

SHADY REAL ESTATE PRACTICES



Courtesy of the Southern California Library for Social Studies and Research

WORDS TO KNOW

Shelley v. Kraemer

exclusionary

equity

steering

contract selling

caveat emptor

blockbusting

mortgage

con men

predatory

THINK BEFORE YOU READ

Is it ever okay to use deception to buy or sell something?

How do you know when you are being fooled?

Who would you trust to help you find a home?

Cover: A sign outside the Sunkist Gardens development advertises racial restrictions, California, 1950.
Courtesy of the Southern California Library for Social Studies and Research

A FRUSTRATING SEARCH

Alicia Rachal was 11 years old in July of 1964 when her parents, Corbett and Sallye, went looking for a bigger house in their hometown, a suburb of New York City. They hoped they would be celebrating Christmas in their new home. Like thousands of other families looking for new homes, they looked at home listings, drove around neighborhoods, met real estate agents, and went to see dozens of houses. They had the money to buy a home, but over and over, they were unable to complete a purchase. It was an experience many Black families such as the Rachals were having.

But there was something different about the Rachals. Their home search was being filmed undercover by CBS News, a major national broadcaster. Journalists followed the Rachals on their search, secretly filming and recording their conversations with homeowners and real estate agents. The footage clearly showed discrimination in action. Homeowners lied to the Rachals about whether their homes were still for sale. Some said they had accepted a previous bid, when they had not. Real estate agents told the Rachals there were just no homes available that matched their needs. Some made the homes sound too expensive or suggested the Rachals couldn't afford the price. Others tried "running down" the neighborhoods and houses, making them sound or look so bad no one would want to buy them.

HIDDEN BARRIERS

In the mid-20th century many families of color, like the Rachals, could afford to move to the suburbs, but they were prevented by racially biased real estate practices and unwelcoming communities. The U.S. Supreme Court in *Shelley v. Kraemer* (1948) did not ban racially restrictive covenants, although they did determine they were unenforceable by law. But members of the real estate industry found other ways to keep neighborhoods or entire towns all White. At the same time, they profited from the limited choice available to Black and other minority buyers.



ARTICLE 32.

Before the closing of a transaction, the Realtor should recommend the examination of title and conveyancing papers.

ARTICLE 33.

All contracts and agreements to which a Realtor is a party should be made in writing and should be complete and exact.

ARTICLE 34.

A Realtor should never be instrumental in introducing into a neighborhood a character of property or occupancy, members of any race or nationality, or any individuals whose presence will clearly be detrimental to property values in that neighborhood.

ARTICLE 35.

No instructions nor inducements from any client or customer relieve the Realtor from his responsibility strictly to observe this Code of Ethics.

As the suburban boom heated up the housing market, the real estate industry became more professional. Once thought of as cheats and **con men**, real estate leaders worked to improve their reputations. They set up boards and standards of conduct, hoping to win back the trust of newly affluent White Americans. They understood that success with White buyers meant reinforcing racial segregation. In 1920, the Chicago Real Estate Board (CREB) voted unanimously to expel any realtor who sold or rented a property to a Black family on a White block.



Article 34 in the National Association of Real Estate Boards' Code of Ethics in 1924 made racial segregation best practices for real estate agents. Realtors who violated this article risked losing their license.

Courtesy of the collection of the National Association of REALTORS® Archive

The National Association of Real Estate Brokers' 1924 Code of Ethics prevented members from "introducing into a neighborhood...members of any race or nationality...whose presence will clearly be detrimental to property values."

These practices were used by developers, brokers, and agents across the country. These were some of the techniques they used:

Steering: Real estate agents "steered" homebuyers toward or away from certain neighborhoods based on their religion, race, ethnicity, or identity. Buyers would simply not be shown available houses in neighborhoods dominated by another race.

Blockbusting: Real estate agents gained control over entire neighborhoods by blockbusting. Warning that their homes would lose value as people of other races or classes moved in, real estate agents got White homeowners to sell to them at a low price. Then, the agent sold the same property at a much higher price to Black or minority homebuyers, making a larger profit. To convince homeowners that things were really changing, real estate agents might hire a Black woman to walk around with a baby carriage or pay Black men to stage fights on street corners.

Contract Selling: Sometimes agents deceived sellers about the kind of contract they were signing. Rather than signing a **mortgage** loan agreement, agents gave homebuyers a **predatory** lending agreement called a "contract to deed." Unlike a standard home loan, a contract does not allow the homebuyer to own any of the home's value until the entire loan is repaid. The seller legally retains ownership of the home. People might spend years making their housing payments only to find they had no **equity**, or built-up ownership, in their home. Missing even one payment could mean losing the house. Locked out of traditional loans, Black families often turned to this exploitive financing. In the 1950s and 1960s, an estimated 85% of houses sold to Black families in Chicago were made with contract to deed agreements. Buyers lost more than three billion dollars to these bad deals. Contract selling still happens, particularly in poor and minority communities.



Employee in real estate office serving Black American clients, Chicago, 1941.
Courtesy of the Library of Congress

REVEALING PATTERNS

After their frustrating search, the Rachals asked for help from the county Fair Housing Council. Sallye Rachal told the Council that out of the 24 agencies they had visited, 16 real estate agents had told them no houses were available. Another eight agents showed them 13 houses in 11 towns, but only two of the houses matched their size and price needs. The Fair Housing Council proposed using a White "tester" to see whether a White person would be offered homes that the Rachals were not offered. White volunteers from the Fair Housing Council visited two of the same agents the Rachals had used. The testers were immediately shown several houses that the Rachals were not given a chance to see.

CBS News broadcast the Rachal's search on prime-time television in the documentary "Segregation: Northern Style." It showed clear evidence of housing discrimination, helping to build public support for the Fair Housing Act that eventually passed in 1968. However, it was not a happy ending for the Rachals. They were never able to find the house they desired and eventually moved away from New Jersey. It was a great disappointment to the Rachals, who had dreamed of raising Alicia to "grow up feeling there is no place in New Jersey she cannot live."



LOOK At These Homes NOW!

An entire block ruined by negro invasion. Every house marked "X" now occupied by negroes. ACTUAL PHOTOGRAPH OF 4300 WEST BELLE PLACE.

SAVE YOUR HOME! VOTE FOR SEGREGATION!

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A 1916 postcard from the United Welfare Association warning of "invasion" and asking recipients to vote for segregation to save their homes. Courtesy of the Missouri History Museum Library and Research Center

QUESTIONS TO CONSIDER

- The Latin phrase “**caveat emptor**” translates to “let the buyer beware.” It reflects the idea that the buyer is always responsible for ensuring they are not being deceived. When is it not a fair principle? What could prevent a buyer from knowing whether their deal is fair?
- How could a community resist blockbusting?
- What are some ways people can find out whether a deal is fair?
- Write a plan naming three ways to fight back against unfair real estate practices.