

**Book Project:
“The Million-Dollars-A-Day Cost
of Being Black’: A History of
African-American, Catholic, and
Jewish Struggles Against
Real Estate Speculation in
Chicago, 1957-1981”**

Dr. Beryl Satter
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Joseph C. Cornwall
Center for Metropolitan Studies
Faculty of Arts and Sciences
Rutgers University
Newark Campus

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This study was carried out under a research grant from the Cornwall Center for Metropolitan Studies at Rutgers-Newark. Dr. Beryl Satter is a faculty member in the Department of History at Rutgers-Newark. All correspondence should be directed to: Dr. Beryl Satter, Department of History, Rutgers University, 175 University Ave. Newark, NJ 07102, Phone: 973-353-5410 ext. 36, Email: satter@andromeda.rutgers.edu.

All responsibility for the contents of this paper resides with the author.

In the 1950s and 1960s, African-American migrants to Chicago transformed the face of the city. The crowded conditions that resulted from their arrival pushed Chicago's black community, which had been confined to the city's dangerously overcrowded "black belt" on the South Side, across racial borders into white areas. These areas rapidly deteriorated into slums; both blacks and whites angrily noted their precipitous decline. Debated to this day is the cause of that neighborhood deterioration. Whites blamed black tenants, whom they charged with cramming several families into small apartments, destroying front porches for firewood, or ripping out building fixtures to sell for drugs. Blacks blamed white "slumlords," absentee landlords who cynically overcharged their tenants while refusing to provide even the most minimal building upkeep.

A third perspective on the cause of neighborhood deterioration has largely vanished from historical memory. This was a structural critique that identified exploitative installment land contract sales, and the broader infrastructure of banking and insurance industries that supported such sales, as the primary agents in the creation of slums. Contract sales were the mechanism through which the vast majority of buildings in white neighborhoods were sold to black newcomers. Mortgage institutions routinely denied African-Americans mortgages no matter what their credit history, but readily extended credit to white speculators. These speculators purchased scores of buildings in transitional neighborhoods from fleeing whites. They then resold the buildings to black families "on contract."

What did it mean to buy "on contract"? Land contracts essentially allowed purchasers to buy a home on the installment plan, as one would buy a car or a refrigerator. This was in contrast to a conventional mortgage sale, where the buyer obtains a mortgage loan from the bank, which is used to pay for the property in full. Under a contract sale, the title of the property remained with the seller of the property until the entire cost of the home had been paid off. Contract sales by-passed banks altogether, therefore. They were private contracts between individuals.

Both contract buyers and mortgage buyers made monthly payments for principal, interest, taxes, and insurance, and were responsible for upkeep and maintenance of their property. But while the laws of Illinois provided generous protection for delinquent mortgage buyers, they provided none whatsoever for contract sellers who fell behind in their payments. Contract sellers had the right to create any terms they wanted in their contracts, and the terms they created were usually draconian. Most stated that with only one missed payment, the contract seller had the right to evict the black "home-owner" (or "contract buyer") and resell the building. The contract buyer then lost all of his or her equity in the building. Buyers lost their down payment, all the monthly payments they had made, and all of the money they had paid for taxes, insurance, and improvements.¹

In Chicago, small numbers of speculators, some of whom controlled scores to hundreds of properties in racially changing neighborhoods, exploited the legalities of contract sales. These speculators turned contract sales from a risky but possible means of acquiring a home to a mechanism of outright extortion. First, they routinely sold buildings to black customers for prices double to triple a building's actual worth. Monthly payments were oppressively high, and hence harder to maintain without a hitch. After making an exorbitantly high contract sale, most speculative contract sellers simply waited for the contract buyer to fall behind on a payment, which usually took a year or two. The speculator would then evict the black family -- keeping their down payment and all other payments to date -- and quickly resell the same property. Other speculators took steps to speed up the process of delinquency and subsequent eviction and resale. They added gratuitous monthly charges to contract buyers' bills. If that failed, they would send city building inspectors to demand costly renovations of the properties. This was usually sufficient to force default. The result was staggering profits for speculative contract sellers, who routinely filed scores of evictions on their properties each year.²

What did this mean for the black families who were forced to purchase on contract or not at all? These families struggled to hold on to properties purchased on contract. They subdivided their apartments, neglected basic maintenance, and worked double shifts, all in an effort to keep up their inflated monthly payments. As Dempsey J. Travis, the president of the all-black Dearborn Real Estate Board and former president of the Chicago NAACP, explained, "A contract buyer can't afford anything more than his installments, so he just lets the property go. No grass. No paint. Maybe he'll make his apartments smaller to get more income. That's the beginning of a slum."³ Whites viewed neglected and overcrowded properties as

proof of the fearful consequences, not of exploitative contract sales, but of black residency. Meanwhile, even with heroic efforts, many black families fell behind in their payments and faced eviction. Indeed, as one activist explained, contract sellers did not in fact "sell the home to a Negro." Rather, they "use the home as a 'bait' to defraud the Negro out of a substantial sum of money and then push the Negro out into the street [in order to] defraud another party."⁴

