

# **Black Life Insurance Companies, Mortgages, and African American Homeownership**

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## **Abstract**

Life insurance companies, including those founded by African Americans, historically sought to invest their policyholders' premiums in safe and reliable investments, and particularly mortgages. Despite disastrous losses during the Great Depression, life insurance companies resumed purchasing mortgages after World War II, on the secondary mortgage market which had been completely restructured by New Deal reform interventions intended to protect investors and homebuyers alike. However, African American homebuyers faced severe disadvantages in a postwar housing market characterized by pervasive racial discrimination, despite increasing civil rights gains. Under the Eisenhower administration (1953-1960), federal housing agencies' decision not to enforce racial fairness and instead let the homebuilding and home finance industry set the agenda for how to supply more "minority housing," did very little to improve the situation. It also put African American life insurance companies in an awkward position as they continued to fulfill their traditional role as a credit reserve for the Black middle class, while trying to work with federal agencies and remain profitable in a postwar landscape thoroughly dominated by large, white-controlled firms.

It was 1954 and F. D. Wharton wanted an FHA-insured loan. These affordable arrangements backed by the Federal Housing Administration (FHA), along with ones on similarly generous terms guaranteed by the Veterans Administration (VA), protected lenders against financial loss, along with the suburban developers who secured financing through them. By means of this market intervention, the federal government successfully stimulated the mass production of housing after World War II while simultaneously driving mortgage interest rates lower on longer borrowing intervals, thereby placing homeownership within reach of numerous white, working-class families that, just a generation before, could not have realistically

contemplated purchasing a new single-family home. However, Wharton was Black – and like many African Americans had encountered difficulties upon attempting to access this favorable loan type. But rather than take racist rejection lying down, he used his knowledge of how the mortgage market worked, information about a seemingly promising new government-backed initiative, as well as his personal connection to the North Carolina Mutual Life Insurance Company, a Black-owned firm, in attempting to secure the mortgage he felt certain he deserved. Perhaps Wharton felt emboldened, too, by the U.S. Supreme Court’s landmark *Brown v. Board of Education* decision earlier that year, sensing that the federal government might be shifting its position toward increased support for African American civil rights.<sup>1</sup>

A resident of Tarboro, North Carolina – a medium-sized town outside Greenville – Wharton first penned a letter of complaint to a large, New York-based life insurance company. “Very recently,” he explained, “a builder who claims to be getting Metropolitan Life Insurance Company money for FHA loans on the individual homes he is constructing, stated that the company’s policy is not to make loans on homes for Negroes.” In doing so, Wharton demonstrated some understanding of the secondary mortgage market, where large institutional investors like life insurance companies and mutual savings banks bought up batches of home loans as long-term assets, with the goal of assuring a steady stream of profits for years to come. In the process, they freed up smaller lenders – mortgage “originators” who lent directly to consumers – to re-lend their funds for additional home purchases. Wharton rejected the builder’s explanation that Black buyers were generally poor credit risks, and related three local instances which he felt illustrated the unfair and arbitrary basis on which loan decisions for African American applicants were being made. The first case, a “principal of a four teacher school in another county,” had somehow been granted FHA-backed financing for his home to be built “outside the city limits on an unimproved street” that lacked water and sewer service and even fire protection. In contrast, the second Black applicant had been denied an FHA-insured loan, despite being a master’s degree-holding “principal of [a] thirteen teacher consolidated high school in this county” who planned to build on a lot just outside the town’s business district with full access to city services. Wharton called this area Tarboro’s “most desirable section,” noting it had “Several blocks owned entirely by Negroes who have some of the largest and best homes among Negroes in town.” Furthermore, according to Wharton, the first, approved applicant was not very well socially-connected, whereas the second, rejected one was “well known among all

leading business and professional people of the town, county and other places in this section.” While the first applicant’s wife did not hold a job, the second’s was “a college graduate and teaches in the same school with her husband.” The third case was of four applicants, “An older man and wife, daughter and son-in-law,” who were likewise denied FHA support for the house they wanted to build on “[t]he most desirable unoccupied lot in town,” which adjoined that of the second applicant. Wharton went on to describe these applicants’ impressive qualifications, claiming “The father has a most excellent record as a leader and is known throughout the state and in several others.” “Any one of the four together could meet the requirements for anything they might desire to obtain,” he concluded.<sup>2</sup>

