the largest
17 savings and loan in D. C., and he told me without the
18 Federal Government's support, economic support, of his
19 institution -- which is very viable, very large, \$750 million
20 of assets -- they would close tomorrow.

21 That's right.

22 Let's look at the growth of the savings and loan
23 industry.

24 At the end of World War II there were only \$7
25 billion in outstanding first mortgages -- all first mortgages.

1 By 1973, it was \$186 billion, in just 1 to 4 family
2 units. There was another \$32 billion in multi-family. And
3 that's just savings and loans. That's three times higher
4 than their next competitor, which was commercial banks, even
5 though the commercial banks are three times larger than the
6 savings and loans in total assets. So you see that the
7 savings and loans are very committed to housing. The question
8 is where.

9 The Federal Home Loan Bank Board system, which was
10 created by Congress in 1932, and again under the Home Owners
11 Loan Act of 1933, specifically set up a regulatory system and
12 created savings and loans to ensure that financial -- and
13 I'm quoting now from the Act --

14 "...ensure the financial soundness and continuity
15 of local mutual thrift associations..." --
16 which means cooperatives

17 "...designed to provide financing to individual
18 home buyers."

19 The Home Loan Bank Board truly shields the savings
20 and loans from many of the risks of the so-called free market
21 enterprise system.

22 For example -- there are three major examples;
23 there are actually many, many more, but three very obvious
24 ones:

25 One is one that most of you know about, deposit

1 insurance. You may not think about that too much. So what?
2 \$40,000 on each deposit. Well, that means a lot to a savings
3 and loan. Do you see how many times that man stands up before
4 Congress in that ad -- I hope you have it here in Baltimore
5 too, it's an hilarious ad -- and he pointed to Congress, and
6 he said, "The Federal Government protects your loan in our
7 institution." FSLIC, which stands for Federal Savings and
8 Loan Insurance Corporation, is flashed all over the screen.
9 And I'm sure that in every savings and loan that you go to,
10 or every bank, you'll see a great big shield with the eagle of
11 the United States there as you walk in, FSLIC or FDIC, which
12 is a counterpart for the banks.

13 Believe me, they think of that very, very
14 seriously. They remember the Depression. They remember how
15 gun shy people were to put their money in the banks after the
16 Depression, and how important the Federal Government's
17 backing of every deposit in their institution is, of crucial
18 importance for attracting depositors.

19 Another important economic support are the direct
20 loans or advances that they get from the Federal Home Loan
21 Banks. There are twelve Federal Home Loan banks in the
22 twelve regions around the country. They literally lend
23 millions of dollars every year -- these are Federal agencies,
24 now -- they lend every year millions of dollars to virtually
25 all savings and loans that I know of, at least in D. C., on

1 whatever basis they choose. I don't know what their basis is.
2 The loans are normally fairly low interest. They usually
3 follow the prime rate, which is, as you know, lower than the
4 financial rate.

5 And, again, without this added shot in the arm,
6 sometimes up to one-third the assets of an institution --
7 at least, again, in D. C. -- one-third the assets of a
8 \$300 million institution is a lot of money.

9 Okay. This is money that's raised by the Federal
10 Home Loan Banks in the Wall Street markets, and then are
11 funnelled to various savings and loans. This is not from
12 depositors. Okay? Again, another economic propping.

13 A third important propping is the purchase of
14 first mortgages by something called Freddie Mac. I think
15 it's called Federal . . . -- I don't know. I always call it
16 Freddie Mac, so I don't even know the actual name -- something
17 like the Federal Mortgage -- something or other -- corpora-
18 tion. It doesn't really matter. It's all part of, again,
19 the Federal Home Loan Bank system. All these are part of
20 the same system, and these are all nice benefits you get by
21 being a member of the system. You don't even have to be
22 federally chartered, per se, although a lot of institutions
23 are. The biggest institutions in an urban area normally are
24 federally chartered, as in your area. And in D. C.,
25 incidentally, they are all federally chartered in D. C. It's

1 strange that as soon as home rule came to D. C., that the
2 five institutions that were not federally chartered immedi-
3 ately ran in and got their federal charter.

4 Then -- and I might add this too -- that the
5 Home Loan Bank Board, in my opinion, has the most comprehen-
6 sive tools available -- sanctions some people might call
7 them -- to enforce their regulations. They can literally
8 remove a director from the board of directors of a savings
9 and loan. They can literally put in a receiver, and run
10 that institution. Of course, there are hearings required
11 and a legal process, naturally. Just like other alleged
12 defendants, they should have their rights too.

13 They have the power to issue cease and desist
14 orders, which basically are demands to stop doing what
15 you're doing. They can even require affirmative action,
16 telling them you shall lend here, or you shall hire
17 minorities or women here. They can do all that.

18 In my opinion there is no single agency in the
19 United States Government -- and I've been around Washington
20 for a little while -- that has these extensive powers.

21 Have they ever used it against savings and loans
22 in the area of civil rights enforcement? Absolutely not.
23 Several complaints brought against the savings and loans
24 under their jurisdiction have been summarily rejected, with
25 a very, very cursory, non-descript reason why.

1 I might point out, sort of ironically, that the
2 best regulation and the most authoritative legal opinion on
3 redlining by any of the regulatory agencies has come out of
4 the Home Loan Bank Board.

5 I'd like to read just one description from the
6 general counsel of the Home Loan Bank Board. Remember, this
7 is not Ralph Nader speaking. This is the Home Loan Bank
8 Board's general counsel who wrote this:

9 "There is substantial legal precedent for the
10 Board to assume that redlining that is dis-
11 criminatory in effect is unlawful, and to
12 shift the burden of proof to the institution
13 to demonstrate..." --

14 that is, the savings and loans --

15 "...to demonstrate some reasonable, genuine
16 business purpose for redlining. In any case,
17 such a business necessity would not be estab-
18 lished by the institution's unsubstantiated
19 belief that no profitable loans could be made
20 to a given area."

21 And that's a very radical statement. If you were
22 a lawyer I think you'd really appreciate that, but I don't
23 even think you have to be a lawyer. It basically says that
24 you do not have to prove motive of the alleged discriminator.
25 All you have to prove is the effect, in a documented, objective

1 way, of course, and then it's up to the savings and loan to
2 show why.

3 We -- as I said before -- we've traced several
4 cases against D. C. savings and loans, where the effect was
5 unclear -- I mean totally clear. The business necessity was
6 unclear. And yet the Home Loan Bank Board summarily dismissed
7 these, without even inquiring into the business necessity.

8 Now, the paradox we have here is basically this:

9 HUD, the Federal Reserve Board, which regulates
10 some banks -- banks are very broken up, they don't have one
11 system. There's the Controller of Currency, who regulates
12 national banks, the FDIC, which regulates FDIC banks, and so
13 on. And then the Home Loan Bank Board. All of them are
14 given a specific requirement to affirmatively enforce a
15 provision of the 1968 Civil Rights Act, specifically Section
16 805, which prohibits discrimination in lending or fixing the
17 terms of mortgage loans.

18 None of them have taken any affirmative action at
19 all. There's some wishy-washy regulations about putting
20 posters up in the lobby saying that we don't discriminate.
21 That's nonsense. I have not seen any affirmative marketing
22 practices on the part of lending institutions. I have not
23 seen any cases brought against lending institutions since
24 1968. The Department of Justice has never taken a case
25 against a lending institution since the enactment of the

1 law. And it's quite obvious that, while redlining obviously
2 exists against minorities and ethnic groups, the Federal
3 Government, since the beginning of our beloved Mr. Nixon's
4 administration, has done nothing in this area.

5 I understand the winds of change are coming about
6 in Washington, but I think if this Committee does anything
7 you should put as much pressure on the Federal Government
8 to do exactly what's right on the books, what they're supposed
9 to be doing. And they can't tell you that the law is unclear.
10 They can't tell you they don't have the power. Because it's
11 a lot of hogwash. It's there. They just simply are not
12 doing it. And it's very obvious why. They are so economically
13 tied to these institutions -- and they were set up to prop
14 these institutions up, to get them out of the quicksand --
15 that for you to now tell them, "Look, enforce the civil rights
16 laws," they see that as a total contradiction. I think
17 they're wrong. I think that you can lend to minority
18 neighborhoods and to marginal neighborhoods and not go
19 against sound lending practices -- which is the second thing
20 I want to talk about.

21 But again, these myths prevail, and they think
22 that they will collapse. And I'm talking about the federal
23 regulatory agencies too, who are normally, by the way,
24 manned by savings and loan presidents and vice presidents, and
25 so on. They usually have their stint in Washington for two

1 or three years and then go back to their field. There hasn't
2 been any sort of a consumer representative on the Home Loan
3 Bank Board or the Federal Reserve that I've ever heard of,
4 and I'm not talking about someone like Ralph Nader. I'm
5 talking about a non banker, okay?

6 Now, --

7 BOOTH: I hate to interrupt you. We're running --

8 VITARELLO: Okay. I'll quickly run through the
9 last two.

10 The fact that there are bad risks involved, and
11 that the banks understand this fully. Okay. Absolutely
12 false in D. C. I have asked all the banks and savings and
13 loans in D. C., through the City Council, to document any
14 lending criteria they have, and particularly the basis for
15 that lending criteria. Except for one or two little dribbles
16 and drabs of very out-dated data, the only S&L that had
17 something worthwhile was Black Independence Federal Savings
18 and Loan, and they've made substantial --

19 JEFFERS: Please, we have asked that you not
20 mention names.

21 VITARELLO: Oh, I'm sorry. Yes, okay. It's the
22 largest Black savings and loan in the City. It's been
23 around for about eight years. And they've made about 75
24 percent of their loans in these redlined neighborhoods. And
25 they have the best default and delinquency rate of any

1 savings and loan in the three-state area, including Maryland,
2 Virginia and D. C., of any savings and loan. Yet, 75 percent
3 of their loans go into these so-called bad-risk neighborhoods.

4 So somebody's wrong somewhere. Okay.

5 The other important point I wanted to point out
6 is the low demand factor, the fact that many minority
7 applicants apparently do not go to savings and loans in quest
8 for financial loans. All right.

9 Very briefly, let me point out three reasons why
10 this phenomenon occurs, but it's not true. Okay?

11 One is that applicants who come in to a savings
12 and loan or bank are not necessarily processed, with a
13 written application. In fact, we ran a little monitoring in
14 D. C. and found only two of twenty-five were actually given
15 a written application, and the others were turned down
16 orally. So how could you tell by looking at the written
17 applications? Okay?

18 Secondly, the applicants are normally referred
19 by realtors. Now, I've spoken to the Black Real Estate
20 Brokers Association in D. C., and they told me, after years
21 of conditioning, they just don't bother. They need money
22 and they'll get it anywhere they can. That's legal; obviously.
23 So, therefore, they go to mortgage bankers. They go to, like
24 a Black insurance company in North Carolina. They're not
25 going to keep banging the door and begging them to do it.

1 Now, 25 or 30 years ago it was impossible for
2 Blacks in D. C. to get a conventional loan, so they tell me.
3 So after years of conditioning and passing on, father to son
4 and so on, they know that it's worthless to go to a savings
5 and loan. So naturally they don't refer their Black clients
6 to a savings and loan.

7 But to put the blame on minorities for not going
8 I think is putting the cart before the horse.

9 Finally, the advertising practices of savings and
10 loans is absolutely Madison Avenue P.R. nonsense. In D. C.
11 I have never seen a TV advertisement for mortgage loans.
12 It's always "We want your deposits, it's a safe place to
13 save, blah, blah, blah, FDIC, FSLIC." They don't talk about,
14 "We want to make loans to you." Never.

15 And advertisings that they make in minority press
16 or media -- and there are several Black journals in D. C. --
17 are non-existent. They don't make them. They make them in
18 the Washington Post and so on, with nice, White, suburban
19 couples smiling by a little sailboat -- you know -- that kind
20 of thing.

21 And it's very clear where they want to put their
22 money, out in the suburbs, to primarily White clients.

23 There's only one savings and loan -- I won't
24 mention the name -- that uses a Black person in the ad.
25 That happens to be Roy Jefferson of the Redskins -- and their

1 record is improving all the time. They're the only ones.
2 The others -- except the two Black savings and loans -- but
3 I'm talking about the White banks and savings and loans --
4 don't use Black models or anything of the kind either.

5 So it's all pre-conditioned.

6 I'm sure that if they changed their marketing,
7 advertising practices, it would attract many, many, many
8 Black applicants. But they simply are not doing that.

9 I just want to close by saying that the public
10 must take a very strong stand and look at the operations and
11 the accountability of not only the S&L's but the Federal
12 and State banking agencies, commissions, what have you, in
13 your particular area as well. It's the absence of this
14 accountability which brings about, in my opinion, very
15 irresponsible lending practices--very traditional, but not
16 necessarily responsible lending practices. And until private
17 lenders in this City turn their practices around, I think
18 that you will continue to see a phenomenon of urban decay.

19 BOOTH: Does anybody else have any questions?

20 (No response.)

21 BOOTH: Thank you, Mr. Vitarello.

22 VITARELLO: Thank you. I'm sorry for being so
23 long.

24 BOOTH: Father Quayle?

25 QUAYLE: Is anybody awake?

1 JEFFERS: Will you please state your name for the
2 record?

3 QUAYLE: My name is Vincent Patrick Quayle.

4 JEFFERS: Would you give us the name and the address
5 of your organization?

6 QUAYLE: I'm Director of the St. Ambrose Housing
7 Aid Center, and we're located at 319 East 25th Street, here
8 in Baltimore.

9 JEFFERS: I'll turn the questioning over to Chester
10 Wickwire.

11 WICKWIRE: Father Quayle, what are the goals and
12 objectives of your organization?

13 QUAYLE: We get loans for people, Chester. We're
14 a consumer protection agency here in Baltimore to help
15 individual families with their housing problems, and to shake
16 up the institutions and work out some change on an institution-
17 al level.

18 WICKWIRE: How did the organization get involved
19 with the issues of housing, -- why? Why did you get involved?

20 QUAYLE: I was trained in Chicago, when I was in
21 a seminary with the Solininsky Community Group in a changing
22 neighborhood, and when I came back to Baltimore and saw the
23 same problems and a couple of priests in St. Bernard's Parish--
24 John Ballard got me involved in there, and I just got in and
25 got deeply involved in housing.

1 WICKWIRE: Has the Center been funded by any State,
2 Federal or local agencies to provide counseling, for instance,
3 for homeowners, or --

4 QUAYLE: Gee, that's a difficult question, Chester.
5 Most of our money comes from Catholic charities. We've
6 helped HUD out for five years now. We've never gotten a
7 penny from HUD.

8 The State, I think we've bailed out a couple of
9 their families who have been foreclosed on, and they paid
10 us \$200, I think, to do it.

11 The City -- I enjoy my relationships with the
12 City -- I'm not going to talk about that.

13 WICKWIRE: What did you mean, you helped out HUD?

14 QUAYLE: We're a so-called approved house-hunting
15 agency of HUD, so if they're going to turn down certain
16 families on loans they often send the family over to us.
17 It's called the 237 program. And after a counseling session
18 we decide whether or not the family can get a house.

19 So we've helped many families that way.

20 Also, we've been bailing HUD out for two years
21 now on what they call their D&D families, families who are
22 in default, who are threatened with the loss of their house.
23 We go out and track them down, find out what the problem
24 is, try to establish relationships with the lender, and get
25 them back in shape. We've been doing that for a couple of

1 years. We've probably worked with 200 families for HUD.

2 WICKWIRE: In your study of foreclosures, as I
3 understand, you recommend pre-purchase counselling. Why is
4 this?

5 QUAYLE: Well, I guess it comes mostly from our
6 experience with the families who do get in trouble. Some of
7 them should never have bought a house in the first place.
8 You can just spot it like that, okay? The marriage is about
9 to break up -- whatever it might have been. They were under
10 pressure to move out of their house, and they get mixed up
11 with some broker who just shoves them into ownership in
12 another house.

13 Other families don't know what to do when they
14 get into trouble. A lot of the families we work with are
15 marginal families. They're in and out of jobs often,
16 especially when the economy is as it is now, and the family
17 doesn't know who to turn to. They think the banker is going
18 to scold them if they go down and talk to the banker. And
19 in the meantime they've got the guy who sold them the
20 encyclopedia calling them up every night, and the car dealer.

21 So the money they have, they're paying off to
22 these characters, rather than using it for priorities.

23 WICKWIRE: I notice that your study also deals
24 with problems of foreclosures by out-of-town lenders. I wish
25 that you'd describe for us how the problems that you identified

1 in this study can be resolved with mortgage service by local
2 lenders?

3 QUAYLE: Our experience is that the local lenders
4 do not readily foreclose on families. And the reason is --
5 you had Mr. Hecht up here today; I've had very good dealings
6 with their organization -- one reason is you've got to face
7 the family. You've got to tell them, I'm going to foreclose.
8 Because the family is going to come and see you. They live
9 in the City.

10 Whereas the out-of-town fellows, there's no way
11 for the family to communicate with him, other than by phone
12 or by mail. So you never have that personal contact.

13 I mean these bank presidents are only human beings.
14 They don't want to, really. It's hard for them. The
15 families can twist their arms.

16 Really, the local lenders, once they take on a
17 family, are pretty sensitive with that family. They don't
18 want to get a bad reputation for foreclosing.

19 Now, you've got a few crooks in town that really
20 don't care about the foreclosures. We're going to expose
21 them -- one operation here in another month.

22 But the big, respectable lenders do not want to
23 foreclose on families once they take a family. So our goal
24 is to get rid of the mortgage bankers on marginal families.
25 And by "marginal" we mean any family that has to borrow more

1 than 100 percent -- or 100 percent of the loan, we think should
2 be linked up with a local lender. Of course, that's the type
3 of family who, chances are, is going to need extra help in the
4 course of their mortgage.

5 We're having a lot of trouble -- you have the
6 brokers coming on here this afternoon, and I'd like to say a
7 word about that afterwards, because they've changed their
8 whole tune from our hearings. We had hearings in this room
9 a couple of months ago. Congressman Mitchell and the whole
10 community came out here, and said we need pre-purchase counsel-
11 ing. The lenders were here. The mortgage bankers were here.
12 The brokers were here. And the community organizations were
13 here.

14 And one of the reasons that we're having trouble
15 with these city brokers these days is that they are afraid
16 of this pre-purchase counseling. Obviously, you know, it's
17 going to infringe on their operation.

18 WICKWIRE: Okay. A recommendation that you make,
19 as I understand it, is that Baltimore real estate brokers and
20 financial institutions ought to attempt to place FHA-221
21 loans exclusively with local financial institutions. Why are
22 you recommending this?

23 QUAYLE: That's that reason I just gave, Chester.
24 Since they are so sensitive, once they do take the family on,
25 we feel the families who are probably going to need sensitive

1 loan officers, or collection officers, in the future should
2 get linked up with the locals, because they're right here and
3 they are -- they have proven to be more sensitive.

4 And yet the very opposite is happening. The
5 families who most need the sensitive counseling, servicing,
6 are getting linked up with these out-of-town characters.

7 WICKWIRE: Is it your opinion that low and moderate
8 income people should own their own homes?

9 QUAYLE: Yes, by all means. I've been convinced
10 of it. And I've had my doubts over the years. But our
11 organization -- we probably have helped 750 low-income families
12 purchase in the last five years, and our experience really --
13 with one or two exceptions -- has been excellent. The
14 families can take care of the homes, they have all the pride
15 that you expect with home ownership, you see the homes
16 improve -- you just see a change in a family's life.