Outrage over exploitative contract sales sparked massive community protest, a series of landmark lawsuits, and ultimately, the passage of federal legislation to bar banking and mortgage institutions from abetting such financial practices. My book will present this forgotten history of community, legal, and legislative struggle over contract sales.⁵ Beginning in the late 1950s, when mainstream opinion blamed either black pathology or white hysteria for the decline of racially changing neighborhoods, a small number of activists worked to reveal both the massive profits made by speculators who sold overpriced homes to blacks on contract, and the dire impact that high monthly contract payments were having on black communities. In June of 1958, for example, in one of dozens of similar meetings held in black or mixed areas of Chicago, approximately 150 black West-Siders turned out to hear an attorney and a realtor debate the central question: were the 100% price mark-ups suffered by black contract buyers an unjust race tax that "extract[ed] from Chicago's Negroes (sic) more than a million dollars a day" in order to support "a ghost community of speculators..."? Or were these mark-ups simply examples of the "first law of private enterprise,...to acquire ...as cheaply as possible and sell as highly as possible...."?⁶ By 1959, both the black and the white Chicago press ran frequent articles on the contract sales problem. They detailed the astronomical profits that speculators typically made through mark-ups on contract sales, and the terrible price paid by the black families who lost both their homes and their life savings to speculators.⁷

The crusade against contract sales quickly moved to the courts. In the late 1950s and early 1960s dozens of black homeowners – many of them recent migrants to the city who listed occupations such as laundry worker, janitor, and unemployed machinist -- filed suit against the real estate brokers, attorneys, and bankers who were involved in these schemes. In most cases, they lost. Chicago judges, some of whom may have had their own investments in contract sales, routinely ruled that since contract buyers were mentally competent, the contracts they signed must be upheld, no matter how draconian their provisions.⁸ Some black contract buyers persevered nonetheless. By 1961, at least one of these cases had made its way to U.S. District Court. There the contract buyers' attorney argued that the practices of the realtors, attorneys and bankers involved in contract sales constituted a clear violation of black civil rights – specifically, of a little-used Reconstruction-era civil rights law that guaranteed to "all citizens" the "same right...as is enjoyed by white citizens...to inherit, purchase, lease, sell, hold, and convey real and personal property."⁹ As their attorney explained in another context, "'if a house doubles in price just because the buyer has dark skin this is not justice."¹⁰ The judges did not agree, however; once again, the plaintiffs' case was dismissed.

In 1962, the simultaneous publication of two shocking exposes about contract selling helped transform the struggle against exploitative contract sales from block club-level debates and private legal challenges to a public scandal.¹¹ Although Chicago's Urban League and NAACP – both organizations that had been seriously weakened by red scares and by the machinations of Mayor Richard J. Daley -- did not take up the issue of contract sales, independent black journalists, ministers, and radio personalities joined with white leftists and radicals to publicize the problem. These activists, attorneys, and journalists, and the working-class African-Americans who brought suit against bankers and realtors, saw at the time what scholars are only now beginning to understand: that housing was "the center of a web of social and institutional relationships" involving the "intersection of banking, appraisal, and real estate industries in the housing market...."¹²

The struggle against exploitative contract sales, and against the mortgage industry redlining that left such sales as the only possible mechanism for black home ownership in Chicago, went into a brief hiatus during the year that historians have most focused on when studying race and housing in Chicago --1966, when Martin Luther King took up residence in the West Side neighborhood of Lawndale and attempted to lead a movement there.¹³ This hiatus was caused by a series of unforeseen events, including the death of one of the city's major authorities on contract sales in the summer of 1965, and the dissolution of the Office of Urban Affairs, a center for inter-racial and inter-faith activism, by Chicago's conservative, newly-appointed archbishop in January of 1966. The result, however, was a disaster for King, and more broadly, for the civil

rights movement in the urban north. King's Chicago crusade was a failure in large part because he misread the situation on Chicago's West Side in a seemingly small but crucial respect. King focused on large apartment buildings with absentee landlords, and attempted to organize tenant unions, when in fact the majority of housing in Lawndale consisted of smaller apartment buildings that had been purchased by black resident owners "on contract." In focusing on absentee landlords, King was working out of a colonial model of exploitation, in which local resources are exploited by absentee owners or powers outside the community.

