White Folks Created American Ghettos

PRESENTING
RESTITUTION Homes

EXECUTIVE SUMMARY

INTRODUCTION
This paper will focus on reparations and will concentrate on housing in Chicago’s plundered communities. Predatory residential contract sales legally, but unjustly, extracted vast amounts of money from mid-twentieth century black communities. The focus on housing provides an opportunity to benefit African Americans 1) by repaying what was unjustly taken; 2) by repaying at least a portion of the equity denied; 3) by providing the opportunity to increase future wealth with affordable home ownership; and 4) by revitalizing plundered neighborhoods.

The greedy real estate speculators who engaged in predatory contract selling could not have operated without seriously flawed structures of American society. These structures include the Federal Housing Administration (FHA), lending institutions, the real estate industry, de jure residential segregation, secret land trusts, flawed interest rate policies punishing the poor, and more, all of which were warped by white supremacy. The resulting unjust extraction of money from black communities forced parents to work two and three jobs, and led to poor education, lesser job opportunities, deteriorating housing and neighborhoods, violent crime, and more.

A plan for reparations must include not only the four benefits put forth in the opening paragraph but also include the revitalization of plundered community areas by eliminating segregation, turning renters into homeowners, increasing the percentage of owner occupied homes, creating schools that eliminate the achievement gap, improving shopping and services, and making sure that improvements do not drive the most vulnerable out of the community.

PART I: CHICAGO’S HOUSING DEBT TO CHICAGO’S AFRICAN AMERICAN COMMUNITY
During the Second Great Migration (1940-70), contract buying was the only way that most African Americans could purchase a home unless they could pay cash or had the connections and/or wealth to get a mortgage. The chart below shows the enormous burden placed on the average black contract buyer as opposed to the much lighter burden borne by a white buyer who obtained an FHA mortgage.

<table>
<thead>
<tr>
<th></th>
<th>Average Cost Above Market Rate</th>
<th>Average Down Payment</th>
<th>Term Length (in years)</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Contract Buyer</td>
<td>$7,710*</td>
<td>$1,085*</td>
<td>18</td>
<td>$260*</td>
</tr>
<tr>
<td>White FHA Mortgagor</td>
<td>-</td>
<td>$436*</td>
<td>25 - 30</td>
<td>$85* - $105*</td>
</tr>
</tbody>
</table>

*Figure represents an average in actual dollars at the time the contracts were executed.

In spite of the oppressive burden placed on black contract buyers, 83% of the 50,000 black contract buyers between 1950 and 1970 completed their contracts. This is an incredible achievement given the intensity of their burden over two decades. And it decimates the myth that black folks would default.

Recent research shows that between 1950 and 1970, $3.2 Billion to $4 Billion (adjusted for inflation) was legally, but unjustly, extracted from the African American community in Chicago alone. This does not include money legally, but unjustly, extracted during the sub-prime crisis or through the vicious FNMA-enabled contract selling of unlivable homes following the sub-prime crisis.
PART II: REPAYMENT OF CHICAGO’S HOUSING DEBT – RESTITUTION OR REPARATIONS

Responsibility: Many Americans resist the idea of reparations by saying that slavery was in the past and they and their ancestors did not participate in those injustices. Yet many injustices toward the African American community continue into the present. Among the most devastating of these is the injustice connected with housing. As American citizens, we are privileged to enjoy and take pride in the magnificent structures of our nation. Along with reaping the benefits, we have a responsibility to acknowledge our nation’s failures and rectify them. All enjoy the benefits and privileges of citizenship even if we are not personally responsible for them. In addition, all of us have benefited from the injustices to the African American community. We must accept the responsibility for our collective shortcomings even if we are not personally responsible for them.

Affordable Housing Defined: Most agree that a buyer can afford a monthly house payment (principal, interest, taxes, insurance, and mortgage insurance) equal to 25% of the buyer’s gross monthly income. While government programs normally subsidize rent in excess of 30% of one’s monthly income, lending institutions normally use the 25% formula because the homeowner is responsible for repairs and upkeep. Some lending institutions include heating and electricity in the monthly payment but then use a higher percent of the gross monthly income.

Mission: The mission of RESTITUTION Homes is to make restitution to Chicago’s African American community by 1) selling livable houses to plundered and oppressed families BELOW MARKET VALUE; 2) financing these homes at BELOW MARKET INTEREST RATES; 3) providing newly constructed and restored older homes; and 4) providing Restitution Vouchers to keep the homes “affordable” as defined above. RESTITUTION Homes will carry out its mission by 1) using Restitution Vouchers to insure that housing is affordable; 2) converting renters into homeowners; 3) including the homeless in community revitalization planning; 4) promoting integrated communities; 5) including plundered and oppressed from any origin; and 6) providing restitution for descendants of contract buyers.

PART III: RESTITUTION Homes – COMPONENTS AND CHALLENGES

Dialogue: The renowned Brazilian educator, Paulo Freire, in his seminal work, Pedagogy of the Oppressed (1970), stressed the importance of dialogue between converts from the oppressor class and people who have been oppressed so that both learn from one another. Each group is a teacher and a leaner. Many community areas have developed “Comprehensive Quality of Life Plans” to serve as the starting point.

Billion Dollar Restitution Fund: As noted above, all of us, as citizens, have both an individual and collective responsibility for restitution or reparations. The first step in establishing a Billion Dollar Restitution Fund will be to seek significant voluntary contribution commitments from individuals. These individual voluntary contributions are expected to be an inspiration leading to more contributions from individuals, corporations, foundations, churches and religious organizations, and commitments from banks to provide mortgages with interest rates one point below those charged to their best customers. The Restitution Fund will not use any funds for operational expenses.

Social Business: In concurrence with Restitution Fund development, we will consult to form a Social Business (using many of the principles of Muhammad Yunus). Operations of RESTITUTION Homes will be self sustaining and not use any Restitution Funds for operations.

 Acquisition of Vacant Lots and Unoccupied Houses: Non-resident real estate investors have lobbied the Illinois legislature for laws and policies favoring non-resident real estate investors. Cook County Clerk, Karen Yarbrough, is a strong supporter of the efforts of RESTITUTION Homes and tells us that much of her interest in contract selling arose from reading Family Properties – a book recommended to her by Speaker Michael Madigan. RESTITUTION Homes will be consulting with Ms. Yarbrough to develop a strategy for vacant lots and unoccupied homes.

CONCLUSION

If Restitution or Reparations include neighborhood revitalization, more integrated communities, and an opportunity for black people to be repaid and grow wealth, all Americans will benefit.