17 So -- and they've got to believe in the community
18 too. I mean, I've experimented in communities where I've
19 tried to turn tenants into homeowners, and yet I've picked
20 out some communities sometimes that are bad right now, and
21 the tenants would say, "Why should I buy a house in this
22 thing when I don't even believe in it?"

23 So it's not enough just to make homeowners out of
24 tenants. The tenants have to have some faith that they're
25 living in a vibrant community, too. That's important.

1 WICKWIRE: In terms of your counseling -- going
2 back a little bit -- does this mean that St. Ambrose follows
3 up with people, once they buy?

4 QUAYLE: We do, Chester, but realistically. We're
5 not calling families every couple of months and saying how
6 are you doing. The families get in touch with us if they
7 get in trouble. That's one big advantage of counseling. The
8 family knows that we're an objective organization, and if
9 they do get in trouble they can call us. And they know we're
10 not going to go running to the bank. In fact, we're going
11 to do everything we can to help the family overcome it.

12 WICKWIRE: I know you described a number of
13 problems concerning home loan policies, and you made certain
14 recommendations that were addressed to housing in this City.

15 How do you feel about board composition and
16 employment policies, in any lending decision concerning
17 minorities and women?

18 QUAYLE: It's crucial. It's crucial. In our
19 organization we take out memberships in the three largest
20 savings and loans, and we show up at all their board meetings.
21 And we're constantly saying, "We, as an organization..."--we
22 pretend like we're part of the organization, all right,
23 we're going to have a membership in it.-- "...we should have
24 minorities on our board."

25 And I usually get the board members there, and

1 I say, "Where do you people all live? How many live in the
2 City?" And you see a couple of hands go up.

3 So that's crucial, that the minorities, the Blacks
4 and the women, get on the board of these directors.

5 And also, as loan officers, because usually what
6 we have in Baltimore is we have middle-class Whites judging
7 low-income White and Black families. Their value systems,
8 their savings habits -- all this stuff which they really
9 don't understand. A few do. A few do. But most of them
10 don't understand.

11 And the natural prejudices come through, you know?
12 "You mean you don't have a savings account? You save at
13 home, in this day and age?"

14 All these natural prejudices that we middle-class
15 Whites have about how people should live and conduct their
16 finances come through in the way we decide whether or not
17 a family should be approved. It's natural, and it's
18 happening.

19 Just having Blacks in those positions, they'll
20 keep raising the questions, you know, which are important.

21 The whole thing -- you know, we forget. We
22 think of these things as institutions. They're all people.
23 The whole thing is personalities. If an institution is
24 conservative and bad, that's because one or a few people are
25 very conservative in their thinking. And I constantly go

1 down and confront these people, and it's all personalities.

2 I know I'm not supposed to mention names, but
3 Gene Williams is dead -- okay? He was the president of
4 Baltimore Federal. So -- I mean I can mention him. He went
5 through a conversion on his institution. He said, "Damn it,
6 we haven't served this City." And he actually -- I saw this
7 happen to him over the years -- he said, "We should be
8 serving these low-income families." And that's why Baltimore
9 Federal is getting all this national acclaim today.

10 And Bob Hecht -- I think it was the two of them --
11 their personalities. They were committed to this, and they
12 changed the whole institution.

13 Of course, I can take the other institutions and
14 I can tell you horror stories, you know, because of the
15 personalities. "People should have 10 percent down, or 20
16 percent, before they even think of buying a house."

17 Now, when you have that mentality running an
18 institution in this day and age, that institution is not
19 going to be responsive to people.

20 WICKWIRE: I take it in your work that you run
21 into a lot of tragedies in connection with the foreclosures,
22 that most foreclosures involve a personal tragedy, or problems
23 that are unusual. And some of those can be spotted, you've
24 indicated.

25 QUAYLE: They can be spotted, and they can be

1 corrected when they happen, Chester. Baltimore Federal has
2 a very good policy for dealing with families once they get
3 behind.

4 You know, the tragedy there is a family gets
5 behind, and there's a reason for the family being behind.
6 The banker will say to the family, as the out-of-town
7 mortgage bankers do, "Bring in the three months payments,
8 that's the only solution we're going to accept."

9 Now, the banker knows the family doesn't have
10 the three months money or they would have paid. So the
11 family has to go out and borrow it at high interest rate, or
12 steal it from a bank, or relative, or grocery store -- or
13 somehow come up with this money.

14 Whereas, the natural solution would be, okay,
15 this family is in trouble. They've been with us 3, 4, 5, 10
16 years, let's hook it on to the back of the mortgage,
17 all right? Let's help them resolve whatever their difficul-
18 ties are. And the three months that they should've paid,
19 they'll pay it, but they'll pay it later.

20 That's the way Baltimore Federal does it.

21 Now, there's a limit to how many times you do this
22 with a family, okay? You're not going to do this with a
23 family a couple of times a year. But you do it a few times
24 anyway, if you're really interested in saving that family's
25 mortgage.

1 There are very few houses that have to go to fore-
2 closure. I think virtually there are none, except the family
3 who, out of some reason, whatever it might be, abandons the
4 house. Okay, there's a justifiable foreclosure. I don't
5 know of any other time. Of course, there's usually a human
6 tragedy that causes it, and that's when we as the community
7 should come in and help that family in that tragic situation.

8 Instead, what do we do? We crush them all the
9 more, you know? We add another tragedy. We take away their
10 house.

11 WICKWIRE: Do you have a feeling -- I gather from
12 what you said earlier that things are turning around somewhat
13 with lending practices? But you think --

14 QUAYLE: Right.

15 WICKWIRE: Do you think --

16 QUAYLE: There are some decent lenders in town,
17 you know. One of the reasons -- a couple of your investigat-
18 ors came out and talked to me, and they wanted me to produce
19 families who didn't get loans. Well, we get loans for fam-
20 ilies. I don't have any who didn't get them.

21 But that's because I know what institutions give
22 loans, all right? And when we call up for a family, damnit,
23 that family is going to have to be in jail not to get a
24 mortgage. We're going to find out why. And we'll go down
25 and demonstrate, or whatever we have to do. And the bankers

1 know that.

2 And I think that's why we're not having any problem
3 with them.

4 But I know the more sensitive institutions in town,
5 and we're constantly testing some of the others -- because I
6 know the bad ones. I've got them on page 20 of that fore-
7 closure study. You know. They're right there.

8 WICKWIRE: Are there any other comments you'd like
9 to make, other than disclosure of names of any --

10 (Laughter.)

11 QUAYLE: All right. I want to say a word about
12 the -- oh, yeah, a couple of good things.

13 If an institution wants to lend money they'll do
14 it, you know, and they'll do it the same way they do it with
15 rich people. They'll take them out and wine them and dine
16 them. That's just what Baltimore Federal did with them when
17 they got into this market. And they went out to all the Black
18 brokers -- and I know the guys who did it, they told me
19 afterwards, you know -- and they went out and they told them,
20 come on, bring in the families and stuff. They did it the
21 same way they treat any other client.

22 So when you have an institution that says the
23 people don't come in, it's because you don't want them to come
24 in. If you wanted them to come in you'd find out how to get
25 them in, or else they wouldn't be in business.

1 All right. The brokers here -- here's our problem,
2 and I -- the man who spoke before me, he said one very true
3 thing at the end, that those brokers in Washington, the Black
4 brokers, that they've gotten into habits of working against
5 a discriminatory system, and it's very hard for them to break
6 these habits now. Because the mortgage bankers have come in
7 and wined and dined them, all right? And there are great
8 relationships that are established right now.

9 So they are very comfortable in this present
10 market now. They're comfortable as businessmen. I don't
11 know how they are, you know, as the racial scene goes. But
12 they have a very comfortable way of operating. They can get
13 mortgages for families, probably faster than they can through
14 these local lenders.

15 And it's very hard to change the attitude of these
16 city brokers now, and say wait a second, you guys have a
17 responsibility too, to take your families to these institu-
18 tions.

19 We're constantly -- I'm constantly fighting these
20 guys now. We used to be friends. I used to be friends with
21 the Black brokers. Now I'm their enemy, because we want
22 pre-purchase counseling. It's going to interfere with their
23 business, because we want them to use the local lenders,
24 because it's going to interfere with their quick sales and
25 things. All right?

1 So it's fascinating what's happening here.

2 I don't know how long you want me to go on. There
3 are a lot of things I could say here, if you want me to keep
4 going on. Or if you have some questions --

5 BOOTH: We have a little while, if you want to go
6 on a little bit.

7 QUAYLE: Do you have a couple minutes? Okay.

8 For a lot of lenders, the notion of a 100-percent
9 loan, or 100 percent and more, is revolutionary. Our lending
10 institutions are so conservative -- they're used to families
11 putting down 25 percent, or 20, or 10 percent, but they
12 can't think of a family coming in and buying a modest home
13 with \$500 or \$400. And yet, given a working class -- if you
14 look at our working class people today in this City, that's
15 all the families can reasonably expect to have, is \$500, \$700.

16 So we've got to devise programs to help the guy
17 with \$500 who's got a good job, good credit, to get a house.
18 That's why we need the 221-2D program. I guess you know that
19 the FHA -- we have a Maryland program that's similar to it.
20 We have these programs on the books, but the lenders won't
21 use them. That's the problem.

22 The Maryland -- if you got the State people in
23 here they'd tell you that very few of your non-federal
24 savings and loans are using their Maryland housing fund 100
25 percent program. For example, the federal savings and loans,

1 they can't use the 100-percent State program. That's one of
2 the changes that maybe you people can make. I don't know.

3 But the State organizations can use the 100-percent
4 and they're not using it. They're not using it because of
5 that mentality that I mentioned. They think a family should
6 put down 10 percent plus settlement to buy a house. That's
7 how they're coming at it. They're coming at it from their
8 point of view.

9 Now, all we can say is, "Well, listen, come at it
10 from the family's point of view, and know that your loan is
11 insured. What more do you want? The family needs the loan,
12 your loan is insured, you're not going to lose anything. The
13 family is a good family; The guy's a bus driver, been on the
14 job eight years, and he pays his bills. What more do you
15 want to know -- alright? And you're insured."

16 The Pilot Program -- we had three of the largest
17 savings and loans here in town experiment with a pilot project.
18 The pilot project was like the 221. It said a family with
19 \$500--could buy a house for 10 or 12 thousand dollars. One
20 of the local lenders, a very conservative one, took 72 loans.
21 And I was talking to their collection department officer --
22 it was really a decent guy, you know; we call him liberal
23 and things like that -- he said to me, "You know that pilot
24 program?" I said, "Yes." He said, "You know those 72 loans
25 we gave? There are six delinquent loans." And I said,

1 "Gee, that's great." He said, "Great?" He says, "That's
2 awful, six families that are a month or two behind." I said,
3 "Why are the families behind?" He said, "I don't know; what
4 difference does that make?"

5 I said, "Harry -- whatever your name is -- if
6 you get into a program like this you're going to have to
7 expect a different procedure than what you're used to, with
8 a family that's putting 20 percent down. Your families are
9 going to become delinquent, but they'll catch up. Go out and
10 find out why they're delinquent. How can you help them catch
11 up? You know, they'll catch up."

12 And if we get into a program to really help
13 low-income families, we're going to have to use a different
14 set of criteria in dealing with the families. That's what
15 I'm trying to say. And let some of the local lenders that
16 are screaming about their experience with poor families --
17 it's because they haven't changed their mode of operation.
18 That's why they're so naive in that.

19 Again, we talked about how difficult it is to find
20 families to come in here and say they tried and weren't able
21 to get a loan. I tried to show your investigators how these
22 bulletins worked. I don't know -- did they explain to you
23 how a lender puts out a bulletin to all the real estate
24 brokers in the City that they're used to dealing with, and
25 the bulletin describes the criteria for bringing in families.

1 And it's very nice. I've got some from the past. It's hard
2 to get recent ones. But I gave your man one that says, "Don't
3 bring in anyone under \$18,000, don't bring in any house that's
4 more than 10 years old ..." -- which is the whole city, you
5 know?

6 You know, this is how the policy is established.

7 That's all I can think of. You're tired. I've
8 got things to do -- Oh, I know what I want to say. I brought
9 the tapes from our civil rights hearing that we had in here
10 with Harry Mitchell. These brokers got up and -- there were
11 three of them. And it just so happens they're the same three
12 you've got this afternoon --

13 (Laughter.)

14 -- there are the tapes. Here's their testimony in writing,
15 all right? You can tell them you have it, or you can tell
16 them after they give their testimony, all right?

17 One of them was really honest. I've never known
18 a broker to be as honest as that man was. I don't have the
19 written testimony, but he's on the tape there.

20 The others, I have the written testimony, and
21 just a couple of things --

22 JEFFERS: If you'd please refrain --

23 QUAYLE: There it is. I want these back. It's
24 my only copy. All right?

25 BOOTH: We'll get them back to you.

1 WICKWIRE: Thank you, Vinnie.

2 BOOTH: Thank you very much.

3 QUAYLE: All right.

4 SMITH: Father Quayle, when you talk about those
5 bulletins, do you have any indication based on your most
6 recent experience that those same limitations exist, or do
7 you think that you see different limitations, or --

8 QUAYLE: They don't send me the bulletins,
9 Marjorie.

10 (Laughter.)

11 SMITH: I understand.

12 QUAYLE: I think -- I don't think that we can find
13 those bulletins anymore, like the example I gave you. But
14 I think what happens is most of your real estate industry
15 have developed ways of operating with certain lenders, and
16 they -- they're the same. All -- your real estate broker
17 operates the same way as the Black brokers in Washington
18 operate. They establish their own way of working within
19 the system.

20 So the brokers that got those bulletins a few
21 years ago, unless they've been given reason to suspect that
22 the lenders have changed their policies, they're not going
23 to go out and pry into the business of those lenders.
24 They're going to use the lenders they were used to operating
25 with. All right?

1 That's why you need the people to go out and wine
2 and dine the brokers, and that's why -- we had a program here
3 in town a few years ago. Gene Williams, who is dead, set
4 it up. And it was to work on low-income families. But it
5 never worked.

6 Chester, you remember, they sent it out to the
7 ministers, you know? They sent letters to the ministers:
8 "Send in families." All right?

9 Did they ever send a letter to you asking you if
10 they could lend money to some of the big people in town? No.

11 That's not the way they get business, by sending
12 letters to ministers. They know how to get business. They
13 went out and wined and dined the people they wanted to come
14 in.

15 That's what the lenders who aren't lending have to
16 do now. It's going to be a little bit hard, because the
17 Black brokers are suspicious of them to begin with.

18 BOOTH: Are there other questions?

19 (No response.)

20 BOOTH: All right. Thank you, Father.

21 QUAYLE: Okay. Thank you.

22 BOOTH: That completes the people we've asked to
23 come and talk to us this morning, so we'll break for lunch
24 now and reconvene at 2:30.

25 (Whereupon, at 1:05 p.m., the hearing was recessed,
to reconvene at 2:30 p.m., this same day.)

A F T E R N O O N S E S S I O N

BOOTH: May we call the afternoon session to order?

We're required to start off by reading the Privacy Act statement.

On September 27, 1975, the Privacy Act of 1974 became effective. Pursuant to that Act, the U. S. Commission on Civil Rights and its State Advisory Committees are required to inform the public and individuals from whom it collects information of their statutory authority to collect this information.

The Commission's authority to do so is set out in 42 United States Code Section 1975d. Its Advisory Committee authority is set out in 42 United States Code, Section 1975d(c).

Any information collected by the Advisory Committee from any individuals prior to this hearing was given voluntarily. All individuals participating in this hearing have volunteered to do so. And any information this Advisory Committee collects from you during the course of this hearing will be voluntarily supplied by you.

The Advisory Committee will not impose any sanctions on any individual who chooses not to answer a particular question or divulge certain information.

The Advisory Committee's principal purpose for

1 collecting information relating to the savings and loan
2 industry is to obtain enough information for the Committee to
3 prepare a report to the U. S. Commission on Civil Rights
4 regarding the employment and home mortgage lending practices
5 of savings and loan institutions in Baltimore, Maryland.

6 Information obtained during the course of this
7 hearing will also be used for other purposes, as set out in
8 the U. S. Commission on Civil Rights Notice in the Federal
9 Register, pursuant to the Privacy Act, concerning its State
10 Advisory Committee project files.

11 Copies of the U. S. Commission on Civil Rights'
12 statement on the relationship of the Privacy Act of 1974 to
13 information collected by the Commission and its Advisory
14 Committees, are freely available to all participants and
15 members of the audience. Copies are located on the table at
16 the back of the hearing room.

17 And, again, I would like to add that there are
18 also copies of other studies that have been done by the
19 Commission which you're certainly welcome to take with you.

20 Our first participant this afternoon is Millie
21 Jones.

22 Would you come up to the table, please?

23 JEFFERS: We've tried, during the first part of
24 this hearing, to have all of our participants not name -- not
25 mention the names of individuals or specific institutions, and

1 we've had a slight slippage in that. You weren't here, so
2 we hope that you will just try to refrain from naming
3 individuals or a specific institution, unless they can be
4 mentioned in a favorable light.

5 And, with that, I'll start with the questioning.

6 Would you please state your name for the record?

7 JONES: Mildred B. Jones.

8 JEFFERS: Will you state the name and address of
9 your organization with which you are working?

10 JONES: North East Community Organization. I
11 don't remember the exact address. It's the Alameda Shopping
12 Center, Baltimore, 21239.

13 JEFFERS: Do you have any sort of prepared state-
14 ment that you would like to read before we proceed with the
15 questioning, or something of that nature?

16 JONES: I don't have a statement as such, but I
17 would like -- a prepared statement, that is -- but I would
18 like to make a statement.

19 JEFFERS: Fine. Please go ahead.

20 JONES: Thank you.

21 As I stated when I was interviewed a couple of
22 weeks ago, that my involvement in the area of housing and
23 real estate has not been covering the financial institutions--
24 or redlining by financial institutions. Basically, in the
25 North East area we have been involved in a preventive

1 measure, hoping that we would not succumb to the kinds of
2 redlining that has occurred and is occurring throughout the
3 City of Baltimore.

4 We have found our biggest problem in real estate
5 in North East Baltimore has been in the area of appraising
6 properties -- low appraisals, that is -- giving us more or
7 less -- well, downgrading our properties.

8 And also the problem of steering. We have been
9 more or less known to some agencies, basically Federal and
10 State at this point, as an inferior community.

11 And it's because of this we have been getting
12 lower prices than the competitive market would permit.

13 Basically, that's what I would like to say.

14 JEFFERS: Okay. Thank you. I'll turn the
15 questioning over to Marge Smith.

16 SMITH: Thank you for being here, Miss Jones.

17 Could we begin for a moment talking about the
18 North East Community Organization itself? What are the
19 goals and objectives of that organization?

20 JONES: Well, several. Briefly -- it would take
21 a good while to really go into it -- but briefly, we are
22 concerned with maintaining -- well, holding on to a way of
23 life. We feel that integration is healthy and wholesome, and
24 basically these are the kinds of things we have been working
25 on, to remain a good integrated community, with all phases

1 of community living lending itself to a good community.

2 This would go into schools, upgrading our schools,
3 upgrading our shopping areas, working with transportation,
4 and our public facilities -- City and State agencies. Any-
5 thing that would affect community living within our North
6 East area.