In fact, however, the situation on Chicago's West Side had already shifted to something closer to a more sophisticated neo-colonial model of exploitation, in which local resources are ostensibly run by indigenous people but in fact kept under the sway of outside interests through debt peonage. By ignoring the problem of contract sales, King's followers overlooked a whole class of black residents in Lawndale. They then concluded that Lawndale residents simply could not be organized. As one staff member recalled, in 1966 he could not quite imagine how "you could get people in some of these buildings to actually organize, to withhold their rent, to put it into an escrow account, and try and force meaningful changes...."¹⁴

Yet barely two years later, in January of 1968, such action is precisely what happened in Lawndale. That month thousands of black families who had purchased homes "on contract" organized a group called the Contract Buyers of Lawndale (shortly thereafter, when black South Side residents joined the group, the organization's name was changed to the Contract Buyers League). Aided by Catholic activists and a small group of Chicagoans who had long been involved in the struggle against contract sales, members of the Contract Buyers League (CBL) set forth to renegotiate their contracts and open new lines of credit to black homebuyers. They picketed realtors and banks. When realtors and bankers still refused to renegotiate their contracts, CBL members went on a payment strike. Instead of paying the contract sellers who held the title to their homes, they deposited their monthly contract payments into an escrow account. This move was far riskier for contract buyers than for renters, since it left them vulnerable to eviction and to the loss of equity in their homes. White contract sellers stuck to their legal rights and evicted hundreds of black homeowners -- who were promptly moved back into their homes by crowds of angry black residents and some white supporters. The residents of Lawndale that King's organizers had found so quiescent had found their voice. As one contract buyer explained, "I'm tired of waiting. ... I am ready to die for my house."¹⁵

At the same time as mass evictions were generating publicity for the CBL, CBL members convinced a group of Chicago attorneys to bring the contract sellers to court, and to use the law to both end the evictions and force the contract sellers to renegotiate their contracts. Furthermore, they convinced the attorneys to take their case pro-bono. These attorneys included William R. Ming Jr., a prominent black attorney who had worked on every major school desegregation case of the past decade, and Thomas Sullivan, an Irish-American attorney who was a partner in the firm of Jenner and Block, then the most prestigious law firm in Chicago. These attorneys were initially leery of the case, since there was nothing technically illegal about contract sales. However, the courage and determination of CBL members, who risked their homes rather than pay another cent to the contract sellers, prodded them to innovate. The attorneys were also motivated by the importance of the legal issues at state. As William R. Ming, Jr. told CBL members, "You and I are involved in trying a great lawsuit. A lawsuit without precedent. A lawsuit without history.... You only get those things that you fight for."¹⁶

It was ironic that these attorneys saw the CBL lawsuits as "without history," since the Contract Buyers League movement was building upon a decade of struggles by local activists and black contract buyers. These past struggles had all failed -- but now the times had changed. Especially in the aftermath of the 1968 riots in Chicago, the legal and political powers in Chicago seemed more open to arguments that might redirect the energies of Chicago blacks from "the streets" to the courtroom. Now, the CBL had a chance.

In two major lawsuits that grew out of the CBL's struggle against contract sales (*Baker v. F & F Investment* and *Clark v. Universal Builders*), a coalition of black and white attorneys and community activists in Chicago attempted to create a new conceptual model for civil rights law. In the words of one judge, these activists hoped to render illegal "markets or profits based on the color of a man's skin." These lawsuits targeted not only local contract sellers, but the larger institutions that helped ensure the profitability of contract sales: the Federal Housing Administration, the Veterans Administration, and the Federal Savings and Loan Insurance Corporation. They raised anew the fundamental question that had been argued by the first attorneys

to take on contract sales in the 1950s: could the courts ensure that "a dollar in the hands of a black man [had] the same economic power as a dollar in the hands of a white man?"¹⁷

The Contract Buyers League cases cost the law firm that waged them over seven million dollars. It involved some of the top legal minds in the country. CBL attorneys presented mountains of evidence to back their contention that the fully legal practices of banks and realtors amounted to a violation of black civil rights. Yet after twelve years of labor and numerous reversals and re-trials, the Contract Buyers League lost both of its major cases.