Strategically, Wharton chose not to divulge that the father from the third set of applicants was none other than himself; furthermore, the second applicant was his son-in-law, so he had separated out the overlapping information from the two cases for a more dramatic and sympathetic effect. Wharton’s claims regarding the father from the third case (in actuality, himself) do not seem to have been exaggerated; a self-employed businessman, he had only recently retired from his long career as an agent with the historically-Black North Carolina Agricultural & Technical College demonstrating modern farming techniques through its extension service.<sup>3</sup> “Negroes in the state own millions of dollars[?] worth of homes and other real estate,” Wharton told Metropolitan Life, noting further that “The property purchased was not on terms as liberal as FHA loans.” “Minority groups, especially the Negro, have not had a fair chance,” he complained. “There is reason to feel that often the local people in charge make little or no effort at placing loans with those Negroes most likely [to] meet their obligations[.]” Days later, Wharton similarly sought redress from the Federal Housing Administration, using essentially the same approach but adding “I am wondering if it is possible for your administration to, in some way, give some needed assistance to minority groups, especially Negroes who wish to take advantage of FHA financing?” “It appears that [FHA] loans are more apt to be considered, locally, for second rate borrowers, on third rate property than on first rate applicants with first rate home sites,” he observed, before ending: “It would be much appreciated by Negroes everywhere, if the administration would make a study of this type of practice and come up with some suggestions that would improve it. . . . No doubt that much of this is a local matter but we do feel that it could be improved upon by those in authority.”<sup>4</sup>

President Dwight D. Eisenhower's administration did in fact have a new initiative in the works, intended to improve racial minorities' access to FHA and VA-backed credit, as well increase as the flow of mortgage monies to underserved areas of the country more generally: the Voluntary Home Mortgage Credit Program (VHMCP), recently established as a provision of the 1954 Housing Act. The program was essentially a way of connecting interested borrowers with willing lenders, set up as a public-private joint venture largely at the behest of the life insurance industry and administered through the Housing and Home Finance Agency that oversaw the FHA. In response to Wharton's letter, the FHA's Acting Regional Director informed him of the VHMCP's existence and urged him to seek assistance from its regional subcommittee.<sup>5</sup> It was then that Wharton reached out to Asa T. Spaulding of the North Carolina Mutual Life Insurance Company, who served on North Carolina's regional subcommittee as one of some dozen Black members appointed to such positions nationwide. As Vice President of the country's largest African American-owned insurance company – headquartered on Durham, North Carolina's "Black Wall Street" – Spaulding would soon be appointed as the only African American member of the VHMCP's national board, a position he held until the program was discontinued in 1965. Wharton wrote Spaulding to congratulate him, stating "I feel that every Negro in the state is justly proud of your [VHMCP] appointment." Wharton naturally also sought Spaulding's help in obtaining his desired FHA loan – offering to forward copies of the correspondence he had exchanged with Metropolitan Life and the FHA, and additionally adding a personal touch that he had been "very well acquainted" with Spaulding's cousin, the recently deceased longtime president of North Carolina Mutual. In response, Spaulding warmly reassured Wharton that "With the interest and cooperation evidenced by your letter, and others like you, I believe our committee will be able to do much to help alleviate the conditions complained of."<sup>6</sup>

Wharton was subsequently approved for FHA financing, although it is unclear whether he ultimately got his loan. A Metropolitan Life supervisor had written him back to claim that the company's mortgage investment policy in no way "involve[d] the question of race, creed, or color"; in fact, Metropolitan Life had "bought quite a few loans on negro properties" in the locality from a bank in nearby Wilson, North Carolina which the supervisor strongly recommended. Wharton subsequently met with that bank's vice president who personally inspected Wharton's landholdings, afterward encouraging him to apply for a loan which he "felt certain . . . would be approved[.]" Shortly thereafter, Wharton received a visit from a white

builder who had erected a considerable number of houses for Black buyers in the area, although according to Wharton “not of first class material and the locations from poor to bad.” Although this builder typically built in the \$3,200 to \$4,500 range – between \$31,000 and \$44,000 in today’s dollars – he assured Wharton he “could build a \$5,000.00 to \$6,000.00 house that would meet FHA approval.” Based on their conversation and the experiences of his associates, Wharton’s hunch was confirmed that “few, if any lending institutions are willing to lend to Negroes whose weekly earnings average from \$75.00 to \$250.00 and more,” the equivalent of \$38,000 to \$126,000 in annual income today.<sup>7</sup> Six months later, Wharton’s FHA paperwork had been cleared; however, the bank sat on it for nearly a month, necessitating a visit by Wharton to check on the status of his loan application. After two more weeks of delays, Wharton wrote Spaulding in frustration asking “Do I have to wait all this time on them? Is there nothing I can do? I have been thinking of writing the Metropolitan Life Insurance office again but did not wish to seem to be breaking faith with or doubting its officials in Wilson, [although] actually I do.” In the end the loan may have gone through, following Spaulding’s promise to follow up with an officer he knew in Metropolitan’s New York office.<sup>8</sup>