7 SMITH: What geographic area does the North East
8 Community Corporation encompass?

9 You might want to look at that map, and if you
10 could pick out from that -- perhaps Miss Squier could help.

11 JONES: Do you want me to go over?

12 SMITH: Well --

13 JONES: I don't read maps very well. If you
14 could find York Road, I think perhaps I can show you from
15 here -- or 33rd Street, Memorial Stadium --

16 SMITH: Well, it's really basically the upper
17 right quadrant of the map?

18 JONES: Which is the North East section of
19 Baltimore City, adjacent to Baltimore County.

20 SMITH: Thank you very much.

21 JONES: If I'm allowed to elaborate a wee bit,
22 in reference to discrimination, low appraisals of property
23 and steering, we have within this North East area White
24 pockets, whereby real estate people have not been working to
25 show properties available to all prospective buyers. We find

1 a clear-cut pattern of real estate persons bringing Negro
2 families to the already integrated community, rather than
3 obeying the Fair Housing laws and going into the adjacent
4 communities where there are similar type housing, and prices
5 are similar.

6 SMITH: Well, do you know of any instances when
7 a house in your neighborhood, or in this area -- let me --
8 you do live in this area, too?

9 JONES: Oh, yes.

10 SMITH: Fine. I just wanted to make that clear.
11 Do you know of any instance when a house in your
12 neighborhood has been appraised at a lower value than its
13 fair market value?

14 JONES: I could give you several. In fact, I
15 have a couple of letters or statements with me now. Frankly,
16 our Federal Government seems to be the biggest -- if I must
17 say -- wrong-doer in this particular pattern of under-
18 appraising. We've heard statements made -- and we can get
19 witnesses to bear this out -- to the effect that, indicating
20 that since the neighborhood is integrated perhaps this is
21 why White families are moving. This is not always the case.
22 There's a transfer sometimes which could account for the
23 move.

24 We find our State agencies -- not State agencies,
25 but one of our State home funding programs is guilty of this

1 also. I have a letter here that was sent to an applicant
2 who made application for mortgage financing, which is a
3 100-percent financing at six percent. The application was
4 sent back with a letter stating that, "We feel the property
5 will not appraise for the contract price; therefore, we are
6 refunding your \$100 deposit, because we do not think you can--
7 that the property is over priced. I'm sorry."

8 These are some of the kinds of things that have
9 been involved. Definitely many under-appraised properties.

10 SMITH: When you talk about the Federal Government,
11 I assume what you mean there are federal agencies such as --

12 JONES: Home loan guarantees.

13 SMITH: Where they send out their own staff
14 appraisers, which --

15 JONES: Yes. Yes.

16 SMITH: You mentioned, or you seemed to indicate,
17 at least, that it's your conclusion that these houses are
18 appraised at below fair market value because of a state of
19 integration.

20 JONES: On what do I base that?

21 SMITH: On what do you base this?

22 JONES: Yes. On comparable value. See, we have
23 in our community homes that were constructed by the same
24 builder who constructed homes in an adjacent community. These
25 may be two or three given blocks away -- same type construction.

1 We find properties there appraising for anywhere from ten,
2 fifteen, twenty thousand dollars more than properties are
3 in our integrated community.

4 SMITH: Is there a difference in the rate of
5 turnover in those neighborhoods?

6 JONES: No, not necessarily, no. We find this
7 property coming on the market -- I know this, because I have
8 access to the multiple listing sheets, put out by the multiple
9 listing service. And there is a turnover in the adjacent
10 neighborhoods as well as in our own neighborhood.

11 But the rate of change, as far as race is con-
12 cerned, the properties in the all-White neighborhoods remain
13 virtually all White. While in our community, the turnover
14 is from a White family to a Negro family -- unless someone
15 in the community has a friend, or maybe a neighbor who knows
16 someone who wants to move in, and thereby we are able to get
17 White families to move in.

18 We have not had this kind of cooperation from the
19 real estate industry.

20 SMITH: I guess the logical question to follow is:
21 Do you know specifically of instances of racial steering
22 in your neighborhood?

23 JONES: Yes. Yes. As a matter of fact, I think
24 maybe late '69 early '70 or so we worked extensively with the
25 Justice Department Housing in Washington, and gave many

1 specific cases of persons who were steered to the community,
2 or who were discouraged -- White persons were discouraged from
3 moving into the community. They were interviewed. I don't
4 know what became of that. We never heard anything at all
5 after the investigations were completed.

6 SMITH: You have problems, then, with the area
7 of steering in terms of bringing potential new buyers in,
8 and you have problems in terms of appraisals from various
9 agencies, be they Federal, State -- do you also see problems
10 on the part of other lending sources which are available, for
11 example, savings and loans in the City -- either a hesitation
12 or a willingness to become involved in mortgages in that
13 area?

14 JONES: Well, again, I personally have not been
15 involved in financing to a great degree. There are some
16 cases, we feel, where there is discrimination. These are
17 perhaps isolated.

18 Then, again, some things are done in such a
19 subtle way until one perhaps doesn't notice right away, until
20 after he thinks about it.

21 What we've been able to do is, if there is
22 hesitancy on the part of the lending institution to lend
23 mortgage money in our area, we have been able to go someplace
24 else to get a mortgage. And our main objective is to get
25 a mortgage for the community, more or less. We're working,

1 as I said before, in a preventive way.

2 SMITH: In addition to the problems which your
3 community faces based on the changing racial pattern, are you
4 aware of any incidents of discrimination against women who
5 have attempted to purchase homes in your area?

6 JONES: No, I can't say that I am. Going back
7 a few years, we had quite a few one-parent families, mostly
8 women, who purchased homes, mostly through the FHA-235
9 program a few years ago.

10 I have heard of an isolated case against a male
11 who was looking to purchase a property. But I just don't
12 know. I can't say that I know of any.

13 SMITH: Thank you.

14 JEFFERS: You said that you heard of an isolated
15 case against a male. Could you tell us why -- what happened
16 to him?

17 JONES: Well, this is strictly hearsay, but if
18 you want further proof to back up my statement I can furnish
19 this to you.

20 I understand this letter -- the letter came back
21 to this particular person stating that "Our first commitment
22 is to families, and if and when your marital status changes
23 give us a call or contact us and we will be happy to work
24 with your application, or process it in a formal manner."
25 Something such as this.

1 JEFFERS: Was this from a private organization?

2 JONES: No. This was from a State organization.

3 JEFFERS: State housing?

4 JONES: Yes.

5 DARDEN: You said that when you had trouble getting
6 a loan you usually were able to get one from another source?

7 JONES: Yes.

8 DARDEN: Well, in the cases that you had trouble
9 getting loans, were they from local lending institutions, and
10 when you did get a loan from an alternate source, were they
11 local entities?

12 JONES: Yes. Yes. I can't -- I bought a home
13 just a few years ago, and I didn't have any problems getting
14 mortgage money for it. So I don't think you can really say
15 that this happens . . .

16 WICKWIRE: Would you give us an idea of the value
17 of an average house in that area? Can you give us a rough
18 idea?

19 JONES: That's a very hard question to answer. I
20 would like to think of a competitive market value, but
21 because of low appraisals we have the two things working
22 against the other. I would say \$30,000 is a very high
23 figure to get a home appraised in our community, whereas five
24 blocks away we know of houses being appraised for 35, 40, 45
25 thousand dollars.

1 WICKWIRE: These are comparable houses?

2 JONES: Oh, yes, yes, definitely so. Same builder.
3 Yes, sir.

4 WICKWIRE: Are reasons for limitations on lending
5 sometimes like the age of the house, or --

6 JONES: No. No, sir. I would like, if I might
7 take a moment of your time, to further support the statements
8 I have made.

9 This statement was made by one of our Federal
10 people in reference to lending on how to consider the desir-
11 ability on the part of the buying public, and went on to say
12 that the stigma to North Woods placed by a guy who killed
13 a woman there several months ago.

14 So these are the kinds of things that in the minds
15 of these people affect property as such.

16 This statement was made -- let's see, the date on
17 the newspaper article near the top is August 13.

18 I have a copy of an article dated 4-12-72, where
19 this same person stated that his agency was making a study
20 of the appraisal policy for the Northwood area, and that it
21 would be completed within about thirty days. I'm talking
22 '72 and '75.

23 I have a letter from the same loan guaranty
24 officer -- this goes back to '74, I believe -- where he's
25 more or less saying the same kinds of things.

1 And I have all kinds of goodies that will support
2 what I'm saying, if anyone is interested.

3 BOOTH: Any other questions?

4 THOMPSON: May I ask Mrs. Jones one question? I
5 understand that you've made agreements with several realtors,
6 and these agreements are in effect affirmative action, and
7 these realtors have promised that they would try to get White
8 families into your neighborhood.

9 What success or lack of success -- how do you rate
10 them? Do you monitor their success or lack of success?
11 What's your opinion?

12 JONES: If I might clarify something, I don't
13 think the agreement was to get White families into our
14 neighborhood. We are concerned that many agents will take
15 a listing in a community and will not work that listing as
16 such. And we are quite concerned that when the seller hires
17 an agent to work for him to sell his home, that hopefully
18 that agent will work that listing, will have open house,
19 will, himself, show that property.

20 As far as success is concerned, in integration, we
21 have met with the brokers and agents who have signed the
22 affirmative action agreement with us. We have taken them
23 on tours, several tours, around the community, and have
24 pointed out -- well, they can see for themselves if there
25 were some negative things -- we pointed out the positive

1 things, of course, in the community.

2 In meeting with these people after having had a
3 tour, having gone on a tour, why; they would agree, "You do
4 have a good neighborhood, your houses are beautiful, very
5 well constructed. It's a very desirable neighborhood."

6 And what it boils down to, someone from this
7 particular company eventually, if possible, selling that
8 house. It's always sold -- this is from our own observation --
9 to a Negro family.

10 So basically I would say in my own estimation I
11 can't see how this has been anything great to promote and
12 encourage, agent and real estate broker participation in
13 working in our communities.

14 BOOTH: Miss Jones, if you have some documents
15 you'd like to leave with us, we'd love to have them.

16 JONES: Thank you. Would you like some more? I
17 only brought a few.

18 BOOTH: We'd like anything you'd like to offer.

19 JONES: Thank you very kindly.

20 BOOTH: Thank you.

21 The next person we've invited to come is George
22 Laurent.

23 JEFFERS: Mr. Laurent, would you please state your
24 name for the record?

25 LAURENT: Yes. I'm George B. Laurent, Executive

1 Director of Baltimore Neighborhoods, which is located at
2 32 West 25th Street, zone 21218, in the City of Baltimore.

3 JEFFERS: Okay. Thank you very much.

4 I think the questions will be directed to you by
5 Mary Loker.

6 LOKER: Did you have a prepared statement, before
7 we begin?

8 LAURENT: If you'd like to hear it, yes.

9 LOKER: We'd love to.

10 LAURENT: Baltimore Neighborhoods is an organization
11 devoted toward working for an open housing market in the
12 Baltimore metropolitan area, resisting or fighting racial
13 steering, and also being concerned with integrated maintenance
14 of relatively stable integrated neighborhoods.

15 As such, we became interested in the savings and
16 loan situation a couple of years ago when we began to get
17 reports of materials -- in fact, I've seen some of this
18 material -- where when a savings and loan would send out a
19 notice, and it would say something like -- going out to
20 real estate people -- "We don't want houses more than 20 years
21 old, and we're not interested in financing anything under
22 \$18,000."

23 And I thought of the good home, the good 40-year
24 home, I had bought in Edna Gardens for \$15,000, and I would
25 have been excluded from this. Now, I did get it through a

1 savings and loan. But I think all of us -- I go along with
2 Millie Jones -- are concerned about preventive medicine.
3 We've heard about the problems of redlining and steering,
4 which has been pretty severe in a lot of other cities, and
5 I think we're very sensitive to this fact.

6 So from Baltimore Neighborhoods' point of view on
7 the maintenance of integrated neighborhoods, this is one thing
8 that we wanted to take a look at. And we joined with others
9 in this process of getting more money for the Baltimore area
10 by supporting the rising of these interest ceilings on
11 savings and loans.

12 But, as we said to the industry, we wanted to make
13 sure that when this was done that Baltimore City was properly
14 treated.

15 And, as a result, what we did as our part of this
16 endeavor, which a number of other organizations which you're
17 aware of are also concerned about, we decided that we would
18 take a look at the composition of the boards of directors,
19 and at the employment practices of the savings and loans,
20 on a kind of thesis that if -- well, put it positively --
21 the way you select your board of directors, and their
22 composition, must have impact on the way you select your
23 officers who run and your policies that you set; and the
24 way you establish your officers and set your policies is
25 bound to have some impact on the mortgages you make.

1 So we thought we'd like to take a look at the
2 composition of the boards of directors and employment
3 practices of savings and loans, in order to interpolate
4 improvements that might be needed. Because it's very
5 difficult, as you can be well aware, unless you're going to
6 make a tremendous effort, to find out what's going on in
7 the mortgages practices. That becomes very complex.

8 So the first thing that we did was to take the
9 10 largest federally-chartered savings and loans, or if they
10 were a State savings and loan that had federal insurance,
11 they would be under the supervision of the Federal Home
12 Loan Bank Board. And we took the 10 largest federal savings
13 and loans -- and I can just concisely read this to you -- it
14 came out this way:

15 We sent some 57 questionnaires asking this infor-
16 mation to 57 savings and loans. And we came up with eight,
17 or 14 percent of the 57 savings and loans responding to the
18 questionnaire. Seven gave the information requested, one
19 savings and loan declined to do so. They answered our letter,
20 but they declined to do so.

21 The 16 savings and loans we know about, in other
22 words, the 10 that we had gone out and checked first, the
23 10 largest plus the 6 that came in, have a total of 139
24 directors, of whom three, or two percent, are women.

25 Excluding Advanced Federal Savings & Loan, which

1 is considered to be a Black savings and loan, the directors
2 are Black, the remaining 15 savings and loan have 130 directors,
3 all of whom are White. And it seems save to presume that the
4 remaining 41 savings and loans have no Blacks on their boards,
5 and hardly any women.

6 And we did a similar study on the State savings
7 and loans and found the same thing.

8 We sent this data on to the Federal Home Loan
9 Bank Board, with a request -- because they were having hearings
10 on conflict of interest as it concerned the boards, and we
11 had said to the Federal Home Loan Bank Board a couple of
12 things:

13 First of all, the boards of directors of savings
14 and loans are too small and too interwoven. You know, too
15 few people on them, and having to do with similar industries,
16 and not representative of the public, and we'd like to see
17 you increase the number of people that can be on the
18 federally-chartered savings and loans. And also, since you
19 have a considerable amount of influence and authority over
20 the savings and loans, we would like you to write to them
21 and request that they give you the information that we asked
22 for, that we think should be public, and that you give it to
23 us to make it public.

24 The federal bureaucracy, as is normally the case,
25 wrote back and said, "This kind of information may be in our

1 files. We would be glad to get it for you. It will cost
2 you somewhere between \$50 and \$150 for us to look up this
3 material. If you want it, let us know if you're willing to
4 pay for it."

5 And our response back to them -- because we were
6 sending, you know, letters back to Congressmen and all the
7 rest -- was that this is something a simple letter from you
8 would have elicited this information. You should have had
9 it a long time ago. You ought to keep records on it.

10 And they came out with stuff like, you know, why
11 should we do it for you in this local area, and all that. As
12 far as we're concerned this should be computerized and
13 should be information available to everyone.

14 So the next step, we decided to take a look at
15 the employment practices, and to, you know, continue to work
16 on. And what we've done -- and unfortunately we're in a
17 position of having a great deal of data that we haven't
18 thoroughly analyzed because we're just finishing this study --
19 we did a walk-in survey of these savings and loans, the
20 main branches -- the federally-chartered savings and loans
21 main branches -- and we came up -- we went to 148 offices,
22 and we checked for a number of things.

23 It's my understanding that they're supposed to
24 have equal opportunity posters posted, and we found out that
25 97 did display a poster, or 66 percent. The remainder did

1 not, 49 did not.

2 And then we analyzed whether the posters were in a
3 good location, fair location or poor location. And out of
4 the 64 that did have them up, 66 were in what we considered
5 to be in a good location -- 66 percent, 26 percent in a
6 fair location and 6 in a poor location.

7 So the savings and loans could be a little more
8 enthusiastic about advertising to people that they are equal
9 opportunity lenders.

10 Then we surveyed, and we took a look at the total
11 number of people that we saw employed there, and we got their
12 brochures and we analyzed them as to the women directors.
13 And of the savings and loans, which actually numbered 61 --
14 we had missed 4 in our original survey that we picked up --
15 these 61 savings and loans in the Baltimore metropolitan
16 statistical area have 490 directors, of which 15 or 3 percent
17 are women, which confirmed the kind of random sample we took
18 on the first. So they're still low on directors.

19 Then we -- let me get some figures here, adding
20 up the employees

21 (Pause.)

22 We observed 691 employees, of which there were
23 122 White male, 532 White female, 5 Black males, including 3
24 janitors, and 32 Black females. And this comes out to the
25 fact that in the savings and loan industry -- that we saw, you

1 know, walk-in survey, we saw 82 percent women, 18 percent
2 men. And we saw, of the men, something -- the White-Black
3 ratio is 96 percent White, 3.9 percent Black -- and I'll
4 give you these statistics.

5 But that shows that there's a low employment
6 variation.

7 Now, interestingly enough, when you take a look
8 at the employment of the Black that are employed in the
9 Baltimore metropolitan area, we find, of the 5 men, of the
10 2 men who were not janitors, one was employed in Baltimore
11 City and one was in Severna Park.

12 When we take a look at the 32 Black women, which
13 doesn't actually include two other minorities, so we
14 eliminated those two and it comes to 30, and 6 of the Black
15 women worked for Advanced Federal Savings and Loan, a Black
16 savings and loan, which really leaves 24. You find that 12
17 are in the downtown area, 3 are in the Annapolis area, 2 on
18 Washington Boulevard, 4 out in the Pimlico area, 2 in the
19 Woodlawn area, 2 in Severna Park, and that's it.

20 So that even outside of Baltimore City, some
21 savings and loans do employ Blacks, and there's certainly
22 Black population, because most of the savings and loans
23 went to Havre de Grace, Westminster -- all the populations
24 have some Black people there.

25 So that if you were to summarize, you would say

1 that there are two Black males, non-janitors, out of 127
2 non-janitor White males, or 1.5 percent.

3 And then if you were to eliminate Advanced Federal
4 Savings and Loan, you'd find out there are 24 Black women out
5 of a total of 564 women we saw, and that these women represent
6 4.1 percent of the female work force that we saw.

7 So you see you have a very low percentage of Blacks.

8 And we would say in the Baltimore metropolitan
9 area there must be -- what is it, about 2 million at the most,
10 and about, what, 6 or 7 hundred thousand Blacks at the most --
11 and you'll see it's a substantial part of the population.

12 And when we analyzed the 10 largest federal savings
13 and loans, we pointed out the significance of this to us was
14 that if you have 2 women out of 92 directors, and no Blacks,
15 what you're saying is that these 10 largest savings and loans
16 you cannot find one woman out of a million women -- well, I
17 mean out of a million population you can't find one worthy
18 to be on the board, and you find no Blacks. What does this
19 symbolically say to the community? There's something wrong
20 with women and there's something wrong with Blacks.

21 And this would be a reinforcing thing, that when
22 a Black or a woman comes in to get a mortgage, well you've
23 got to look at them doubly hard, because there's something
24 wrong with these people, because they are not in positions
25 of real directorship and power. That's our kind of presupposition

1 Now, we've also taken a look at the officers by
2 sex, as listed in the brochures, to see what kind of officer-
3 ship, because the vast majority of employees in the savings and
4 loan industry are women. And so the question comes -- and we
5 don't know of any Black officers, we couldn't tell from
6 looking at a brochure, but I would be very surprised, if
7 outside of Advanced Federal, there's a Black officer. We
8 have no way of knowing that, but I would really be very, very
9 surprised, basically.