Yet this was not the end of the story. Although CBL members ultimately lost their lawsuits, by the time they went to trial most of the speculative contract sellers in Lawndale had privately settled. These settlements typically reduced contract payments by an average of \$14,000 per family.¹⁸ Indeed, according to John McKnight, former Midwest Director of the U.S. Commission on Civil Rights, "the movement of the contract buyers probably brought more economic benefit to more minority people than any single organizing effort of that time."¹⁹

There were national repercussions as well. Although the evidence of banking and credit exploitation painstakingly amassed by the CBL did not win their lawsuit, it did have a profound impact nevertheless – once it was turned over to Chicago activist Gail Cincotta's National People's Action, a coalition network of thirty neighborhood organizations from 110 cities. The NPA used this information in their ultimately successful campaign to pressure Congress to pass the Home Mortgage Disclosure Act of 1975 (HMDA) (which requires banks to provide data to the public on their home mortgage activities) and the Community Reinvestment Act of 1977 (CRA) (which uses various methods to compel banks to make credit-worthy loans in low and moderate income communities). Between 1977 and 1997, the amount of money that banks loaned to low and moderate-income communities as a direct result of the Community Reinvestment Act came to \$393 billion dollars.²⁰

While there have been a few sketchy legislative histories of the HMDA and CRA, left out of the stories is something quite crucial – namely, the role which working-class black homeowners played in their passage. The willingness of these homeowners to risk their homes and savings was what pushed the legal, legislative and academic establishment to concrete action against contract sales, a complex credit scheme that had turned the West Side of Chicago into a prison for its inhabitants and a goldmine for bankers and realtors.

By highlighting previously overlooked grassroots analyses and activism around the issue of housing and credit exploitation – which was arguably the central factor in the creation of the "second ghetto" in Chicago -- my study will make a major contribution to our understanding of Chicago's "Second Great Migration." More pointedly, my book will challenge the major work to date on this movement, Nicholas Lemann's *The Promised Land* (1991). Lemann's book contains a brief and inaccurate discussion of the Contract Buyers League, in which he reports that the CBL disbanded in 1970 because "the real estate industry agreed to reform its practices."²¹ Lemann's misrepresentation allows him to sidestep questions of institutional racism that might undercut his central assumption: that the problems of post-World War II black migrants to Chicago can best be understood through a close look at the problems, and the pathologies, of a single black family.

Lemann nevertheless provides a compelling narrative, in part because he analyzes a broad social transformation through attention to the lived experience of fully human individuals. In this respect, I will use Lemann's work as a model. I have already interviewed approximately sixty individuals who participated in the struggles over housing and credit in mid-century Chicago. These include members of the Communist Party, the Urban League, and the American Friends Service Committee; activist priests, rabbis and ministers; journalists and attorneys on both sides of the contract sales issue; small-scale realtors who insist that their contract provisions were only "helping" blacks get a home of their own; South Side African-Americans with solid jobs and political connections; and recent West Side black migrants from Mississippi whose most cherished symbols of their "arrival" as Chicago citizens were the two-story buildings they had purchased "on contract."

Their stories reveal the limitations of approaches that focus on a single family, or that reduce the story of urban decline to interactions between blacks and whites. For example, conflicts between West-Side and South-Side African-Americans (and between the older and younger West-Side residents) were almost as bitter

as those between black contract buyers as a whole and white contract sellers. Some of the Catholics who aided the CBL may have been unintentionally influenced by anti-Semitic images that encouraged them to see contract selling as a specifically Jewish form of exploitation. In turn, to defend their own actions, some of the Jewish contract sellers ironically made arguments about the responsibility of the banking industry and the federal government for neighborhood decline that went beyond those proposed even by the CBL itself. Ironies existed on the personal level as well. Some of the most prominent activists against contract sales were also property owners who found themselves unable to prevent their buildings from decaying into slums. In short, extensive conversations with these individuals reveal layers of complexity that turn the struggle against contract sales from a simplistic drama of exploited citizens versus evil real estate interests into something more profound. By weaving together these individual stories and outlining the repercussions of their charged interactions, my book will present both the underlying structures that helped create the "second ghetto" in Chicago, and the human choices – both the courageous risks and the self-deceptions – that ultimately shaped the Northern urban experience.

ENDNOTES

¹ Mortgage buyers were given a generous grace period to make up delinquent payments. They could be evicted only after a court-ordered foreclosure. After foreclosure the loaning bank could take from the sale of the house only the amount of money still owed by the home buyer (or mortgagor). Any remaining money from the forced sale went to the former home buyer. See Lisa A. Danielson, "Installment Land Contracts: The Illinois Experience and the Difficulties of Incremental Judicial Reform," *Journal of Illinois Law Review*, 1 (1996): 91-125.

² Ann Stull, "Housing Speculators," *Community* 17, no. 11 (July 1958).