Middle-class African Americans like F. D. Wharton had struggled to get mortgage financing for decades, long before the federal government’s belated turn to legitimize their aspirations amid a burgeoning Civil Rights Movement and their increasingly assertive efforts to access the American Dream. And it was by no coincidence that Wharton reached out to North Carolina Mutual Life. Especially in the 1950s but dating back to the early twentieth century, one of the few reliable financial streams available to support Black middle-class dreams of homeownership were African American-owned life insurance companies. As the President of the Chicago-based Supreme Liberty Life Insurance Company, Harry H. Bruce, had put it in 1934: “One thing stands out and has stood out in the insurance business as it is conducted by our people, and that is that we were organized largely in the beginning to furnish some sort of relief to our folk, and to furnish a place where they could go to get mortgage money.”<sup>9</sup> Business historians have explored the organizational histories of individual African American insurance companies, and the industry’s unmatched significance as a source of white-collar jobs and investment capital has long been recognized.<sup>10</sup> However, scholars have devoted very little attention to these companies’ investment strategies, let alone their historic significance in facilitating Black homeownership through their involvement in mortgage markets.<sup>11</sup>

Though severely undercapitalized relative to their mainstream, white-controlled counterparts – and making up a minute portion of the industry as a whole – Black-owned firms behaved similarly to other life companies as they pooled their policyholders' premiums into substantial reserves of capital for investment in safe, reliable securities.<sup>12</sup> As state and federal regulations were loosened around the turn of the century, mortgage loans whether on farms, commercial buildings, or homes became increasingly attractive investments for insurance companies and other large institutional lenders, due to their generally favorable rates of return relative to other comparatively safe investment vehicles like bonds. A frenzy of mortgage buying in the 1920s had accompanied the construction boom of that decade, only to end with staggering losses for the institutional holders of these notes when the Depression hit; Black-owned insurance companies had participated in mortgage lending during those more prosperous times to the extent they were able, and like their mainstream counterparts they learned to be more wary thereafter. However, following the New Deal's various interventions in the housing market to make it safer for homeowners and investors alike, insurance companies including Black-owned ones again waxed optimistic, as their coffers refilled during World War II and postwar suburbanization took off. This set the stage for African American life companies to reenter the mortgage market, and even to underwrite a number of new residential subdivisions for Black middle-class buyers around the country. However, considering the realities of segregation, racial discrimination, and unequal access – to a considerable extent enabled by the federal government itself – the results here could hardly have been other than mixed.

### **Insurance Company Participation in the Early, Secondary Mortgage Market**

The first scholarly study of the secondary mortgage market in the United States, published in 1961, succinctly defined it as “that part of the mortgage market in which existing mortgages are bought and sold,” in contrast to the primary market where mortgages are originated. “Thus the primary market involves an extension of credit and the secondary market a sale of the credit instrument,” Oliver Jones and Leo Grebler explained further. The authors additionally asserted the “virtual absence” of a secondary market prior to the formation of the Federal National Mortgage Association (“Fannie Mae”) in 1938, even as they noted its continued shortcomings at efficiently allocating capital at the time of publication. Well into the post-World War II era, the U.S. secondary mortgage market would be faulted for providing “only limited

marketability” for mortgage paper; failing to “stabilize” the ebb and flow of investments into mortgages; insufficiently serving capital-deficit, rural areas of the country; and leaving substantial reserves of savings untapped.<sup>13</sup> After all, these deficiencies had factored into the Eisenhower administration’s support for the Voluntary Home Mortgage Credit Program. With their contemporaneous focus on residential and especially FHA- and VA-backed mortgage loans, however, Jones and Grebler downplayed the significance of an earlier secondary mortgage market which had focused largely on farm loans, and that was thoroughly dominated by life insurance companies which in fact pioneered the business of long-distance lending. Large insurance companies’ pivot to begin investing in residential mortgages, starting in the 1910s, coincided with a growth phase for African American life insurance companies, and more generally, set the example for the industry’s investment strategies into the 1920s and beyond. Life insurance companies’ dominance in the secondary mortgage market would continue through the 1960s, after which upstart players like pension and trust funds as well as accelerating securitization completely changed the rules of the game.