10 And if you take a look at it, of the savings and
11 loans, we found data on 56 out of the 62, because we couldn't
12 get brochures from 6 of them, and we found out that there are
13 two women presidents of savings and loans, one of a very
14 small savings and loan -- and we have reason to feel that the
15 real officer is the chairman of the board of this small
16 savings and loan. And one about a medium size. Okay?

17 And of the vice presidents, 7.7 percent of the
18 vice presidents are women.

19 Treasurers, 11.1 percent are women.

20 Of the secretaries -- that's the secretary of the
21 board -- 36 percent are women.

22 Assistant vice presidents, 27 percent are women.

23 Assistant treasurers, 66 percent women.

24 Assistant secretaries, 65 percent women.

25 Branch managers and other officers, 43 percent

1 are women.

2 So we haven't fully analyzed that. That may be
3 a relatively acceptable officer rate. I'm not sure. But
4 this is being completed by us.

5 We're also doing the same thing with State chartered
6 savings and loans, and we haven't had time to analyze this.
7 We've just completed this survey of the numerous branches.
8 Most of them are a lot smaller than the federals. Some of
9 them are sizeable. But it's very difficult to get full
10 information on the small state-chartered savings and loans.

11 We intend to bring all those data together. We
12 intend to keep our pressure on the Federal Home Loan Bank
13 Board, which we feel should be -- which is derelict, as far
14 as I'm concerned. It should have had all this information,
15 and should have been supervising the employment practices
16 of the savings and loans. It should be raising the issue of
17 board composition, and also of loan policies.

18 And you get the kind of usual bureaucratic run
19 around when you deal with this kind of an agency.

20 We're also concerned because it's our understanding
21 that the Federal Home Loan Bank Board of Atlanta, Georgia,
22 regulates savings and loans in this area. And 8 of the 12
23 governors of that bank directly come from the savings and
24 loan industry, and that 4 are appointed from Washington.

25 So you have the industry regulating itself. And

1 why should there be any desire to respond to any of this kind
2 of information?

3 And you know about the appointment of the top
4 board in Washington. You probably know more about that than
5 I do.

6 But in general this is what we've been doing, and
7 we have a lot of analytical -- we intend to take a look at
8 these savings and loans that do employ women to see whether
9 there's a concentration in one or two. We haven't had a
10 chance to really, you know, get into that, and also to balance
11 the City against the County.

12 But I am -- at least in the employment -- most
13 savings and loans are in population areas where there are
14 some Blacks, so that you can't say this would be affected
15 that much by the little savings and loans way out in Timbuctu
16 which has not a Black family for miles and miles around. It
17 is interesting to note that there is some employment, you
18 know, in Annapolis and so on.

19 So I think it stands up pretty well that Black
20 employment is extremely low in the savings and loan industry,
21 and not anywhere near representative of the communities in
22 this area.

23 LOKER: Okay. You said earlier that your organiza-
24 tion had looked into the practice of steering. Could you say
25 a little bit about the impact on the racial composition of the

1 neighborhoods in Baltimore due to the practice of steering?

2 LAURENT: We don't know. Actually, with a very
3 limited staff of two people, the main energies of Baltimore
4 Neighborhoods have been working to knock down barriers. We
5 have not concentrated on steering. We have worked to elimin-
6 ate discrimination by testing, by handling of complaints,
7 private attorneys doing testing and working with the Federal
8 Government.

9 We are the recipient of a HUD grant which is kind
10 of unique in the country, as a partnership between the Real
11 Estate Board of Greater Baltimore, the real estate brokers
12 of Baltimore and Baltimore Neighborhoods, to begin to take a
13 very in-depth look at what is going on, and to see just how
14 much steering exists, or just how much discrimination exists,
15 and what have you. And hopefully we'll be able to get some
16 very concrete data on this.

17 LOKER: But you don't have anything to say about
18 that right now?

19 LAURENT: Not now.

20 LOKER: Okay. I think you've pretty well answered
21 our other questions in your statement, so does anyone else
22 have any questions?

23 SMITH: Mr. Smith, I am trying to work through
24 something in my own mind, and that is the relationship
25 between the absence of Blacks and/or women on the boards of

1 directors or on loan committees, and how that relates to a
2 willingness or lack of willingness to give mortgages to Blacks
3 and women?

4 LAURENT: Well, as I said in the letter to the
5 government, I once worked for a major bank in New York City
6 a number of years ago. And I'd been there for about six months
7 when I knew that no Jew or Black was to be hired in that place.
8 And I couldn't even conceive of making a loan to a Black.

9 And it was by osmosis. Nobody ever sat me down
10 and said, "Buddy, this is the way this bank operates," and
11 all the rest of it.

12 You also knew if you had a Polish name -- you
13 know, in other words, kind of by osmosis. And I'm not a very
14 politically orientated person, so I was probably the most
15 naive person in this whole -- in this training program.

16 But the guys who were smarter, you know, had
17 figured out who was who, and the politics of the bank, and
18 all that, through osmosis. It just came. There were certain
19 people you just didn't deal with, just as you knew you don't
20 fool around with joining a bank union.

21 They don't have to say a word. You pick up a kind
22 of feeling, you know, that there are people we don't think too
23 well of, that don't work for you.

24 All I'm saying is that that can have some influence
25 upon whether you're making a loan or not. If you have an

1 all-White organization and a Black comes in, and you know
2 no Blacks are worthy to work for this organization or be a
3 director or something, there must be something funny about
4 them. You know, that kind of thing.

5 And then you have a kind of, you know, male
6 chauvinist point of view that gives you a kind of impression
7 that men really know how to manage, and women don't. And so
8 no company in its right mind would have a woman in it, and
9 you prefer to loan to a man. You know the credit problems
10 women have, and the concept of the man of the family. He's
11 the guy who -- you know, if a woman doesn't have a man, well,
12 you know, there's always a question mark there, because how
13 responsible is she?

14 I'm just saying it's, you know, inferential. And
15 we have to go -- you know, we're going on that kind of a
16 basis. There must be something back of this. We have
17 scuttlebutt about certain prejudices within the industry,
18 but that is hearsay, giving opinions of people who know the
19 industry, and that kind of thing, and I don't think that's
20 scientific or fair.

21 SMITH: Do potential home buyers come to you to
22 ask your help in getting them hooked up with a lender?

23 LAURENT: No. If people would come to us seeking
24 that kind of information, we would refer them to, like the
25 St. Ambrose Housing Center, or one of the others.

1 What Millie Jones was talking about, we had a
2 young man come in who had been turned down by the Maryland
3 Housing Fund on the basis that he was trying to get a house
4 in our area, which I understand was selling for about
5 \$10,000, and had three bedrooms. And he was turned down on
6 the fact that this, in our opinion, is too much house for a
7 single person. Get married and come back and see us.

8 We said it was not only contrary to regulations of
9 the Maryland Housing Fund, but it's contrary to the law of
10 Maryland. I checked with a prominent realtor, for example,
11 and said, you know, how good a buy is a two-bedroom house --
12 or let's say a one-bedroom house. I don't think there's such
13 a thing as a one-bedroom. But let's imply that a single
14 person should have a two-bedroom house, is that a good buy?
15 He said, no, those are freak houses.

16 So what we're saying is the State of Maryland
17 says a single person can't have a good investment. I happen
18 to be a single person with a three-family house. And our
19 neighborhood welcomes -- our neighborhood is undergoing
20 a tremendous transition, not necessarily from Black to White.
21 It's integrated. Blacks are moving in.

22 But basically the people in our neighborhood are
23 dying off. They've been there for forty years. And we've
24 got a lot of singles moving in, couples moving in. And in
25 the smaller houses I think it's a very good thing for singles

1 to have home ownership.

2 Now, I can sympathize, you know, with the State
3 Housing Fund kind of saying, "Well, let's try to get more
4 people in the house." But we maintain -- and we filed a
5 complaint with the State Human Relations Commission for
6 this gentleman, we're backing him up on a protest to the
7 Governor -- that it's not -- that the law is the law, and
8 singles should be protected as well as couples, and the
9 State should not discriminate in any way against a single.

10 DARDEN: You've investigated boards of directors
11 of savings and loan institutions. We heard earlier this
12 morning that it's quite possible that if the resulting urban
13 disinvestment that comes from lending policies of Baltimore
14 savings and loans may be oversight on the part of lending
15 committees and boards of directors.

16 Would you agree with that?

17 LAURENT: Well, you have the kind of thing of,
18 let's say, directors who have -- I think Mr. Windsor might
19 bring up some material about this kind of thing -- but let's
20 say that you have a bunch of people who have been directors
21 of savings and loans or of banks, and that they have left
22 the area and gone to suburbia.

23 I have a gentleman on our street who has been
24 living there for 20 years, and he has a friend in the banking
25 industry -- he had quite an argument. This guy said, "Why are

1 you still living in Edna Gardens. You know that's not a
2 place to live. It's integrating, it's behind." That kind
3 of thing.

4 And he had a totally prejudicial -- he hadn't
5 been in Edna Gardens for years, and had a prejudicial concept
6 of what Edna Gardens is like, based on, you know, it must
7 be in chaos over there.

8 And this guy had to really let him know about it.

9 We've run into this kind of thing. This is the
10 kind of -- you know, you can go out into suburbia. We'd
11 even like to know where some of these directors live. If
12 all the directors live out, how well do they know the city?
13 With these kinds of prejudices you can write off the city.
14 You know, that kind of thing we're really concerned with,
15 and feel that that can happen.

16 The other kind of thing is that -- it was kind
17 of interesting. We were looking for a savings and loan
18 officer to be on our board, and we had a recommendation of
19 a guy from somebody in the industry who thought that this
20 guy might be one of the few guys that would be willing to
21 serve on the BNI board.

22 So we approached him. He said, "Yeah, that would
23 be very good. I'd better ask our board of directors about
24 it." And then he called me back and he said, "I sounded out
25 the executive committee, and they said absolutely not. You

1 don't even bring up such a question to the board."

2 You know, that's what I'm talking about, the kind
3 of impact. In other words, we were looked upon as apparently
4 a radical organization working in something the savings and
5 loan industry doesn't like.

6 DARDEN: In other words, you're saying, then, it
7 isn't a result of just ignorance or not knowing, but there is
8 some active prejudice going on in the minds of most board of
9 directors that result in their lending policies, have an
10 effect on their lending policies?

11 LAURENT: Yes. It's my personal feeling that these
12 are relatively sharp people on boards of directors, and their
13 officers and everything, and they can't be that dumb. And
14 they're not related to a community.

15 Let's say that with regards to women, I think a
16 lot of us men over the years kind of took it that women were
17 very happy in the position they were in, et cetera, et cetera.
18 et cetera. But I think in the last few years, you know, that
19 we're being disavowed of this kind of thing. And this is one
20 of the benefits of civil rights.

21 We actually -- when I started in the civil rights
22 movement in 1954, we had to go out -- it was really very
23 funny -- and convince people, a lot of White people, that
24 Blacks were really upset. Because we ran into enough
25 Uncle Toms who'd get up in front of a White audience and

1 undercut us by saying everything is happy, you're a bunch of
2 White agitators, and all this kind of baloney.

3 I think since the riots, all the civil rights
4 activity, and all the rest of it, I don't think there are
5 very many White people today who think that Blacks are happy,
6 or have been happy, with American history, the way they've
7 been treated.

8 I think the same thing today, in the last ten
9 years I can't see how any man who is involved in the community
10 and has the responsibility of being on a savings and loan
11 board -- which is a trusteeship -- can think that women and
12 Blacks are happy.

13 I have a kind of a thing -- I would just suspect
14 this, knowing -- because I've been in banking, and I know
15 how it is. Nobody rocks the boat, and everybody with a
16 career in mind, you sit around there and you have the
17 trustees, the directors of the bank, and you have a couple
18 of officers. Then you have a couple of officers say, "Well,
19 maybe we ought to employ some Blacks. Maybe we ought to
20 think about a Black officer. But, gee, the board isn't
21 going to like me to raise this unpopular kind of thing, and
22 maybe I'd better keep quiet unless somebody says something."

23 Maybe there's one guy on the board who says,
24 "Well, maybe our savings and loan ought to have somebody,
25 but I don't want to bring up this -- you know, I know enough

1 from my involvement with other groups to know this kind of
2 thing, and I don't want to bring up this unpleasant subject."

3 And so there's no pressure on me, and it's a
4 conspiracy of silence, with even the liberal guys cow-towing
5 to, you know, the conspiracy of silence. You get into
6 something with suddenly everybody innocently saying, "Well,
7 nobody has a policy here that discriminates." And yet it's
8 set up.

9 And that's a very powerful -- that's probably as
10 powerful a way of keeping something under control -- and I
11 don't think the industry is ever going to change -- and what
12 we hope to do, is we feel that the Federal Home Loan Bank
13 Board has the authority to put the pressure on for getting
14 more women and Blacks on there. When you get Blacks and
15 women on the boards of directors, they're going to start
16 raising some questions about employment practices. And
17 they're also going to be in a position to start raising some
18 questions about the loans.

19 Because most of these savings and loans -- maybe
20 the giant ones -- but most of these savings and loans, it's
21 my understanding, that the board of directors, you know,
22 approves loans. So if you have a bunch of loans coming from
23 my neighborhood, or coming from the inner city, to the
24 board of directors, they may question why we're getting loans
25 from this area, and so on. And I think with your change of

1 composition of the boards of directors will make them more
2 amenable to what's going on in the world.

3 WICKWIRE: George, one question. You really
4 touched on it, but are you hopeful, or do you have reason to
5 think, that if the pressure is kept on the Federal Home Loan
6 Bank Board and the like, that we're approaching a new day
7 in terms of lending practices?

8 LAURENT: Yes, I'm optimistic from this point of
9 view. It's amazing how you can take the spotlight off some-
10 thing, and how for years and years--it took us a long time
11 because of limited activities at the beginning to take a
12 little look at savings and loans.

13 The thing that bothers me is that this is the
14 kind of thing -- and I think the Civil Rights Commission
15 itself -- this is the kind of thing that the Home Loan Bank
16 Board ought to have taken years ago. But I think the value
17 of what you're doing, and the value of our group, is that
18 most in groups only react under pressure. Even Baltimore
19 Neighborhoods, a civil rights organization, is under certain
20 pressures from the public.

21 We know, for example, if we hire someone for this
22 federal contract that it better damn well be through equal
23 opportunity, because the community is going to look at us
24 with a sharp eye, and we'd better set up everything according
25 to law. We're under pressure too.

1 Now, if we weren't we might be very tempted to take
2 a short cut and say, "Oh, let's get people we know." Because
3 it's always easier to hire somebody you know. You know what
4 I mean?

5 But we know we have to advertise, because we know
6 we're going to be looked at like everything.

7 So that I think this is the kind of thing -- I
8 think that only through this kind of public pressure -- and
9 we intend to keep up this survey on a periodic basis. We'll
10 do it this year, maybe next, you know, to see if there's any
11 progress. That's the only way. Every year keep pressure on
12 the Federal Home Loan Bank Board. Actually, the Federal
13 Home Loan Bank Board should computerize. It would be the
14 simplest thing. Give a report every year? What's your
15 employment and board of directors policy.

16 And the point was -- I mean we're not saying fire
17 people. If you take a look at the savings and loan boards
18 they're very small in number. They could easily up the
19 number of people on the boards of directors to include Blacks
20 and women, without getting rid of good people who've been
21 on for ten years. We're not saying get rid of people.
22 We're saying, you know, up their number.

23 And I think that a woman's viewpoint would be
24 excellent compared to -- a woman knows a heck of a lot about
25 homes, loans, and all this kind of thing. So I think a

1 woman's viewpoint -- one of the big ones, as you know, has
2 since got an officer, one of the ten largest has since got
3 a woman -- director, I beg your pardon.

4 BOOTH: Just one?

5 LAURENT: Yes. There was one. There are now
6 three.

7 I have a -- well, I'll just say I'll give you
8 all the correspondence and our preliminary reports, prelim-
9 inary data, and you can begin to look at that, and look at
10 our running battle with the Federal Home Loan board. It
11 keeps going.

12 And then when we have put together and finished
13 our report -- we have to take a lot of looks at the statis-
14 tics -- we'll give you the complete report.

15 BOOTH: Thank you. I think we have one more
16 question.

17 JEFFERS: I have one question. I just want to
18 clarify something for myself and possibly for the record.

19 But earlier you mentioned something called a
20 conspiracy of silence. And when you mentioned that I
21 thought you might have been referring simply to a conspiracy
22 of silence amongst directors or employees of a specific
23 institution.

24 And I wanted to know whether you also were
25 referring to a conspiracy of silence amongst different

1 financial institutions also, let's say within the savings and
2 loan industry.

3 LAURENT: Well, I wasn't implying any kind of real
4 plot. I'm simply saying -- even myself, most of us don't
5 want to get into controversy. What I'm saying is when you
6 come in to an institution which is a basically conservative
7 institution, and you have all these traditions, like the bank
8 I used to work for, who is going to bring to the attention
9 of the directors that the impression is that you don't want
10 Jews, Eastern Europeans and Blacks as employees of this
11 institution? It would look like you were a trouble maker.
12 You don't have any facts. It's just the impression you've
13 got.

14 It's like saying, "Buddy, have you read the signs?"

15 So, if you're a guy given a chance to become an
16 officer -- I left for another career, but most of the guys
17 I was with became officers of the bank -- then you were
18 very careful about not raising things that could be a mark
19 against you for promotion in the future.

20 And then you're on as a director. And, again,
21 you know, you're put on there and there's a lot of connections
22 and all the rest of it. I'm pretty sure that you don't want
23 to raise a controversial -- you know -- questions about
24 what's going on.

25 So what I'm simply saying is unconsciously, without--

1 not a deliberate conspiracy, but a conspiracy of silence
2 occurs in an institution. Let's keep it the way it was.
3 Let's not rock the boat. And anybody wanting to make any
4 changes has to fight an uphill battle.

5 JEFFERS: Let me take this one step further, and
6 perhaps I'm taking you a step further than you may be willing
7 to go. But what I'm getting at is: Is there a possibility
8 that, let's say, an enlightened S&L might not be willing to
9 get too far out in front of the rest of the industry,
10 especially considering the fact that when they're getting
11 advances from the Federal Home Loan Bank in their district
12 that money is essentially controlled by other S&L presidents,
13 or whatever?

14 LAURENT: Oh, today I think an S&L could have
15 a more liberal policy and is not going to be in any way hurt.

16 But just to give you another illustration, one
17 time we were trying to involve larger businesses in support
18 of open housing, and I thought the response we got from an
19 officer of a company was kind of interesting. I've run into
20 this before. "If you think that our officers of this
21 company want to get hassled at the country club about its
22 support of open housing, you're just plain crazy."

23 I've run into that -- and the guy was really very
24 honest and candid. In other words, one reason -- you know,
25 it isn't that these guys, these directors and the top people

1 live in neighborhoods -- they're not worried. But it's a
2 social approbation. You know, "What's your company getting
3 into this stuff for?"

4 And when we had approached a number of larger
5 corporations through a church group, it was -- we were
6 interested in equal opportunity employment -- it was, "We've
7 got enough to do." I got some scuttlebutt on the inside that
8 this was too controversial, and they didn't want to get into
9 this kind of thing because this raises a lot of controversy.
10 It's a hot subject, so stay away from it.

11 That's part of it. It's a part of this conspiracy
12 of silence. You know, somebody makes a selection in a
13 company that we don't even want to upset our top people by
14 bringing this to their attention. And I make the supposition
15 they don't want to be bothered by this, and therefore we're
16 cutting it off right here. That's the kind of impression
17 I've got.