³ Travis is quoted in Nicholas Shuman, "Speculators Get Quick Profits – Here's the Record," *Chicago Daily News*, 1/24/61. Travis added that 75% of homes in areas open to black residency were sold on contract. Others estimated the number at 85%.

⁴ Letter, Mark J. Satter to "Dear Jim" [Hurlbut], 7/18/62, p. 2.

⁵ There is only one published article that provides even a partial history of community struggles against contract sales. See James Alan McPherson, "'In My Father's House There are Many Mansions--And I'm Going to Get Me Some of Them Too': The Story of the Contract Buyers League," *Atlantic Monthly*, April 1972. Two dissertation have been written on the topic: Jeffrey Fitzgerald, "The Contract Buyers League: A Case Study of Interaction Between a Social Movement and the Legal System" (Ph.D. Dissertation, Northwestern University, 1972) and Alphine Wade Jefferson, "Housing Discrimination and Community Response in North Lawndale (Chicago), Illinois, 1948-1978" (Ph. D. Dissertation, Duke University, 1979). The history is also discussed in books by or about various participants in anti-contract sales struggle. See Dempsey Travis, *An Autobiography of Black Politics* (Chicago: Urban Research Press, 1987) and Margery Frisbie, *An Alley In Chicago: The Ministry of a City Priest* (Kansas City: Sheed and Ward, 1991).

⁶ "Debate Contract Selling at GLCC Meeting," *Greater Lawndale Conservation Commission News Notes*, III, no. 29 (July 23, 1958) pp. 1-2.

⁷ Early examples are Mark J. Satter, "Attorney Reveals Unethical Actions in Property Sales," *Chicago Defender*, 4/26/58; Ann Stull, "Housing Speculators," *Community* 17, no. 11 (July 1958); "Lone Lawyer Pioneers a New Way to Fight Blockbusting Racket," *House and Home*, Oct. 1959.

⁸ See *Coleman v. Goran*, 168 N.E. 2d 56 (App. Ct. Ill. 1960).

⁹ USDC, *Mary Lee Stevenson and Reginald Kent vs. General Federal Savings and Loan Assoc.*, 61c178; 42 USCS & 1982.

¹⁰ Ann Stull, "Housing Speculators," *Community* 17, no. 11 (July 1958).

¹¹ See Chicago Commission on Human Relations, "Selling and Buying Real Estate in Racially Changing Neighborhoods" (released July 20, 1962) and Alfred Balk's "Confessions of a Blockbuster," *Saturday Evening Post*, July 14-21, 1962.

¹² David W. Bartelt, "Housing the 'Underclass,'" in Michael B. Katz, ed., *The 'Underclass' Debate: Views from History* (Princeton: Princeton University Press, 1993), p. 120.

¹³ Chicago newspapers explained the relationship between race, redlining, and contract sales. They described, for example, the case of a house that was put up for sale, for \$6,700. A black couple tried to purchase the home for that price. Although the couple were prepared to make a down payment of \$1000 and had excellent credit and work records, none of the dozen or so banks they approached would give them a loan. A speculator was able to get a loan for the property, however. He purchased the home and within a few weeks was offering it for sale, on contract, for \$14,000. The same black couple was now free to purchase the home, for monthly payments that would be more than double what they would have paid if they had been granted a mortgage. See Nicholas Shuman, "Mortgage Credit Refusals Squeeze Minorities Here," *Chicago Daily News*, 1/25/61.

¹⁴ Quoted in James R. Ralph, Jr., *Northern Protest: Martin Luther King, Jr., Chicago, and the Civil Rights Movement* (Cambridge: Harvard University Press, 1993), p. 90.

¹⁵ Quoted in Fitzgerald, p. 364.

¹⁶ Ming is quoted in Fitzgerald, pp. 334-335, see p. 336.

¹⁷ McPherson, pp. 78, 68.

¹⁸ CBL, "The History, Qualifications, and Competence of the Contract Buyers League," CJEG EGAN II, Box 12, "CBL Correspondence," Manuscripts and Archives, University of Notre Dame. One CBL couple had their \$19,000 contract balance reduced to \$7,500. Their total savings, including interest, amounted to approximately \$18,000. Another couple saved approximately \$20,000 on principle and interest. See Fitzgerald, p. 403 and p. 398.

¹⁹ "John McKnight," *Chicago* magazine, Nov. 1985, pp. 205-206.

²⁰ Debby Goldberg, "The Seven Lessons of HMDA," *NHI*, March/April 1998, at <http://www.nhi.org/online/issues/98/wnandv1.html>.

²¹ Nicholas Lemann, *The Promised Land: The Great Black Migration and How it Changed America* (New York: Vintage Press, [1991] 1992), p. 240.