With their policyholders paying regular premiums, life insurance companies accumulated enormous capital reserves after the Civil War. In keeping with their fiduciary responsibilities, they invested these funds in “conservative” (i.e., not speculative) securities like bonds and mortgages. Accordingly, insurance companies’ assets ballooned to the eve of World War I, increasing twentyfold. In the rapidly expanding postbellum U.S. economy, insurance companies emerged as an important credit reserve, and particularly for mortgage credit; in part this was due to a prohibition, in the Banking Act of 1864, that forbade nationally-chartered commercial banks from making real estate loans, which would not be rescinded until the Federal Reserve Act of 1913. As the economy rebounded from the instability of the 1870s, mortgage debt increased by 141 percent from 1880-1890 alongside galloping urbanization. However, some three-quarters of mortgage lending on urban residential properties at this time was local, dominated by mutual savings banks, building and loans, and individuals who could better monitor their mortgagors’ ability to maintain properties and repay their debts. Urbanization prompted life insurance companies to add more urban real estate loans to their mortgage portfolios, although generally on commercial properties like hotels in large East Coast cities. Rather than urban mortgages, these companies had initially concentrated on purchasing loans issued for the millions of farms being established in the American West. Headquartered mostly in the Northeast, life insurance

companies were uniquely suited to pursue this long-distance finance because of the close relationships they forged with regionally-based mortgage companies that could more reliably supervise loan agents. By the 1890s, insurance companies held the third largest share of mortgage debt nationally, and the largest for the upper Great Plains states. Amid the economic depression of that decade, “[t]he unique combination of large size, a national market, and the long-term nature of their liabilities provided insurance companies with the resources and organizational flexibility to assume substantial investments in interregional property without jeopardizing their solvency,” historical economist Kenneth Snowden writes.<sup>14</sup> This experience would prove invaluable as these same companies increasingly shifted their mortgage portfolios toward urban residential real estate.

This early secondary mortgage market was uneven and poorly integrated, so much so that a truly national secondary mortgage market allocating sufficient, affordable mortgage credit across regions cannot be said to have existed. Into the early 20<sup>th</sup> century, nonfarm mortgage markets remained largely local and thus particularly segmented by geography, a feature that allowed investors – not uncommonly individuals – to more easily assess the quality of loans on offer from the small banks and mortgage companies that typically originated them. In 1890, interest rates in capital-scarce regions of the country were as much as 69 percent higher than in the Northeast. With their experience in farm mortgage lending and a capacity to handle greater quantities of information, life insurance companies were better-positioned than other mortgagees to start setting residential mortgage capital flowing more freely over long distances, an ability that would make them the largest institutional players on the secondary mortgage market by the 1920s.<sup>15</sup> However, insurance companies were also closely regulated by the states, which typically limited the types of investments they could make, or set loan-to-value limits and interest rate ceilings through usury laws. In a number of states, a particularly distortive factor was a prohibition against insurance companies headquartered in-state from lending on mortgages out-of-state. As of 1870, seven states including New York and New Jersey had such restrictions, which helped reinforce a bias toward investing in established northeastern financial centers even as life companies expanded their operations nationwide. To offset a growing perception that they were siphoning off scarce investible capital from the South and West, giant life insurance firms lobbied for the repeal of in-state restrictions. New York gradually expanded insurance companies’ permissible lending territory to include the adjacent states in 1875, and removed



such restrictions in 1886; by 1905 only four states prohibited out-of-state mortgage investments. Nevertheless, the perception remained because large insurance companies' investments continued to skew toward the Northeast, helped by the simultaneous abolition of usury laws. In an attempt to counteract this trend, Texas actually passed a 1907 statute requiring that out-of-state insurance companies reinvest in-state 75 percent of the premiums collected there. Other southern states debated similar measures.<sup>16</sup>