18 BOOTH: Any other questions?

19 (No response.)

20 BOOTH: Thank you.

21 LAURENT: I'll just leave these documents with
22 you.

23 BOOTH: Let's take just a five-minute break to
24 stretch, and then we'll go on to Father Baroñi.

25 (Recess.)

1 BOOTH: May we come to order?

2 Father Baroni, may we call you up front?

3 JEFFERS: Before we start, I just want to reempha-
4 size one more time that we will try to avoid the use of the
5 names of specific individuals or financial institutions
6 wherever possible, unless it's done in a favorable sense.
7 That's no reflection on you, Father Baroni, but we've done
8 very well about that this afternoon, so we'll see if we can
9 continue to keep up that sort of record.

10 I'd like to ask you a couple questions for the
11 record.

12 First of all, I'd like you to give us your name
13 for the record, please.

14 BARONI: My name is Geno Baroni, of Washington,
15 D.C., President of the National Center for Urban Ethnic
16 Affairs.

17 JEFFERS: Okay. And your assistant?

18 KOLLIAS: Karen Kollias, K-o-l-l-i-a-s.

19 JEFFERS: And your title or position?

20 KOLLIAS: Policy analyst, same center, National
21 Center for Urban Ethnic Affairs.

22 JEFFERS: Okay. Before I turn the questioning
23 over to Bert Booth, I want to ask you if you've got a prepared
24 statement which you'd like to read, and if you do, please go
25 ahead and read that.

1 BARONI: Yes, Mr. Chairman and members of the
2 Committee:

3 I'm happy to have this opportunity to appear before
4 you this afternoon. I have a prepared statement, but I may
5 depart from it, and I suppose you'd be more interested in
6 questions on whatever experience we may or may not have in
7 this arena.

8 I might be a Clergyman, but I'll never forget the
9 first sermon that I gave was, "Not by bread alone does man
10 live, but by credit." And I have been hounded by that most
11 of my life.

12 I've gotten involved in urban affairs. I came
13 from Western Pennsylvania to Washington, D. C. in the late
14 fifties and got involved in the inner city in D. C. I was
15 coordinator for Catholic participation in the march on
16 Washington in 1963, and then became Urban Affairs Director
17 of the Archdiocese of Washington. I then became Director of
18 Urban Affairs for the United States Catholic Conference, and
19 I've been involved in a lot of different kinds of urban
20 policies and programs in Washington, D. C.

21 I also was president and founder of Urban
22 Rehabilitation Corporation, which did rehab and did the
23 original, first 221H home ownership houses, and have been
24 instrumental in trying to develop a number of housing programs
25 in a number of cities around the country through church groups

1 and private groups.

2 Last year I was a Fellow of the Kennedy School at
3 Harvard, and my subject there was Neighborhoods Politics and
4 Pluralism. And one of the things since 1968, the death of
5 Robert Kennedy and the death of Dr. King, I left the inner
6 inner city of Washington to go back to deal with or relate
7 to neighborhoods that were next to Blacks in the Newark area,
8 Detroit, Baltimore -- whatever.

9 I was very interested in who was left in the cities
10 with the growing Black and Brown or Spanish or Latino people.

11 In a sense I was reminded of the Kerner Commission's
12 report in terms of do we have a growing kind of anxiety or
13 an inevitable group conflict between rising aspirations of
14 minorities and those Whites who happen to live next to them.

15 And so I'm doing a 75-city study of cities like
16 Pittsburgh, Baltimore, Detroit, Gary, Newark, and so on, and
17 I'm very interested in knowing the racial factor of cities,
18 but the ethnic factor as well.

19 And so, in terms of that program, we have had
20 several government contracts with the Office of Minority
21 Business Enterprise, which we're studying 18 cities for OMBE.
22 And we've done several major programs for the Ford Foundation
23 in the urban ethnic community development arena.

24 Our Center for the past five years has been
25 working in 35 cities in what you might call the older ethnic

1 neighborhoods that are contiguous to or are binding or next
2 to or in between inner city and the suburbs -- what some might
3 call middle city -- or changing older mostly heavily ethnic
4 neighborhoods.

5 In Maryland I was very instrumental in working with
6 Miss Barbara Mikulski in a development and support of the
7 South East Community Organization, known as SECO. And we're
8 still involved with work in that organization on the technical
9 assistance level.

10 Our own experience with redlining and disinvestment
11 has surfaced through a variety of community organizations, and
12 particularly in Chicago in 1972 we had a national conference
13 which was sponsored by Miss Gail Sincotta, a neighborhood
14 leader, to which 75 different neighborhood groups came,
15 including some from Baltimore. I think at the time it was
16 NESCO or NECO or some group -- I'm not sure. You know, the
17 closer you are to home, the less you want to talk about some-
18 body else's turf.

19 But this national group, made up of people from
20 Black, Brown and White communities, began to take a local
21 issue which we called redlining and disinvestment, and have
22 made it into a national issue. And we have been brokers, in
23 a sense of introducing those people to the Housing Banking
24 Committee in the Senate, Mr. Proxmire, and in development of
25 that legislation, of the Home Mortgage Disclosure Act of '75

1 which has passed the Senate Committee and the Senate.

2 So we've been very involved in the development of
3 that legislation through the experience of many neighborhood
4 groups, including groups from Baltimore.

5 So the issue or the subject you're talking about
6 is not only peculiar to or appropriate of Baltimore, but this
7 is really a local issue that has national implications in
8 many, many cities.

9 My associate here, Miss Kollias, is the project
10 coordinator to a national program that we're involved with
11 in five different cities.

12 But since that early beginning in 1972, three to
13 four hundred different communities have raised the question
14 of the relationship and the attitude of financial institu-
15 tions toward their neighborhood, which we believe is a very
16 subjective kind of thing.

17 And one of the things that we found very interest-
18 ing is that a neighborhood becomes disinvested and redlined
19 in a simultaneous kind of sense. There are zip codes in
20 Chicago -- and we may or may not have our own research which
21 we're publishing shortly in this area -- which shows a zip
22 code or an area that had -- what is it, 100 million -- well,
23 we don't have the numbers, but close to 100 million in a
24 number of financial institutions, and they found out that
25 they were getting less than one percent of that money, and

1 they were being disinvested and less than one percent of that
2 money was coming back.

3 So when you and I or somebody in that community,
4 particularly a minority, and particularly, sometimes, working
5 class and other people that lived in either Black or changing
6 or working-class community, when you'd go to borrow this,
7 they'd say uh-oh, we don't make loans there.

8 And so we got very interested in the connection,
9 and training people to find out where that money went -- to
10 a Beirut airport or to -- you know -- to a Fort Worth
11 condominium, or to many, many places.

12 And the people then began to raise the question
13 about equity -- you know, that some of the money certainly --
14 their own money, in many ways -- ought to come back to their
15 own community.

16 And that research was done in basements, in
17 courthouses, in -- you know, painstaking research. And I
18 remember, before the Federal Home Loan Bank Board where we
19 tried -- and especially Miss Sincotta and community people --
20 tried to ask the Congress to ask the Federal Home Loan Board
21 if they would do some experimental studies. And they did
22 one experimental study in Chicago, and I hope that you may
23 get that for your record -- and we may or may not have that
24 with us -- but that information would be very useful to you --
25 where the Federal Home Loan Bank Board did work with a number

1 of financial institutions to do a kind of a pilot study in
2 Chicago which verified even to a greater extent all our fears
3 about disinvestment, and the concomitant practice of redlining
4 in older neighborhoods that were particularly minority,
5 working class or else ethnic.

6 So that, you know, we thought the Federal Home
7 Loan Bank Board -- here's where I'm jumping to one of the
8 kinds of conclusions or recommendations that I should think
9 that the Commission might make, is that the regulatory
10 agencies -- you know, the Federal Home Loan Bank Board
11 technically is a regulatory agency -- they ought to tell us,
12 you know, at least by zip code and census tract as well,
13 where money is loaned and not loaned, and so on, in some
14 general way, that people need that data, people need that
15 information -- that that data -- you know, and the Federal
16 Home Loan Bank Board said, "Well, go to a foundation."

17 Well, I'm saying that they are a public agency
18 and that they should provide the data for the public's
19 interest and the public's good, the common good.

20 So that in my experience one of the biggest factors
21 has been so very subjective, even in the inner city when we
22 had tried to develop houses for home ownership for low-income
23 people, invariably the inspector or the banks personally
24 would come out and say, "Gee, I wouldn't want to live there."
25 You know, in a so-called riot corridor or a so-called Seventh

1 Street or Fourteenth Street or H Street, and then wouldn't
2 give us the right kind of appraisal, and then say, "Well,
3 those kind of people shouldn't buy houses," and so on, or
4 wouldn't count the wife's income as part of the income that
5 was very viable in terms of affording the house. And home
6 ownership is basic to the communities.

7 One of the things that we're interested in
8 nationally is that people live in neighborhoods, and if
9 neighborhoods aren't stable or viable or revitalized, then
10 cities die. And we've done a lot of work in Newark -- in
11 fact, even before the Mayor of Newark as well as community
12 groups there, a very up-tight White community that's left in
13 Newark and so on, and that Newark -- you know, as Mayor
14 Gibson said, "If you want to see where cities are going, you
15 come to Newark. They become Black, Brown or Bankrupt." And
16 so on.

17 And one of the things that we're kind of
18 committed to is what makes a healthy neighborhood, and how
19 can we help neighborhoods to be revitalized or help neighbor-
20 hoods become viable so they can deal with this tremendous
21 fear and polarization.

22 Part of this fear and polarization in our own
23 research, particularly in light of what Dr. Coleman says --
24 he said, "How do we deal with White flight?" in many
25 neighborhoods, and I say SECO is one of those kind of

1 neighborhoods. Many of those people don't necessarily want
2 to leave, you know, even with the options. There are cultural
3 ties, there are economic ties, and so on. And that people
4 in many communities, there -- you know, they have values like
5 cultural ties and identity which are valuable to them as
6 far as places to raise their children. And these are
7 emotional as well as economic investments in their neighborhood.

8 Lending institutions have their own definition
9 of "healthy neighborhood" primarily determined on what they
10 perceive as a financial risk.

11 What so often happens, they say to you, "Well, you
12 have a row house, and your wife works and you work, and,
13 you know, why not move to a place..." -- I don't want to
14 mention names -- but they say, "Why don't you move out to
15 Columbia where you can get a 40-year mortgage, rather than
16 trying to buy your mother's house in an older neighborhood,
17 when Blacks are moving in, or they're going to move in?"
18 You know, all the apparent and real subjective kind of fears
19 that are projected on a community, and so on.

20 So we've come to realize that financial institu-
21 tions' credit policies of redlining and disinvestment are
22 discriminatory, not only to individuals through their racial
23 and ethnic factors, but also discriminate against a whole
24 neighborhood. You know, in Toledo or Cleveland they'll say,
25 "Oh, you're from Collingwood or Maryhill? We don't make loans

1 there." It wouldn't matter if you made \$100,000, is what
2 I'm telling you, or \$15,000 -- you know, it's kind of an
3 attitude: "Well, we don't make loans there anymore."

4 The whole neighborhood can be discriminated against,
5 so it's not only individuals, be they racial, ethnic, or
6 minority -- whatever. And so on.

7 So the criteria upon which these credit policies
8 are based, again, are highly subjective. And yet they're
9 developing into structure disincentives, working toward
10 neighborhood decline..

11 So we say there's a whole series of disinvestments
12 in a neighborhood, the disinvestment of communities and
13 redlining and disinvestment of capital and money for home
14 improvement or home ownership or home loans, conventional
15 mortgages, is part of that practice of disinvesting a
16 community. And many times the decision to redline is made
17 out of a fear or anticipation of racial and/or economic
18 change within the neighborhood.

19 And financial institutions hold that -- quotes --
20 the credit worthiness of Blacks, and oftentimes other ethnic
21 and minorities in question, somehow considering them high
22 financial risk groups. And we find this is true many times
23 in working-class communities that live in older neighborhoods
24 and so on, where people have been there for years and still
25 find themselves subject to being discriminated against because

1 they live in a certain neighborhood.

2 Discrimination based on age and the value of the
3 available housing stock impacts on many neighborhoods. It's
4 interesting that an old house in Annapolis, an old house in
5 Georgetown, is a valuable piece of property, you know? And
6 so on. Or Logan Circle in Washington, somebody wants to buy
7 it and fix it up, sometimes because of its age. And even
8 in New England, where you have these three-storey, decker,
9 wood houses, you know, depending on where it's located, can
10 be very valuable.

11 Yet we get all the time that this is older stock,
12 this might be a wooden house, and it's in the wrong neighbor-
13 hood, some of which -- you know, sometimes people in the
14 neighborhoods are not even aware that they're being, in a
15 sense, disinvested and redlined.

16 In addition to the prominently Black neighborhoods
17 we're finding that so-called integrated or changing neighbor-
18 hoods, as well as the predominantly sometimes so-called
19 White ethnic neighborhoods contiguous to Black neighborhoods,
20 are being cut off from, you know, the conventional mortgage
21 money and home improvement loans. Here I would cite --
22 careful of your admonishment about citing -- but Detroit --
23 I'm on a task force at HUD for housing, for the Secretary,
24 Assistant Secretary, and they have a big map at HUD. And
25 HUD is now the tenth largest city in the country in terms of

1 houses they've taken back, you know?

2 (Laughter.)

3 And so they have this big map, block by block, and
4 day by day, of foreclosures and so on, of the disasters of
5 FHA policies.

6 And what happens in a neighborhood, usually there's
7 a process where you can't get a conventional mortgage but
8 then maybe you can get an FHA mortgage, and then sometimes
9 you're busted on an FHA mortgage.

10 One of the things that impressed the Senators more
11 than anything else in the Senate testimony on the Mortgage
12 Disclosure, was the fact that many people came, and that they
13 came appropriately from the right Districts -- like Senator
14 Brooks' district, or Senator Proxmire's district -- you know --
15 with letters of people living in these neighborhoods who
16 were buying FHA houses, and some mother or father, or
17 combination, maybe they were behind five or six hundred
18 dollars on their mortgage, but send in a check for the six
19 hundred dollars and the check would be returned, you know,
20 from FHA in a sense, because the FHA practice there was to
21 turn those houses over, you know -- an FHA practice. And so
22 another kind of redlining.

23 And that upset more Senators and more Congressmen,
24 that FHA shouldn't do that, or the banks and the institutions
25 shouldn't do that, if people were really honestly trying to

1 catch up, and got behind on a mortgage a little bit and
2 actually sending in a six or seven hundred dollar check but
3 having it returned because they missed the date -- you know --
4 they were two days behind.

5 So there are many many practices to look into,
6 but that whole business of conventional mortgage money, home
7 improvement loans, disappearing, many going to the FHA
8 business, and then you go in to none at all.

9 And so, contrary to popular belief, one of the
10 things I'm very interested in showing is -- I put it in the
11 analogy that sometimes the Black neighborhoods have a broken
12 back, and the White working-class neighborhoods have a
13 broken foot, or a broken toe. But that doesn't mean we don't
14 have any troubles, you know, and it's not an either/or. The
15 person with a broken back needs maybe intensive care, and
16 the person with the broken foot needs a clinic -- you know --
17 or something. Your grandmother may need a heart machine,
18 or my grandmother still needs a cortisone shot.

19 But don't make it either/or. Let's talk about
20 equity or let's talk about need. And let's not put groups
21 off against each other, which redlining and disinvestment
22 does, in an already aggravated, polarized situation in terms
23 of Black and White, in terms of race, you know, in terms
24 of fear, and so forth.

25 So what we're saying is that, contrary to popular

1 belief, there are many White, ethnic and working-class
2 families that live in cities which have not followed suit
3 with the White flight to the suburbs, and these families
4 have wanted to stay in their neighborhoods, many of them,
5 where their roots are firm.

6 Now, I'm not sure of this data, because I'm on
7 somebody else's turf here, but I think the SECO area is an
8 example of such a neighborhood, which is predominantly White,
9 maybe 86 percent. More than half of the families are some
10 mixed or working-class or ethnic origin, and about half the
11 population may be at the \$7500 a year level. And this may
12 be based on just a quick look at the study we've done using
13 1970 census data, and we could look at that again.

14 But then I've seen the study which you already
15 have by Mr. Embry in the City of Baltimore, which we've
16 looked at as well.

17 But what I'm saying is that what you find in
18 Baltimore is true of Milwaukee, it's true in the Jamaica
19 Plain in Boston, it's true in Toledo, it's true in Cincinnati,
20 it's true in Chicago. It's a pattern. And that's why if
21 you raise this up in terms of public policy questions and
22 recommendations, that perhaps we can develop from a local
23 concern to a national public policy concern some kind of
24 regulations and some kind of programs that might meet this
25 issue, and so on.

1 Some other questions -- the negative policies which
2 we say have already affected areas like SECO and many other
3 communities in other cities, in the difficulty of obtaining
4 home improvement loans -- many houses, especially in Detroit,
5 you may go down the block and find five absolutely very solid
6 kind of houses, and two boarded-up houses. And psychologically
7 that says to people, uh,oh, you know, something's happened to
8 this neighborhood; I'm going to fix up my house, are you
9 going to fix up yours? Are you going to stay? Are you going
10 to leave?

11 And you get into this kind of a problem in the
12 social-change arena with how people feel about themselves and
13 how they feel about their neighborhood. And many of these
14 houses are abandoned or in need of major rehabilitation. And
15 that's another kind of program that needs to be done in some
16 of these communities.

17 One of the programs -- and on the positive side --
18 this is a very small program, but we've helped a Baltimore
19 group to get Baltimore Neighborhood Housing Service, and you
20 may have heard about that. But just the necessity of a
21 neighborhood housing service in the neighborhood is obviously
22 an expression that there's no available home improvement
23 loan money in that community. I mean, you know, that's an
24 admission that there's something going on.

25 And we've worked with neighborhood groups to try

1 to try to negotiate that advocacy, to sit down with banks and
2 S&L's and other lending institutions, to try to deal with
3 those kinds of concerns in about 10 or 12 cities.

4 The other factor which relates to disinvestment
5 and redlining -- and this we think is very important --
6 is the whole question of neighborhood economic or commercial
7 revitalization. There's much discrimination in programs of
8 The Economic Development Administration and many other
9 programs of HUD and other places that ignore small commercial
10 districts in older neighborhoods. And many of those old
11 neighborhoods -- like Eastern Avenue or Highlandtown, some
12 of those small family businesses have a hard time getting
13 loans. And when they begin to get boarded up, like in Newark,
14 New Jersey, Black communities moved through a changing Puerto
15 Rican neighborhood, then moved through a changing Black-White-
16 Puerto Rican neighborhood, then moved all the way out to
17 suburbia. And you can see store after store -- you know,
18 you close up your drug store and she closes up her little
19 store -- and the housing four blocks away can be pretty good.
20 But somebody will say, why should I put new shingles on the
21 place, you know? You going to stay or you going to move?

22 So the whole attitude about a neighborhood that
23 gets disinvested and then gets redlined, is also related to
24 the commercial and the economic revitalization, or the
25 availability of loans, technical assistance and/or the viability

1 of course, too, of businesses. We say that neighborhood
2 residents and city officials should be getting involved in
3 what we call neighborhood commercial revitalization efforts.

4 Here, what we've tried to do, and we've worked with
5 the Office of Minority Business Enterprise and the IPA -- the
6 Intergovernmental Personnel Act of the Civil Service Commission,
7 tried to involve the community sector, the public sector, and
8 the private sector to look at neighborhoods.

9 And one of the things we're concerned about, there
10 is no national urban policy. I can remember one of the things
11 I got involved in in Baltimore was something about a freeway,
12 you know, and so forth, that somebody was trying to stop or
13 something. Well, we ran freeways through a lot of these
14 neighborhoods -- beltways, freeways -- through all these kind
15 of communities. We had no -- you know, they looked old,
16 mostly they were minorities or they were working class or
17 lower income, and we ran freeways through them. And now in D.C.
18 and in many places across the country that's stopped. And
19 with economic scarcity of fuel and so on, we say there is a
20 viability to many of these older neighborhoods, and that
21 these neighborhoods have to be revitalized.

22 One of the most serious and the strongest disin-
23 centives of all is the attitude of financial institutions in
24 the practice of disinvestment and/or redlining.

25 So while we mentioned little programs, like

1 Neighborhood Housing Service, or little programs like a
2 neighborhood economic commercial revitalization program, and
3 the community organizations trying to get the State and
4 national legislation, we need more than that. We need a
5 national kind of a local urban policy, just as we have an
6 ecology policy, we have environmental policy, or wetlands
7 policy -- and so maybe a policy about attitudes about
8 neighborhoods, because that's where people live. And those
9 building blocks must be viable if the cities are to survive
10 and build towards each other, and particularly deal with the
11 questions of polarization and race and fear, and so on.

12 [Now, one of the regulations that I'm sure that
13 you're interested in is the regulation of financial institu-
14 tions. And I'm against regulations, but I'm for them if the
15 institutions don't do something about them. And one such
16 move is to regulate the financial institutions through what
17 we call the anti-redlining regulations.

18 Now, in Illinois -- you may be interested in
19 getting that legislation -- legislation has just been passed
20 in the State of Illinois which has been developed by the
21 Metropolitan Area Housing Alliance, represented again by
22 Gail Sincotta, who was on the Governor's Blue Ribbon
23 Commission on Mortgage Practices, along with bankers and
24 mortgage people in S&L's, and their legislation clearly spells
25 out the way that redlining is not allowed, and to eliminate,

1 if possible, discrimination, either racially or by neighborhood.

2 Just one paragraph of that reads as follows:

3 "Discrimination and redlining are hereby prohibited.

4 It shall be considered discriminatory to refuse to grant
5 mortgage loans, to arbitrarily value the terms of those
6 mortgages or those loans, or the application procedures
7 of those loans, because of, in the case of the proposed
8 borrower, his race..." --

9 it should be "his or her race" --

10 "...color, religion, national origin, age, sex or
11 marital status; and in the case of the proposed collater-
12 al, its geographic location."

13 You know, not that this kind of legislation is
14 going to be the answer, but it gives people a tool to be
15 able to work with. You know, I'm from Washington too long
16 to know that we have any more perfect programs, or even any
17 Ten Commandments that are going to solve everything, and so
18 on.

19 But it is a tool, and it is a vehicle by which
20 people can begin to work on this question.

21 There are also requirements in the new Illinois
22 bill to maintain files of all the applications, their
23 documentation, and the reasons for rejection. Access to
24 such information could serve as a check that applicants are
25 not being denied loans for reasons of race or ethnic origin,

1 income, or their neighborhood.

2 Groups like your Commission, I believe, could play
3 a role in making sure that such legislation may develop at
4 a State level, following, perhaps the example of the Illinois
5 regulation if that's applicable here, and that you might have
6 adequate input in the monitoring of that kind of application
7 process.

8 And while building for that kind of local
9 endeavor, we must build a national case, a national policy.

10 I'd like also to humbly suggest that your
11 Committee keep up with the development of the Home Mortgage
12 Disclosure Act of '75, which is the Proxmire Bill, which
13 I'm sure you have, and that many cities are now beginning
14 to pass ordinances on disclosure, and States are developing
15 similar bills along with other kinds of anti-redlining
16 legislation.

17 Mandatory disclosure is necessary to document the
18 financial institution's history of intent in terms of redlining
19 and disinvestment of urban neighborhoods, in exposing how
20 these policies discriminate against individuals as well as
21 entire neighborhoods.

22 Because without this disclosure and anti-redlining
23 legislation, the credit policies of the lending institutions
24 will continue to be one of structured disincentives, disin-
25 centives working for the decline of our neighborhoods, which

1 we really consider the very backbone of our cities where
2 people live.

3 So I think I'll stop there, and if there are any
4 questions . . .

5 BOOTH: Well, I wonder now, since we've gotten a
6 kind of broad picture, if you could bring us down and tell
7 us something about the area you've worked with in Baltimore?
8 And this is, as I understand it, the SECO area. Is that it?

9 BARONI: Yes. But I'd rather not. I'd rather
10 wish to stay with them, you know, you get them; people from
11 SECO, to speak for that, you know?

12 BOOTH: Rather than having you --

13 BARONI: Right, and I think that's one of the
14 conditions I think I mentioned to somebody, that I was not
15 going to come to speak, you know --let's have SECO speak from
16 their background of experience. What's happening to SECO
17 I can verify that that's happening to some more or less
18 degree in a lot of other places. What's happening in
19 Baltimore is not unique, you know, the fact that that seems
20 to be a very strong national pattern, particularly in the
21 last few years, that needs attention. It's not just an
22 isolated situation here in Baltimore.

23 I guess my only value here is to tell you, or try
24 to legitimize that this is a national problem, and that to the
25 degree you address it in Baltimore, you're addressing a local

1 and a national program -- or problem.

2 Although we may have data coming out of the OMBI
3 study, but I checked yesterday and it has to go first to the
4 Office of Minority Business Enterprise, because they've done
5 it under contract. And it'll be released and I'm sure if I
6 get a copy I could send you a copy, which has data relating
7 to Baltimore and other cities in terms of what we call
8 neighborhoods, looking at Black neighborhoods, changing neigh-
9 borhoods and/or Spanish neighborhoods or White working class,
10 and looking at the cities, then looking at the suburbs, and
11 looking at housing stock and age, and the various characteris-
12 tics of and profile of neighborhoods. Because we don't have
13 such information from the census.

14 And the census has commissioned a group of us to
15 develop that kind of data material, you know, because we're
16 showing that someday we'll be caught in the squeeze between
17 each other, and put off against each other.

18 BOOTH: Have you any idea when that will be
19 released?

20 BARONI: Well, it's due at OMBE the 15th of
21 October, so between probably a two weeks extension, you know,
22 we should have some of that.

23 BOOTH: Okay.

24 BARONI: But I am sure that the local Baltimore
25 SECO people would have some of their own data.

1 The other thing that we have, that Karen could
2 speak to, is this study that we're doing with these national
3 community groups, and that information from Chicago which
4 really convinced Senator Proxmire. He thought the community
5 people were as knowledgeable as any of the economists on the
6 Federal Home Loan Bank Board or HUD in terms of what this
7 was all about, in terms of the work that they had done --
8 you know.

9 I imagine -- you had Father Quayle here, and
10 other people in Baltimore have done research too that must
11 be comparable.

12 BOOTH: Would you like to talk about that a little?

13 BARONI: The OMBE Study?

14 KOLLIAS: Well, I don't have any of the specific
15 information about the SECO area, either, and that was stated
16 before we came. Except for the fact that it is one of those
17 areas that is part of the 75 percent of Embry's study.

18 And there are two important things I would like
19 to stress, which Father Baroni mentioned, is the fact that
20 there are a lot of other interrelated forces that work in
21 addition to home mortgage discrimination, and you can find
22 those kind of actions coming out of the fact that we have to
23 have a neighborhood housing services program within a
24 neighborhood, because people can't get loans. They can't
25 get money, so you've got to set up a program.

1 You know, the government traditionally, at the
2 state, federal and local level responds with programs without
3 dealing with the real issues. Why aren't financial institu-
4 tions investing in these neighborhoods? Why aren't they
5 investing into certain families? And the fact that the
6 commercial strips can't get loans, that they're closing up,
7 and they are directly related to that same area, that people
8 can't get the housing loans, that there's something that's
9 going on in terms of financial institutions, that impact
10 continuously on the neighborhoods, the homes, the families,
11 people being displaced -- you know, all the different factors
12 are interrelated, and that SECO is one of those areas.

13 But on the other hand, too, their whole idea of
14 what constitutes a neighborhood is different than how people
15 within a neighborhood themselves -- if you were to ask all
16 the people in the SECO area, they felt very committed and
17 tied to their neighborhood. They've been there for years and
18 years and years. And it's a very positive, growth oriented
19 type neighborhood; whereas the cities -- the banks look at
20 it as a financial risk. And there's a big discrepancy there.

21 And this, as Father Baroni said, is not unique.
22 It's going on in all these different cities.

23 BOOTH: Are there any other questions?

24 SMITH: Just a very brief one. Since you said that
25 you wanted to look at the national scene, rather than the

1 local scene, I listened with interest to your discussion of
2 what Illinois was doing as part of this Blue Ribbon Commission,
3 and I sit here and wonder why it's necessary, because, indeed,
4 isn't it true that the Federal Home Loan Bank Board, under
5 its own guidelines, has said quite clearly that these practices
6 are not acceptable? And it's my understanding that they've
7 gone so far as to say that even if the intent to discriminate
8 was not there, if, indeed, the effect was that of discrimina-
9 tion, that policy could not be condoned.

10 Why would we need State legislation under the
11 federal system, if, indeed, the federal government has
12 already addressed itself to this issue?

13 KOLLIAS: There's a problem with this, because,
14 you know, just the whole idea in terms of that they have
15 the thing that clearly spells out in '73 that says you
16 can't discriminate against older neighborhoods, because
17 even if the intent is not to discriminate, it impacts on the
18 rights of minorities -- I think that's what you're talking
19 about -- well, there have been suits filed. There have been
20 all sorts of different complaints registered, and they have
21 the power to cut off financial institutions, and they have
22 the power to reverse the practices if they must. And they
23 haven't used it.

24 There's a certain case in a certain city that I
25 cannot mention that went before them to try and get a new

1 charter in a certain city, and they passed it right on through.

2 You know, it's very hard. But the experience, let's
3 say in Illinois, they worked on all three levels. They
4 worked on the city level and they got through an ordinance.
5 They got through an ordinance that said -- do you have the
6 Chicago ordinance?

7 SMITH: I don't believe so.

8 KOLLIAS: Okay, we can send you a copy.

9 SMITH: We would appreciate it.

10 KOLLIAS: It says the city government can use its
11 clout in trying to get the lending institutions to do their
12 part. And they said that any of the banks that wanted to
13 have any part of the city government payroll, and any of
14 their services done, they would have to agree to disclosure.
15 They would have to show where their deposits had been coming
16 from, where their investments are, things like that.

17 So at least that was one thing that they got
18 through.

19 They got through a lot of different kinds of
20 programs in the neighborhood.

21 On the State level they were able to participate
22 in this Commission. They were able to get different kinds
23 of legislation through, and that can impact differently.

24 Then on the federal level they were very
25 instrumental in the disclosure act, and they'll be instrumental

1 in following it up, and things like that.

2 So sometimes you can get immediate results in
3 other areas.

4 Our primary area, of course, would be working with,
5 you know, the localities. And it's just a matter that since
6 we're a national center we help give technical assistance to
7 local groups for their cities. You know, whereas, like if
8 there were something like an ordinance to come into Baltimore,
9 we would help the different groups within Baltimore to see
10 what could be done with it.

11 I think people should start looking in terms of
12 who is responsive to these kinds of issues on the city council.
13 You know that there are some people that are very responsive
14 to the possibility of passing such an ordinance.

15 You know, those kinds of things.

16 BARONI: I think, to get to the heart of your
17 question, like what Karen was saying, that question was asked
18 by different Congressmen and Senators, the same question, to
19 the head of the Federal Home Loan Bank Board, many times in
20 hearings that we've been present at.

21 And the fact of the matter is, the data is there
22 to prove that the Federal Home Loan Bank Board, you know,
23 in its role of being a regulatory agency, provides data to
24 the institutions, but doesn't regulate them in terms of the
25 public interest at large. I mean it doesn't regulate them in

1 terms of the communities' interest or the neighborhoods'
2 interest. And technically they could penalize S&L's or banks
3 for this kind of practice. But they really don't, because
4 in essence they do work for, and research, and give data
5 for and promote legislation conducive to the industry, but,
6 you know, they have to take the communities' side, and the
7 neighborhoods' side and the public interest's side.

8 And so it's regrettable, you know, that a regula-
9 tory agency is not serving the total common good. And we
10 think it's to the banks' common good and the S&L's common
11 good as well.

12 But the fact is they're not doing their job, and
13 at the State level --

14 SMITH: Then the problem doesn't come from the
15 lack of federal guidelines. The problem comes from lack of
16 enforcement of those guidelines?

17 BARONI: And teeth, right. It's like so many
18 of these in our civil rights legislation. We've got lots
19 of civil rights laws. But we've got to constantly monitor,
20 constantly make them stronger, constantly be after them,
21 investigate -- you know.

22 That's even with revenue sharing. It sounds like
23 it's a very good program. But it has to be monitored, where
24 the revenue sharing money and funds go to.

25 So we constantly -- I don't want any more

1 regulations, or any more regulatory agencies. But the fact
2 is that these regulatory agencies are serving the interests
3 of, you know, not the depositors. They should look out for
4 both the, you know, the agency, the banks and the S&L's, as
5 well as people who should benefit from a savings and loan
6 institution.

7 The thing that's happening in New York State --
8 we've been involved in that a little bit -- New York State
9 has its own troubles, but they're talking about setting up
10 a state bank, a new kind of . . . In Washington the city
11 council has had a number of hearings to talk about a state
12 or a D.C. kind of bank or financial institution, to do what
13 the S&L's are doing. How do you help people get home loans,
14 for home improvements or to buy houses in the city? The
15 city would put its money in that kind of institution --
16 because the present financial institutions are not doing it,
17 and the regulatory agencies are not regulating; therefore,
18 we need your kind of recommendations and new kinds of
19 regulations that might make it happen.

20 KOLLIAS: The other reason why you might want to
21 go to the state on one level is, if you had access to all
22 the different banks and S&L's, and where they're putting their
23 loans, where they're not putting their loans, where they're
24 getting their deposits, if you had state banks that were
25 commissioned by the state, then you'd have to go to the state

1 in order to get enforcement there.

2 And if there were federally chartered S&L's, then
3 you'd have to, you know, use that, enforcement pressure on
4 that level.

5 And also, I was going to say the Federal Home
6 Loan Bank Board, in terms of them not representing the public
7 interests, but rather the banking end of it -- like, say the
8 people they have primarily always come from the S&L industry,
9 is typical of any federal agency. And there are supposed to
10 be three commissioners to the Federal Home Loan Bank Board,
11 and I guess probably you know that the head of the Federal
12 Home Loan Bank Board resigned right after the hearings,
13 the disclosure hearings, and that also the other two are not
14 there.

15 So in terms of any kind of input to try to get
16 people who are more responsive, if there's a way we could
17 say, "Look, we need some accountability, we need some
18 responsiveness," you know, for those positions. But they're
19 hand appointed.

20 DARDEN: It seems that most of your efforts are
21 designed to develop a system or some awareness of the need
22 for accountability by local lending institutions to their
23 local neighborhoods.

24 One of the things that we've heard so far is that
25 the Federal Home Loan Bank Board sees its obligation to be

1 meeting the national housing goals, usually set by the
2 administration.

3 How do you express what seems to be a counter
4 argument, that the housing needs are best met at a local
5 level, as opposed to through some national program?

6 BARONI: I believe in national programs as well
7 as local programs. And if there weren't some national
8 programs we wouldn't have them in some states, because they
9 wouldn't take them. Even revenue sharing in some places was
10 refused until recently, to take the money.

11 The disaster of our whole national policy in
12 housing, the fact that we have moratoriums, the fact that the
13 235's and 236's are going to disclosure, even the non-profit
14 ones that were put together by church groups or non-profit
15 groups, and the fact that -- you know, the disgrace of our
16 public housing, is that somehow -- you know, we have a serious
17 problem that needs to be attacked.

18 In New York State, the urban development corpora-
19 tion is now bankrupt, even with the State.

20 So that we do need -- you know -- we do need to
21 address the housing needs, and we do need national regulations
22 in terms of investments and so, but you still need local,
23 if they have state charters, and at the local level where
24 people are related. It's your money in this institution that's
25 not relating to your communities, you know. So you need both

1 the local and the national kind of implication.

2 And no single effort, I guess we know -- we've
3 tried national legislation in Washington and it doesn't always
4 work locally. And, you know, local legislation doesn't work
5 without national backup. So that you need both.

6 KOLLIAS: My feeling on it, just for some more
7 input, is you can have initiatives and policies and directives
8 that come from the federal level, but I think you can get
9 more responsiveness on a local level because there you have
10 a possibility of neighborhood residents actually -- or trying
11 to have input into any kind of program, and being able to
12 determine who is at fault, or where the problems lie.

13 Now, if you have something like programs that don't
14 address the real issue of unfreezing the banks and the S&L's
15 that are not giving loans on the basis of race or income or
16 because of the neighborhood, but yet they'll say, well, go
17 in on this program because it's subsidized by the government,
18 to me that's not changing the lending pattern, really, except
19 it's going to get so much money to save itself into a certain
20 program, as long as they know the government is backing it up.

21 And to me that's not changing an attitude of
22 making any kind of commitment on a local level to keep
23 neighborhoods healthy.

24 And that's why I think that up until now so many
25 of the housing programs have not been as successful as they

1 could have been, and that unless you can really negotiate --
2 and Father Baroni mentioned the city governments with the
3 neighborhood residents and with the local financial institu-
4 tions, until you can make some kind of working agreements
5 that actually are based in trust and confidence, and things
6 like that within the neighborhoods, I think you are going to
7 get patchup jobs -- you know, mandated programs.

8 And that can happen from the national level on
9 down. They'll say, okay, as long as they know that their
10 money is okay in a program, they'll invest in it. That
11 doesn't change their perception of the people who they're
12 taking the money from, basically.

13 BOOTH: Are there other questions?

14 JEFFERS: Awhile back, Father Baroni, you
15 mentioned that HUD is now the owner of the tenth largest
16 city in the country, and basically that's a result of the
17 failure of the 221 program.

18 I'm wondering if you have any thought as to why
19 that program failed?

20 BARONI: We did some of the original work on the
21 home ownership part of that, and there was a section 235
22 and there was a 236, and then there was another section
23 called -- these are Washington numbers, I don't know what
24 they mean, maybe you could play them on the streets -- 237
25 was another section which was supposed to help -- and this

1 was the thing that I got involved in -- it took as much effort
2 to rehab somebody's credit as it did sometimes the house,
3 you know? And so on. Because you had two people working,
4 and they were from this neighborhood that didn't traditionally
5 buy a house, that they shouldn't traditionally, you know, get
6 even a one percent, two or three percent loan. And so the
7 237, which was to be the counselling part of the home owner-
8 ship, never was funded at all. And we spent more time and
9 more energy getting people to the mortgage process -- you
10 know, I remember somebody failed the mortgage process and
11 we went down to check out why, and they said, well, you
12 know, this gentleman had an extra job at a certain kind of
13 refreshment store that happens to have been burned down during
14 the riots, and so on.

15 And you know, since the riots burned down the
16 liquor store, he doesn't have the job anymore, and so on,
17 and therefore we won't accept him having a new job in another
18 store because it might burn down in another riot.

19 (Laughter.)