By 1927, life insurance companies' assets had increased twenty-sevenfold since 1880, at which point urban real estate loans made up the largest share at 43 percent – now comprising twice the proportion of farm loans among their assets. Several factors besides the lifting of restrictions on their allowable investments enabled this shift, with most of the movement taking place in the 1920s. Continuing urbanization and metropolitan growth had fostered an increased demand for mortgage credit, especially in the South and West; however, before 1920 more than half of this demand continued to be met by individual, middle-class investors with savings to lend, along with building and loans which provided an additional 10 percent of home purchase funds, generally for families of lesser means. Thus while some insurance companies like Prudential had experimented with home loans as early as the 1880s, most had not attempted to compete in intensely local urban residential mortgage markets, instead choosing to continue investing in large commercial projects which had the added advantage of lowering their administrative costs. Equitable did not begin extending home loans to its policyholders until 1911, while Metropolitan took until 1920 to issue its first residential mortgage on a Kansas City suburban subdivision.<sup>17</sup>

Several developments prompted the massive entry of life insurance companies into home mortgage finance during the 1920s, a decade that saw a five percent rise in homeownership (to 46 percent) and the addition of 8 million new housing units, which expanded the country's housing inventory by a full third. Most important was the explosion onto the scene, starting in the 1910s, of mortgage companies specializing in urban loans; particularly notable in New York State, they arose there out of the title guarantee business which according to Snowden "facilitated the development of secondary mortgage markets in general." Able to originate mortgages, and even bundle them together to issue shares in the form of "participation certificates" (i.e. mortgage-backed securities), the guarantees these companies provided helped reassure investors that the product on offer was safe. Life insurance companies built close

relationships with guaranteed mortgage companies, modeled after their longstanding, analogous operations in the farm mortgage market. Likewise known as “correspondents,” representatives from these mortgage companies worked on commission to originate and service loans that went into the portfolios of life insurance companies and other large institutional investors. By 1930, nonfarm mortgage debt comprised around one-third of life insurance companies’ holdings, worth \$5.5 billion and representing a 360 percent increase over the course of the decade. For its part, the real estate industry, and especially its National Association of Real Estate Boards, strongly endorsed and promoted insurance companies’ increased involvement in financing home purchases during the 1920s. Higher-interest mortgages were also more profitable than bonds, the other “safe” investment whose value did not fluctuate like stocks, thereby providing a fixed rate of return. “This form of investment [mortgages] will continue to be the backbone of trustee holdings so long as property rights continue to be respected and continue to be the foundation on which our social and economic life rests,” wrote an approving vice president of Metropolitan Life toward the end of the decade.<sup>18</sup>

The coming of the Great Depression dashed the buoyant optimism behind this investment strategy, prompting a more cautious approach that lasted through World War II. While highly-regulated life insurance companies with their conservative and diversified investments were able to weather the crisis, they suffered massive financial losses on their mortgage holdings as home values plummeted by 40 percent and foreclosures skyrocketed, saddling them with overvalued properties they could not easily dispose of. With some 30 percent of their funds invested in mortgages on urban real estate as of 1932, life companies would spend the next decade reducing their exposure, by selling off these properties and investing their reserves in other assets. The value of these holdings bottomed out by 1936 to just \$1.5 billion, down by more than 73 percent; although insurance companies had stridently opposed the Federal Home Loan Bank Board’s (FHLBB) formation as favoritism toward building and loans, starting in 1933 they took full advantage of the Home Owners Loan Corporation that the FHLBB oversaw as a way to dispose of their now unprofitable mortgage liabilities.<sup>19</sup> After the 1934 debut of FHA-insured (Title II), self-amortizing loans on new housing, some insurance companies began to reenter the lending field, with FHLBB economist Spurgeon Bell noting that these “relatively liquid asset[s]” constituted “a sort of secondary reserve.” And once again, such firms relied mainly on mortgage companies to originate these now federally-backed loans. However, half among the twenty-five

largest life companies still held no FHA loans as of 1938, and the following year one observer noted: “Real estate mortgage loans yield more but they involve sizable overhead expense and there are not enough good mortgages available for the reinvestment of old policyholders’ premiums.” With the outbreak of World War II, insurance companies shifted more funds into bonds to support the war effort, and the significance of mortgages relative to these companies’ other investments diminished further as many of their mortgagors retired their debts with inflated wartime earnings.<sup>20</sup>

Besides the debut of FHA-insured loans which would take on increased significance for life insurance companies’ mortgage portfolios in the postwar decades, another momentous development in the immediate prewar period was the 1938 formation of the Federal National Mortgage Association (FNMA, later known as “Fannie Mae”). However, despite its noteworthiness as marking the launch of an “official” secondary mortgage market in the United States, that market’s struggles to get off the ground serves to further demarcate the postwar lending landscape from that which came before. Title III of the 1934 National Housing Act, which had established FHA, empowered that agency to charter “national mortgage associations” – essentially privately-financed banks authorized to issue debentures secured by Title II mortgage loans that they could buy, sell, and hold but not originate. Even at this early point, policymakers were hoping to dispense mortgage funds to capital-deficit areas and equalize interest rates across regions. However, large institutional investors like life insurance companies initially proved too cautious to participate. Whether skeptical of federally-insured mortgages as a new innovation, leery of the Federal Housing Administrator’s broad powers over the proposed associations, or simply concerned about maintaining sufficient liquidity in a still-depressed economy, no takers could be found. Even lowering the minimum capital requirement did not entice, nor did lowering the capital-to-debenture ratio or authorizing the purchase of more profitable conventional (uninsured) mortgages at up to a 60 percent loan-to-value ratio. Therefore, in 1935 the government’s Reconstruction Finance Corporation set up its own RFC Mortgage Company, and in 1938 that body capitalized the National Mortgage Association of Washington. Soon renamed FNMA, the latter entity quickly acquired over \$80 million in FHA-insured mortgages in its first year. Despite further spooking investors with the prospect of direct competition, these government-backed entities quickly demonstrated that FHA loans were marketable, as FNMA found buyers for its bond issues and the RFC Mortgage Company

successfully resold its initial batch of loans. Whereas the RFC Mortgage Company did not last as a separate entity past 1948, FNMA would soon emerge as a crucial discount facility that enabled institutional investors to buy and sell mortgages on advantageous terms – especially life insurance companies, including those owned and controlled by African Americans.<sup>21</sup>

### **Black-owned Insurance Companies through World War II**

While the roots of African Americans' involvement in insurance-related endeavors can be traced back to the founding of the Free African Society in Philadelphia in 1778, it was really only after the Civil War – and especially starting in the 1880s – that Black-owned insurance companies and other forms of mutual aid gained prominence amid the general explosion of organizational life at the time. With many among them impoverished (not to mention formerly enslaved), African Americans turned to each other and pooled their resources in search of protection against the vagaries of life, facing social rejection from whites and increasingly motivated, as the turn of the century approached, by the stirrings of race pride. Mainstream insurance companies discriminated against African Americans, overcharging or outright refusing to issue them policies, due both to racism and significantly higher-than-average Black mortality rates. In fact, it was the Prudential and Metropolitan life insurance companies' 1881 decision to unilaterally raise premiums on Black policyholders that spurred in Richmond, Virginia two years later the formation of the Grand Fountain of the United Order of True Reformers, the first modern Black-owned insurance venture.<sup>22</sup> Founders of early Black-owned insurance companies – like other African American entrepreneurs in cosmetics manufacture, funerary services, or newspapers – thus carved out economic niches by specializing in goods and services that white society refused to provide to them. Other mutual aid efforts emerged from Black churches or fraternal organizations. In these early decades, the most popular form of life insurance among African Americans was low-cost, “industrial” policies with premiums collected door-to-door on a weekly or monthly basis, and paid out in the event of sickness, injury, or death to provide a modicum of security and dignity in the face of all-too-common tragedy.<sup>23</sup>

Black-owned insurance companies have only ever represented a tiny fraction of the overall industry, and furthermore have historically been severely undercapitalized relative to the largest white-owned firms. In an environment of increasing state regulation around the turn of the twentieth century, it took African Americans until 1893 to found their first “legal reserve”

life insurance company – one certified as meeting the legal minimum of funds to cover all its fiduciary obligations to policyholders. Nevertheless, the industry continued to grow, with its two largest companies sinking roots during this era: the North Carolina Mutual Life Insurance Company (founded 1898) and the Atlanta Life Insurance Company (founded 1905). Both had initially focused on selling industrial premiums, but grew sufficiently through mergers and stock issuances to become legal reserve, regular companies with multi-state operations by 1913 and 1922, respectively. The industry on the whole was successful enough that its representatives formed the National Negro Insurance Association in 1921, breaking away from the late Booker T. Washington's organization, National Negro Business League, to do so. The 1920s were particularly prosperous for African American-owned insurance companies – in keeping with the generally strong economy of that decade, but with growth rates that actually exceeded those of white-owned firms. In 1920, the number of Black-owned legal reserve companies stood at six; these had increased further to fifteen by 1930. Giving some sense of the situation here, in Los Angeles the Golden State Mutual Life Insurance Company used a community-based campaign to raise the necessary capital for its guaranty fund in 1925, in the process surmounting the California state legislature's attempt to foil their efforts by tightening requirements. Even in this era of rampant discrimination, however, white-owned firms carried vastly more coverage on African American lives, underlining just how small the Black-controlled portion of the market actually was. For example, whereas Metropolitan held policies amounting to \$900 million just on its Black customers in 1927, the combined amount of insurance underwritten by the top thirty-two Black-owned firms that same year was only \$316 million.<sup>24</sup>