20 Or the stupid kind of protective kind of thing,
21 one time a housewife worked at a job, and she did not get
22 recommended because she was late a few times, you know, and
23 they said she was going to be subject to dismissal and so
24 forth. So that they thought that, you know, her income was
25 too marginal, you know, and so on, so that between the efforts

1 of her husband and her friends, and so on, she was on time
2 for three weeks straight.

3 She got a raise on that job, and she was over
4 income, you know?

5 Well, that was like 18 months worth of work and
6 that family then was not eligible, you know, after all kinds
7 of time and energy.

8 So that the combination of the economy -- we
9 bought 300 houses at \$8,000 apiece, and to try to rehab them
10 to come in at \$20,000, and do a good job, and then not having
11 any money to process and help people with their credit, and
12 helping them put together, you know, whether they should or
13 shouldn't be home owners, or whatever the choice was, and
14 what was adequate or inadequate, you know, there were just
15 not the amenities. And they didn't stay at it long enough.
16 I mean, you know, they started for awhile, and then they'd
17 pull out. And the amenities weren't there. And then the
18 economy and the cost and so on.

19 So there's so many reasons. You know, the economy
20 factor, the fact that the sections which were needed, you
21 know, the credit rehabilitation programs, the counselling
22 programs, didn't work for us. And not enough money was put
23 in -- you know, they can guarantee the mortgage loan, you
24 know, and I can get the money for the construction, because
25 it was guaranteed, it was 100 percent -- but I couldn't get

1 anything extra to say let's back up some people who are
2 moving from renters to homeowners; you know, who are moving
3 from this kind of dwelling to another kind of dwelling. Let's
4 put in some amenities, or insurance, or services, or backups
5 that'll make the difference in that project carrying itself.

6 You know, that human factor was always X'd out,
7 it was never insured 100 percent, like mortgage loans were
8 or the construction money was.

9 So many factors, you know. And, also, I think they
10 gave up too soon.

11 Another thing is the enormity of the problem. In
12 Capital Hill in the Washington area we're competing with
13 Capital Hill rehab. I used to deliver coal on Corcoran Street
14 near Dupont Circle. You know, it was a very poor neighborhood.
15 And now those houses are \$75,000, with gas lights flickering
16 outside, you know, Georgetown style. Maybe you don't have
17 it in Baltimore, but we have -- you know -- that's private
18 rehab, block by block, and house by house. From Corcoran
19 Street it's moved now to the 1700 block, moved over to the
20 1600 block, pretty soon it'll be the 1500 block -- you know,
21 block by block by block. And that's happening in Capital
22 Hill. And lower-income people then get forced out, and so on.

23 So money is available at that level, and so on,
24 and perfectly -- very solid . . . and so there again, a
25 person's income or race or people being at the lower level

1 income-wise, is, you know . . . I just think it's incredible,
2 the scandal, you know -- and it's going to get worse. We're
3 going to have 28 million families looking at 18 million
4 houses in the next 10 years, and they're going to be lower
5 income, and they're going to be Black and White -- just like,
6 you know, five people looking for three jobs. You make them
7 Black and White or Brown, and you've got extra trouble, and
8 so on. And that exacerbates the polarization, when it's
9 economically at the lower level, and it's racial as well as
10 economic.

11 So that we're heading for more trouble. Fifty
12 percent -- maybe Jim Vitarello said this -- fifty percent of
13 the people in Washington will never be able to afford a
14 house. So that we're moving into that kind of an economy
15 as well.

16 BOOTH: Thank you, Father Baroni.

17 BARONI: If there's any of this Illinois thing --
18 you must be able to get that yourself.

19 KOLLIAS: Should I send the Chicago ordinance
20 to you?

21 DARDEN: Yes. Thank you.

22 KOLLIAS: And I brought some copies of the
23 testimony.

24 BOOTH: Yes, we got that.

25 Mr. Johnson, Mr. Warren and Mr. Crockett, would

1 you like to come forward?

2 Mr. Johnson, we had intended to talk to you and
3 Mr. Warren and Mr. Crockett sitting together, but since
4 they're not here we'll give you center stage, I guess.

5 JEFFERS: Before we start, let's just get a couple
6 of things for the record, please.

7 Could you state your name and occupation for the
8 record?

9 JOHNSON: My name is Ralph L. Johnson. I trade
10 as R. L. Johnson, owner of the R. L. Johnson Realty Company.

11 JEFFERS: Would you give us your firm address for
12 the record, please?

13 JOHNSON: My address is 3529 Edmonson Avenue.

14 JEFFERS: Thank you. I'm going to turn the
15 questioning over to Marge Smith, who is on your right.

16 SMITH: Mr. Johnson, before we start, do you have
17 anything you wanted to share with us in the form of a state-
18 ment, or just some general comments, before we ask any
19 questions?

20 JOHNSON: Not necessarily. I'll listen to the
21 questions, and if you don't ask me some things I think should
22 be asked, I'll make a statement.

23 SMITH: Well, that's fair enough. Thank you.

24 How many years have you been in the real estate
25 business?

1 JOHNSON: Well, as an agent-broker, I've been in
2 it about 14 years.

3 SMITH: And how long have you headed your own
4 firm?

5 JOHNSON: Since 1968.

6 SMITH: Seven of those years.

7 JOHNSON: Yes.

8 SMITH: Approximately how many housing units did
9 you sell in Baltimore in calendar 1974?

10 JOHNSON: Well, that was a pretty decent year.
11 I guess I had close to 300 -- around 300, something like that.

12 SMITH: Is it possible to give us a profile of
13 your typical client in terms of race, sex, marital status,
14 and also, perhaps, in terms of the price of the house at
15 which they were looking?

16 JOHNSON: Well, now my typical client would be
17 Black, of course, and he would probably be male. I guess
18 his income -- their incomes, family-wise, would probably be
19 between 20-25 thousand dollars combination, husband and wife,
20 something like a postal worker and a school teacher. And
21 the price house that they would probably buy now would be
22 around thirty thousand -- 25, 30, 35 thousand dollars.

23 That's the high side of my clientele.

24 Then the other side of my clientele that -- you
25 know, that pays the rent and feeds me, their income may be

1 between \$8,000 and \$12,000, or \$8,000 and \$10,000, and they're
2 buying houses in the -- you know, in the inner city. And
3 the price of these houses I guess would be somewhere between
4 ten and -- now, I guess twenty thousand dollars.

5 SMITH: In that first group that you mentioned,
6 then, those houses would not be in the inner city. Where
7 would they be?

8 JOHNSON: They would be in the County, Baltimore
9 County, Carroll County, Howard County, et cetera. They would
10 be outside of the city limits proper.

11 SMITH: So your middle and upper middle income
12 clients buy houses out of the city?

13 JOHNSON: Predominantly, yes, most of them.

14 SMITH: But many of your clients buy houses in
15 the city.

16 JOHNSON: Yes.

17 SMITH: Thank you.

18 BOOTH: Mr. Thompson, do you have some questions?

19 THOMPSON: Mr. Johnson, can you sort of walk us
20 through what you normally do to assist one of your clients in
21 obtaining financing? Are there any particular things you
22 do?

23 JOHNSON: Well, up until two years ago it was
24 very simple as far as Black people were concerned in getting
25 mortgage money, because in the City of Baltimore, up until

1 two years ago, when the S&L's made the commitment -- you know,
2 the \$30 million commitment for the inner city -- the likelihood
3 of Black people being financed by local S&L's was almost nil,
4 quite remote.

5 In fact, myself personally -- I don't know whether
6 you would say I became paranoid -- I guess you would just say
7 I became brainwashed by the conditions at the time.

8 I didn't even conceive of taking Black people,
9 generally, to S&L's prior to two years ago. Most of my
10 financing on Black clients was done with the mortgage corre-
11 spondents, because of the -- you know -- the straight-nosed,
12 blue-eyed policies of the local S&L's.

13 It was just virtually inconceivable to think of
14 taking Black people in. So most of my -- now, since the
15 S&L's made this commitment roughly two years ago -- they
16 made the commitment, I guess, for the purpose of getting an
17 increase in the interest rate in Maryland. The interest rate
18 in Maryland was 8 percent. Two years ago it went up to 10
19 percent. And they did sort of a tradeoff, you know, with the
20 banks, the local banks, that they agreed to commit \$30 million
21 for financing for the inner city, you know, for an increase
22 in the interest rate from 8 percent to 10 percent.

23 Now, during that time, of course, all of my
24 business I purposely directed to the local S&L's, the Black
25 clients, because they for some reason became much more

1 receptive -- I would assume because they were trying to meet
2 this goal that they had set for themselves of \$30 million.
3 Then I went to the S&L's.

4 Now, as a result of their having met their
5 commitment and all, my previous condition has kind of, you
6 know, re-set with me. And now I'm not too receptive to
7 going to S&L's, and now have reverted back to the mortgage
8 correspondents for financing.

9 THOMPSON: Okay. Are there any standards partic-
10 ularly that you have? Do you make an examination of a
11 client's income with respect to houses they want to buy?
12 Do you take any of these factors into account, and provide
13 any counseling? Do you ever do this?

14 JOHNSON: Yes. Well, most of my business is
15 counseling, really, because of the nature of the people that
16 I deal with, you know.

17 I made the statement once at some meeting that
18 we consider ourselves to be senior social workers, really,
19 not real estate people.

20 What we do is just in reverse. Most sophisticated
21 companies, for instance, when they get clients in to buy
22 houses they start at the top of the scale and start with
23 regular conventional financing, wondering whether the person
24 could put down 20 percent. And if they can't put down 20
25 percent, they look at whether they can put down 10 percent,

1 and if they can't put down 10 percent, they look at whether
2 they can put down 5 percent. And then they go into what they
3 call the subsidized programs. They consider subsidized
4 programs, of course, to be FHA and VA, believe it or not.

5 And in my organization -- and I guess you can say
6 that it's bad business, and I say it's bad business in a way --
7 but most of my people, because of the clients that we get,
8 we start at the bottom of the scale, you know. And we start
9 qualifying them in terms of Maryland Housing Fund, and we
10 work up to the FHA and VA. And we don't, you know, get to
11 conventional too often -- unless it's a panic situation and
12 the points are too high on FHA and VA, then we would go that
13 way.

14 But normally most of my sales are FHA and VA,
15 predominantly. I guess 85 percent of my business would be
16 FHA and VA.

17 THOMPSON: Okay. Now, can you give us some idea --
18 you said that in the past few years, when the \$30 million was
19 pledged, you would send a lot of people to S&L's. And now
20 you said that had changed.

21 Can you give us an idea of what proportion of your
22 clients you advise to, in effect, come downtown -- I mean a
23 couple of years ago, and what that percentage would be now?

24 JOHNSON: Oh, I guess when they created the
25 receptive -- you know, when the attitude, the atmosphere, was

1 a receptive one, I guess I pushed maybe 60 percent of my
2 people into S&L's. Now I would doubt very seriously whether
3 we push 10 percent, 15 percent of them at S&L's. We have
4 reverted back to the mortgage correspondents for most of
5 our people.

6 THOMPSON: Can you tell me what your experience
7 has been with your clients who aren't able to obtain mortgage
8 money from an S&L, someone that you've taken downtown, but
9 yet was not successful in obtaining a loan? Can you talk
10 about that a little bit?

11 JOHNSON: Well, you see, I'm not in a position to
12 be too experimental and too socially orientated, I guess you
13 would say. So what I do is usually is -- you know, it's
14 just like years ago, when certain conditions existed for
15 people in terms of the social way of life, in business you
16 tend to not necessarily try to buck the system. But what you
17 try to do is go where you have to go in order to do business.

18 And, you know, psychologically I don't have time
19 to be anything other than a social worker, up to the point
20 where the person is qualified. And I take him to where I can
21 take him and get the money. And I don't have the time
22 necessary to go beyond that.

23 THOMPSON: And so I gather, if I understand what
24 you're saying correctly, you seldom have a person have a loan
25 turned down, because you pretty much know where the money is,

1 and you connect the person.

2 JOHNSON: Yes.

3 THOMPSON: So you're pretty successful.

4 JOHNSON: I take them to the mortgage correspondents
5 where I know the credit criteria and everything are receptive
6 to the person. And also I take them to the mortgage
7 correspondent because I know that the mortgage correspondents
8 have a reason for making the loan other than, you know,
9 some reason of not making it. You know, there's a monetary
10 reason why the mortgage correspondent wants to make the loan.

11 And I guess it's weird to say, but it's weird
12 when we get a loan turned down. You know, a Black person,
13 these people that can't buy, people that don't have the
14 income and they don't have the credit or anything. And it's
15 almost inconceivable when we get one turned down. You know,
16 we just can't understand it.

17 But when we go to a bank, you know, if I were to
18 take the same proportion of my people to a bank that I take
19 to the mortgage correspondent, I would be very, very
20 concerned about each one that I take, unless he was -- you
21 know, blue ribbon, what they call the blue-ribbon client.

22 THOMPSON: Okay, because the intent of this
23 question was, I would gather, if you would have any idea
24 why some of your clients might be turned down, why some of
25 your customers might be turned down at an S&L.

1 JOHNSON: Well, S&L's historically have very
2 sophisticated and very rigid and very formal ways of doing
3 business. And most of the S&L's aren't orientated for
4 anything other than the normal procedure of doing business.

5 For instance, I took a person to an S&L a couple
6 weeks ago on a conventional loan. I had a Black person I
7 took to a savings and loan here. He was putting down, on a
8 \$32,000 house, \$7800 -- no a \$33,000 house, \$7800. And he
9 was turned down, because he had one payment that was something
10 like 100-some dollars a month or something, one bill. And
11 I switched the whole thing around, and took it from being
12 \$7800 down and got him to put \$3000 down. And, you know,
13 with some degree of change on it, he went through.

14 And it was weird to me how the S&L would be more
15 receptive to a person putting down 10 percent than putting
16 down 20 percent, or putting down \$3000 than putting down
17 \$7800, as against, you know, the mortgage would be decreased
18 10 percent more.

19 But I think that generally speaking S&L's are --
20 and when you say S&L's, you have to -- you see, just like
21 there's a dual Black and White housing market, you know --
22 I do Black real estate, understand? Then there's White
23 real estate.

24 In S&L's you have Black S&L's -- most of your
25 S&L's are White S&L's, you know, White orientated, and they

1 do White business.

2 When I take a loan to Advanced Federal, which is
3 a Black savings and loan, you know, then I feel almost the
4 same with them as -- and it's not, now, because their criteria
5 are any different. In fact, the Black S&L has stricter
6 criteria, believe it or not, than the White S&L's. Yeah, sure,
7 you'd never believe this. For instance, on a conventional
8 loan, they say that the monthly payments, combinations of
9 the bills, can't be over 25 percent, where most White S&L's
10 say they can be 35 percent -- you know, combination.

11 But I feel better, and I feel more assured, when
12 I take a Black person to the Black S&L than I would if I
13 took the same person to a White S&L.

14 Now there are some S&L's that are getting together
15 and changed to a degree, but most of your White S&L's, they
16 have blue-eyed credit criteria, and they're very rigid. And
17 Black people are not as sophisticated, you know, as White
18 people in terms of credit and jobs, and in terms of ability
19 to buy houses.

20 It's not only Black people, I'm saying, but in
21 terms of single people. There are a lot of Black single
22 women that buy homes, you know. And I've found out over the
23 years since I've been in the business that single women make
24 better credit risks in the Black community than most times a
25 Black family, husband and wife. Black women make for

1 excellent credit risks. They have proven to be better credit
2 risks.

3 But when you take a single woman in to an S&L,
4 the S&L says that when you come in to borrow money, you
5 should be married and have two children. You know, you
6 should have your car paid off, and you should be buying your
7 second home when you're 26. And they have these things that
8 they go through. And my people haven't advanced that far.

9 THOMPSON: Can you tell me how you know that?
10 How did you acquire this information, that you know the
11 criteria that they would expect, an S&L? You know, you know
12 that someone should be married, have two children. Is there
13 some way in which this information has been transmitted to
14 you?

15 JOHNSON: Yeah. Well, you get it from the S&L's.
16 You get it from the mortgage person, the person that's
17 taking the application for the S&L.

18 You see, where if you go to Advanced Federal, for
19 instance, this is a Black institution and they are receptive.
20 I understand, too, that Advanced Federal Savings and Loan
21 probably has the lowest foreclosure rate, the lowest loan
22 foreclosure rate, than any other savings and loan in the
23 City - - in the State probably. And they're Black, and they
24 do Black business, and they do all inner city business.

25 THOMPSON: Is your business exclusively Black, or

1 can you give us an idea of how many of your customers are
2 women versus males, or single women, or could you tell us
3 what percentage of your customers are Black versus White?

4 JOHNSON: Well, at the present time I have one
5 White sales person. I had three. I have one now.

6 What I've been trying to do for the last couple
7 of years -- I guess the last 3 or 4 years -- I've been trying
8 to -- in the trade we say "go both ways." You see, White
9 real estate companies can go Black and White. In fact, I
10 guess 85 percent of the homes that are bought by Black people
11 in the City of Baltimore are bought from White companies.

12 Of course, I don't blame the people that are
13 buying the homes; I blame the industry, myself, the Black
14 brokers.

15 But I guess now maybe 95 percent of my business
16 is Black. And we do, maybe, 5 percent White business. You
17 know, I'm trying to get much more. We do, I guess, maybe
18 10 or 15 percent women, single women. We specialize in
19 single women. In fact, I have two agents in my company that
20 consider themselves to be specialists with divorcees and
21 single women, separated and this sort of thing. We specialize
22 in this, you know. I have two girls that specialize in this.

23 I'm also now trying to specialize in getting some
24 White business, because you know, as they say, White business
25 is better business.

1 THOMPSON: Can you go into some of the trouble,
2 maybe, single women have? Or, first of all, do they have
3 trouble getting financing?

4 JOHNSON: Well, they don't have trouble with me,
5 because we have developed the technique to finance them. I
6 don't have trouble with single women. In fact, I'd rather
7 have a single woman than to have a husband and wife. Single
8 women are excellent people to buy homes. You know, they're
9 excellent credit risks. We've developed a technique to
10 handle them. I don't have any problems at all.

11 THOMPSON: But I gather what you're saying is
12 that you handle them specially, you don't just handle them
13 like you --

14 JOHNSON: Yes, we handle them just like we handle
15 Black people. You have to handle Black people specially,
16 because they're different. To me they are, they're different.

17 I handle White people differently, you know? When
18 we get White people, a lot of times we don't even bring them
19 to our office to do business with them, you know. And I
20 indoctrinate my salesmen, you know, how they're supposed to
21 talk to White people when they're doing business with White
22 people, because you have to talk to them differently.

23 You know, when you're taking a Black person out,
24 he says -- he'll go where you want him to go. He'll go where
25 you take him.

1 But when you take a White person out, he'll, you
2 know, tell you where he wants to go, and he'll tell you where
3 he wants to be five years from now, and tell you where he
4 doesn't want to be, and where he don't want anyone else to
5 be five years from now.

6 So you have to kind of adapt yourself to this way
7 of doing business with them.

8 About four years ago I became - - I developed a
9 technique in my business where I could put an ad in the paper
10 and get 60 percent of the people that called my business to
11 be White. And I could do it now. And before I got White
12 agents I was very reluctant to get White people to call my
13 office, because, you know, it was very difficult to indoc-
14 trinate Black people to take the subtle approach that they
15 should take in terms of handling White people.

16 THOMPSON: Okay. But I'd just like to go once
17 again about this special handling that you have with women.

18 Let's talk about a woman who has a very good
19 income, maybe \$30,000, and wants to buy a house, and let's
20 say had 25 or 30 percent down. Why wouldn't you bring her
21 to an S&L downtown, or would you do that?

22 JOHNSON: Well, more than likely -- I would be
23 very reluctant to take a single woman to an S&L. You know,
24 unless it was to the Black institution, you know, Advanced
25 Federal -- I'm sorry -- unless it was to a Black S&L, I would

1 be very reluctant. Because most of the S&L's don't like --
2 you know, they like the family unit, you know what I mean?
3 They want it to be a family unit. They want it to be a
4 husband and wife.

5 And if you're single, most of the S&L's require
6 that you have a life insurance policy almost sufficient to
7 liquidate the loan in case of death of the one person,
8 because, you know, there is only one person.

9 THOMPSON: Now, are there clients that you have,
10 or is there business you have where you have a variety of
11 types of mortgage financing that you suggest? Just how do
12 you handle that? Am I perceiving you correctly when I say
13 that you pretty much suggest in every case what type of
14 financing your client should go after?

15 JOHNSON: Yes, in most of the cases I do.

16 THOMPSON: Do you suggest sometimes alternate
17 neighborhoods, or alternate homes, or if you have a problem
18 with financing do you sometimes go into some different
19 arrangement?

20 JOHNSON: I don't understand what you're asking.

21 THOMPSON: Well, if, for example, someone wanted
22 to buy in a specific neighborhood, and their conditions, some
23 of their conditions would preclude that, do you suggest a
24 different neighborhood or different price of home or some
25 other arrangements?

1 JOHNSON: Well, I try very hard to put Black people
2 in areas of the city where they're not supposed -- where they
3 should not want to go, that because they're Black they should
4 not want to go.

5 And there are four or five areas in the city, you
6 know, in the City of Baltimore -- when I say the City of
7 Baltimore, I'm talking about Baltimore County -- you know, we
8 include Baltimore County in with the city when we're talking
9 about buying a home. And there are some portions of Baltimore
10 County where Black people just, you know, aren't supposed to
11 go -- even today, even now, you know -- right now.

12 And we try, but sometimes it's difficult because --
13 you see, the key to the real estate game is not to sell, but
14 the key to the game is to list. And most of your listings
15 for sale in Baltimore, in the metropolitan area, are
16 controlled by your sophisticated companies, you know, 90
17 percent of them, see? And they hold the key to the game.

18 You know, selling is not the key. In fact, I
19 almost feel that I am something other than a real estate
20 company, because predominantly what Black companies do is sell.
21 They have not developed the sophistication to list. And
22 until we do this, there are going to be these pockets.
23 Because the sophisticated companies control the inventory,
24 control the listings.

25 So it's very difficult for us to take an active

1 part in, you know, bringing about the change because of the
2 listings, unless we went on a crusade sort of a thing, you
3 know, and I'm not that large and sophisticated, and I don't
4 have that much money to be, you know, a crusader, as far
5 as business. I would like to be a crusader.

6 THOMPSON: Let me ask you, if I can, about
7 appraisers. Do you know of any Black appraisers in the City
8 of Baltimore? Are there any in Baltimore?

9 JOHNSON: Yes, there are. There are some Black
10 appraisers. In fact, I think one of the leading S&L's has
11 one on their staff -- just recently, within the last year.

12 THOMPSON: Is that the only one you know of?

13 JOHNSON: That's the only one I know of on the
14 staff, but FHA and VA use Black appraisers. And I don't
15 know how they happen to get, in most instances, properties
16 that are in the inner city. But, you know, they just seem
17 to.

18 The State program just started using Black
19 appraisers, and FHA and VA use Black appraisers.

20 THOMPSON: Do they bring them from out of state,
21 or do they get them from D. C., or --

22 JOHNSON: Who?

23 THOMPSON: You say the Black appraisers -- you
24 say there's only one? I don't understand.

25 JOHNSON: No, there's only one on the staff of a

1 local lending institution -- you know, here. But FHA and
2 VA have Black appraisers. I think there are at least five
3 that I know of -- four that I know of, personally.

4 THOMPSON: Can you tell me what effect, if any,
5 appraisers have on the housing market? What, in your
6 opinion, is their effect?

7 JOHNSON: In relationship to what, price, or --

8 THOMPSON: Right. Price and the change in
9 neighborhoods, or just in any way. How does that hit you?
10 What effect do appraisers have on the housing market?

11 JOHNSON: Well, actually I think really that
12 appraising is absolutely the key to the business, really.
13 Like Mrs. Jones this morning was talking about the differences
14 in appraisals, the value of houses where she lived, and
15 five blocks away.

16 And this is one of the things that's really
17 disturbing to me. You can take neighborhoods like Edmonson
18 Village or Harlem Park -- these kind of places, and you
19 know, a similar house that a Black person is selling -- the
20 same house, and you can go like 12 blocks away, to Coos Lane,
21 or right outside of Hunting Ridge, and the same row house
22 would be selling for 24-25. And there are houses going out
23 Route 40, right across from E. J. Korvette, the shopping
24 center, where White people are selling them for 30, up to as
25 high as 32, 34 thousand dollars. And the same house would

1 only bring about 16 thousand, or 15 thousand in a Black area.

2 And this means that a Black person, if he chooses
3 to, is getting 10 thousand less for his home. And when he
4 buys another home, you know, either in the suburbs or any-
5 thing out near the suburbs, he's paying maybe \$10,000 more
6 for the same comparable house.

7 You know, in some instances this is being used --
8 I would feel, because this little area that's right near my
9 office, and I've been trying to do something about putting
10 Black people into that area, there's a little area right
11 there that's 100 percent White, and the houses sell for
12 something like between 29-34 thousand dollars -- row houses.
13 Row houses, you know. In those areas they call them town
14 houses. In the Black areas you call them row. There's a
15 difference -- in terms of price, and in terms of -- you know.

16 And this is a subtle way of keeping Black people
17 from going into areas, because Black people have a thing
18 about paying \$34,000 for a row house, you know? You know,
19 they're coming off of Harlem Avenue, and they're going up
20 across Cooks Lane, and they're going to pay \$34,000 for
21 something that was worth \$8,000 on Harlem Avenue.

22 But White people will pay the \$34,000. And I
23 don't know how they know, but they know that Black people
24 are not going to pay it, so they will pay it. And as a
25 result of their paying it, no Black people go in.

1 The same thing is true on Perry Parkway, where
2 Mrs. Jones was talking this morning. You have houses selling
3 for 34-36 thousand dollars, and the area is White. No Black
4 people.

5 The same thing is true in Towson. The same thing
6 is true in Catonsville, you know.

7 And that's the way they stay.

8 THOMPSON: Thank you. Bert?

9 BOOTH: Any more questions?

10 WICKWIRE: I'd like to ask a question.

11 Going back to a statement you made somewhat
12 earlier, the time was that two years ago, when the S&L's
13 seemed to make a deal and assured some \$30 million coming
14 into the City, and the tradeoff you said perhaps was for
15 a raise in the usury rate from 8 to 10 percent.

16 Now, do I understand that there was a period of
17 time then, following this, that you did attempt to use the
18 S&L's more? Did you for a period of time?

19 JOHNSON: Oh, sure, definitely.

20 WICKWIRE: Do I understand also, then, that now
21 you've reverted back to going to what you call the mortgage
22 correspondents. Does this mean that also the S&L's reverted
23 back to earlier practices, then, and that kind of a pledge
24 they made was kind of a gesture or momentary --

25 JOHNSON: Well, I don't know whether it was a

1 gesture. But I would think that they -- and it might be on
2 my part that I've done this, you know, it might be the
3 psychology that made me revert back -- but I know at least
4 two institutions, sophisticated S&L's, are committed, I
5 believe. You know, they're strongly committed. I really do
6 believe they are.

7 But I believe that overall this was done to fulfill
8 the commitment, you know. And they did it. And the way they
9 did it was that they made it known that they were receptive
10 to Black people, see? And this is the only thing that they
11 have to do now, make it known that they're receptive.

12 Like I went to a meeting right after they made
13 the commitment with the President of the Savings and Loan
14 League. And the President of the largest -- I guess it was
15 the second largest -- S&L in the City made the statement to
16 me, "Where have you been with your business? I haven't seen
17 you around." You know. "Did you know that like 30 days ago
18 we started making inner-city loans?"

19 It's almost like . . . you know.

20 I said, well, I didn't know.

21 But the two savings and loans that I thought were
22 really committed, what they did, they came to my office.
23 They sent one of their vice presidents out, you know, to my
24 office. And he sat down -- you know, had an appointment with
25 me -- and he sat down and outlined, you know, the feeling of

1 the bank, and the fact that they would be receptive to
2 make the inner-city loans, et cetera. And we started putting
3 our business, you know, there.

4 And most of the other Black brokers I think
5 started putting their business there, because of this.

6 I really don't have time to, you know, go to the
7 banks and necessarily try to break down what I think is
8 happening, you know. This is why I think that -- and if the
9 S&L's really made a commitment, and I would like to say that
10 this was all sincere, if they really made a commitment, and
11 they fulfilled their commitment, you know, it's just a shame
12 that this atmosphere, or this conduciveness in terms of the
13 inner city -- not necessarily Black, the inner city -- isn't
14 true now, and isn't necessarily the atmosphere now, and
15 doesn't have the same feeling that they had then. Because
16 it was a very good feeling to do real estate business when
17 you knew that you could take a Black person, or an inner-city
18 person, or an \$8,000 house or a \$6,000 house, to an S&L
19 and get it financed.

20 Because prior to that, you know, you didn't take
21 loans to S&L's that were under \$10,000, because the feeling
22 was that they could not make money on a loan that was less
23 than \$10,000.

24 DARDEN: I have a question. First, I just want
25 to make clear what you're calling mortgage correspondents is

1 also what other people call mortgage brokers, is that correct?

2 JOHNSON: Yes.

3 DARDEN: Okay.

4 Now, you've outlined the problems that you have
5 with local lending institutions. We've heard earlier some
6 people say that it would be better for the city and better
7 for residents if they could make loans with local lenders,
8 instead of using mortgage brokers or mortgage correspondents.

9 If you were able to freely make loans at local
10 lending institutions, would you agree with that statement
11 that it would be better?

12 JOHNSON: I would think that it would be better
13 to finance homes with local lenders, yes.

14 DARDEN: So is it then because of what you perceive
15 as discrimination that you are forced to use out-of-town
16 lenders?

17 JOHNSON: I don't know whether the word "discrim-
18 ination" is right. It's because I feel that, you know, that
19 the mortgage correspondents are more receptive. I don't
20 know whether it would be discrimination. As a result of
21 this it is discrimination because of the feeling, because as
22 a result of me having this feeling I don't go to S&L's. I
23 very rarely go to S&L's, you know, unless I have what I
24 consider to be a blue-ribbon person.

25 DARDEN: Well, would you say that there is or has

1 been a pattern of discrimination in mortgage lending with
2 local lenders?

3 JOHNSON: Oh, certainly. I would say that, yes,
4 definitely.

5 DARDEN: That's all I have.

6 LOKER: When you said that -- you said that for
7 about -- during the period of the \$30 million commitment you
8 took Black people freely to S&L's to get mortgages, and then
9 when the commitment was used up, now you feel that you don't
10 want to take them there anymore.

11 Is that because you've gotten any feeling from
12 the S&L's, or is it just because you thought when the money
13 dried up then that was it? Have you gotten anything
14 specifically from an S&L?

15 JOHNSON: Yes, sure.

16 LOKER: You have?

17 JOHNSON: Yes.

18 LOKER: That they didn't want you to bring
19 anybody --

20 JOHNSON: No. See, it's not that they -- and I
21 don't even know whether it's pointed towards Blacks, the
22 reason they do it. I really don't, you know. I think it's
23 just a sad commentary, and really they're the loser, believe
24 it or not. According to the way I feel, they're the loser.

25 And I don't even know whether it's directed -- you

1 see, now -- it's very difficult. I sell a lot of houses
2 under \$10,000, believe it or not. And when the atmosphere
3 changes they don't have to say don't bring Blacks, you know.
4 They just say we don't -- we are now not accepting any
5 mortgages under \$10,000, or we are not accepting any houses
6 on a conventional loan over 20 years old, or 15 years old.

7 You know, they don't have to -- they're not
8 saying that we don't want to do business with Black people
9 or the inner city. Directly they're not saying that. But
10 that's what it connotes.

11 DARDEN: But you have gotten those kinds of
12 restrictions recently from S&L's in the City?

13 JOHNSON: Yes. Under 10, and the age, yes.
14 What happens is, you know, money is getting tight. And
15 real estate goes in cycles. And we've gone into another
16 cycle now where money is going to get tight. So when money
17 starts to get tight, two things happen. Conventional money,
18 you cut out the five percent, you cut out the ten percent.
19 You know.

20 Then what you do is you raise the thing that
21 you're mortgaging, premium-wise, upward. You know, you cut
22 out the five and ten percent money, and you stop taking
23 houses that are so old. And historically what happens here
24 is the inner city -- other than the two years when the thing
25 was ripe -- the inner city was the last place that you could

1 get mortgages for, because, you know, the times had to get
2 real good before they would take the houses over 25 years old
3 and less than \$10,000 in mortgage, you see?

4 So when times started going the other way, then
5 the reverse of the thing started happening, and they started
6 to stop taking them. And we're going into a period now where
7 the banks have cut out five percent money altogether, and
8 ten percent money is rare and hard to get. And we're going
9 into a tightening of the market.

10 This might be what it is.

11 LOKER: I want to ask another question. I didn't
12 understand too well what you were saying about what neighbor-
13 hood you take your prospective home buyers to. You do take
14 them to neighborhoods where they are not supposed to go, or
15 you don't?

16 JOHNSON: Yes, we take them. I take them to
17 neighborhoods -- but you see, we take them to neighborhoods
18 where they're not supposed to go, yes. We take Black people
19 where they're not supposed to go.

20 LOKER: You do?

21 JOHNSON: Yes.

22 LOKER: Well, you said that you don't have time
23 to be a crusader, but you do take them someplace where you
24 think there might be a house, even though they wouldn't be --

25 JOHNSON: It's difficult to get Black people

1 in where they don't want to go.

2 LOKER: Right. I realize that.

3 JOHNSON: But there's a reason for it, see? And
4 it's not because, necessarily, that they're Black. It's not
5 that obvious, you know.

6 LOKER: But you say --

7 JOHNSON: Like I say -- beg your pardon -- in
8 areas where they don't want Black people, row houses are
9 selling for over \$30,000. Perry Parkway, Route 40, Catons-
10 ville, Towson -- 34, 35, 36 thousand dollars, you see. And
11 Black people just don't go.

12 Now, I was fortunate about six months ago to get
13 two listings of houses in Towson, on a certain street in
14 Towson. And you wouldn't believe this -- this is 1975 --
15 I had to give them up, give the listings back to the man
16 that was selling them, because he was threatened with death,
17 and his house was threatened to be burned down, and all
18 this sort of thing. Towson -- sophisticated, nice area --
19 you know, real good people out there.

20 And Catonsville I guess would be comparable.

21 JEFFERS: Two quick questions.

22 One, Mr. Johnson, you mentioned earlier -- or at
23 least I got the sense that there might be different credit
24 criteria standards at the mortgage correspondents and the
25 local S&L's. And if that's true I wondered if you could tell

1 us what those differences are?

2 JOHNSON: Well, mortgage correspondents are more
3 receptive, for instance, to single people, for one. And they
4 are more receptive to like separated people -- you know,
5 divorcees and things like that, considered to be single
6 people. You know, separated people, as long as they have a
7 legal separation, and papers and all, and the husband can
8 sign saying that he's not going to have anything to do with
9 the house, you know.

10 We can go through this practice with the mortgage
11 correspondents, you see, and mortgage correspondents will
12 help people.

13 JEFFERS: In what sense?

14 JOHNSON: Well, in the sense that it will kind of
15 help clean them up. S&L's don't clean up, and they don't
16 help. You know. They have the criteria, and if you don't
17 fall within their criteria then you're out.

18 JEFFERS: So you're saying if they have a certain
19 credit rating that they might try to do something to aid
20 that, or let's say they're late on certain payments and it's
21 gotten into the record, they'll overlook that or try to
22 straighten that out, or something like that? Or, you know,
23 what do they do to aid a person if he doesn't fall within
24 their -- quite fall within their credit criteria?

25 JOHNSON: Well, they work with the case. You know,

1 the cases they work with, they work with them much better
2 than banks and S&L's. S&L's don't work with people. You
3 know, if you don't meet the criteria, then you're just
4 knocked off. They don't work with them at all, the banks
5 and S&L's.

6 DARDEN: If they work with them in that sense,
7 with applications for mortgages, do they also work with
8 them once the mortgage is granted and a person may be
9 delinquent, or even coming in danger of foreclosure, in
10 order to assist that person maintaining their mortgage?

11 JOHNSON: No. That's probably the weak area, as
12 far as mortgage correspondents are concerned. This is
13 probably one of the reasons why it would be better to have
14 local lenders, as far as any person is concerned, either
15 Black or White.

16 Now, when you get to that part of the deal, of
17 the business, then the mortgage correspondent is the same
18 then as the S&L's and the banks. They want their money. And
19 if they don't get their money, and you're three months
20 behind, you know, they start taking serious -- very serious
21 steps. And then there is a void of the ability to cope with
22 the situation, you know.

23 Because, like the one we do most of our business
24 with, their home office is a long way away, and they don't
25 have any kind of service -- local service facility. And as

1 a result, when a loan becomes delinquent or when you become
2 in default, they don't have the mechanism or the closeness
3 of the situation to be able to work with it, because the
4 computer from where the home base is spits out the fact that
5 they're three months behind. And if the money is not paid
6 in by the 15th of the next month, then the foreclosure
7 procedures will commence.

8 Mortgage correspondents don't have that followup,
9 that after thing, that S&L's, I think, would have more so
10 because of the local nature of the S&L's.

11 DARDEN: Do you perceive that as a problem for
12 your clients, or for the Black community?

13 JOHNSON: Yes, I would. What we do in our
14 company is we orientate our people when we sell our people
15 that if they do think they're going to run into trouble,
16 we try to serve as the link between the mortgage correspondent --
17 I feel it's my responsibility, my obligation, as a real
18 estate broker, to then fill the void.

19 And what we do, when we sell a person, we
20 orientate them that if they do get into difficulty, or if
21 they do experience any kind of difficulty, that they should
22 contact us.

23 And then what we try to do is remedy the
24 situation, you know. Now, I have two situations right now,
25 where we are re-selling the house for the people, because

1 you know, there are times when people -- not just because of
2 negligence, or not being concerned -- that they lose homes,
3 they get behind, they're laid off.

4 Baltimore is one of the -- you know, is a place
5 where you can be laid off if you have 20 years employment in
6 certain industries, and because of this you get into trouble.

7 So what we do, we try to take the house back and
8 re-sell it for them. Of course, this means that we make
9 another commission. But we try to re-sell it for them, or
10 try to get someone to assume their mortgage, before it
11 goes into foreclosure.

12 And then what we do, we contact the mortgage
13 correspondent, and I tell the mortgage correspondent what
14 I'm doing. You know, I act as an intermediary between the
15 two. And I tell them to, you know, hold off from taking
16 any drastic action or anything, and then a lot of times I
17 send the payments in myself. You know, I'll keep the
18 payments current until the person gets off, until I sell
19 the house, or something like that.

20 BOOTH: Anything else?

21 (No response.)

22 BOOTH: Thank you, Mr. Johnson.

23 That concludes our hearing for this afternoon,
24 so we'll stand adjourned until ten o'clock tomorrow morning.

25 (Whereupon, at 5:15 p.m., the hearing was adjourned,
to reconvene at 10:00 a.m., Thursday, 2 October 1975.)