Like all life insurance companies, Black-owned ones sought outlets for the capital their policyholders' premiums generated, and the relative profitability and seeming safety of mortgages made these a logical investment choice amid the 1920s real estate boom. African Americans experienced a rise in homeownership to approximately 25 percent, in keeping with the decade's general trend although with a significant remaining gap relative to the white rate.<sup>25</sup> And because racism made it so difficult for African Americans to secure home financing, insurance companies and the small number of Black-owned savings and loan associations served as crucial lifelines to the fortunate few.<sup>26</sup> African American life insurance companies increased their mortgage holdings during the 1920s in keeping with the general industry trend, although with significant variation in terms of the relative portion that individual firms invested in these

**Table 1. Mortgages Held by North Carolina Mutual and Atlanta Life, 1919-1929**

Year	North Carolina Mutual			Atlanta Life		
	Amount	Percent of Assets	Percent Earned	Amount	Percent of Assets	Percent Earned
1919	\$43,725	5.8	6.3		--	
1920	\$257,840	23.1	4.6		--	
1921	\$283,240	18.6	5.7		--	
1922	\$313,803	19.2	6.3		--	
1923	\$665,805	34.2	9.8	\$25,556	5.2	“not available”
1924	\$940,733	41.0	5.5	\$25,020	4.0	9.1
1925	\$996,823	36.0	5.5	\$92,414	12.0	7.9
1926	\$1,181,335	37.0	5.8	\$114,644	12.0	7.7
1927	\$1,089,148	36.0	5.6	\$162,155	14.0	8.2
1928	\$1,159,352	35.0	5.9	\$160,033	12.0	8.2
1929	\$1,060,654	30.0	6.3		--	

*Source: Best's Life Insurance Reports* (New York), 1920-1930. Since *Best's* reported only on legal reserve companies, the Atlanta Life Insurance Company was not listed prior to its achieving that status in 1922. And for 1929, its “statement . . . had not been received when this portion of the volume went to press.”

securities. For example, the two largest Black companies took strikingly different approaches here, with North Carolina Mutual Life investing far more heavily in mortgages than Atlanta Life, from the very outset of the decade (see **Table 1**). In 1924, the company even took out a full-page advertisement in the NAACP's magazine *The Crisis*, trumpeting its “\$850,000 In Mortgage Loans” and declaring itself to be “primarily a SERVICE ORGANIZATION.” Noting the “sad lack of credit facilities” accessible to Black buyers, North Carolina Life recognized that “Being a race enterprise the demand [here] is doubtless much greater in proportion than that made upon institutions belonging to other races.” Judging by a spreadsheet listing 75 past due mortgage loans held by North Carolina Mutual in the late 1920s, the company was still making loans overwhelmingly on the local level, with only six issued to out-of-state mortgagors; and all but three were made to individuals, with the rest going to Black businesses and fraternal organizations. Like its rival Atlanta Life, North Carolina Mutual also made a practice of issuing mortgages to Black churches, underlining these enterprises' community-minded ethos.<sup>27</sup> On the

eve of the 1929 Crash, North Carolina Mutual was so sanguine about the prospects for increased mortgage business that it formed the Mortgage Company of Durham to serve as a sort of financial clearinghouse for aspiring Black homeowners.<sup>28</sup>

But just like it did for mainstream, white-owned life companies, the Great Depression delivered a sobering jolt to the previous decade's optimism. While some Black insurance companies outright failed,<sup>29</sup> all experienced financial losses; as fixed-term contracts, the repayment of which insurance companies had leveraged against their own obligations on other investments, delinquent mortgages suddenly became burdensome liabilities. Indeed, the very reputation of mortgages as safe yet profitable investment vehicles was severely damaged. Responding to a mortgage-seeking policyholder in Huntsville, Alabama in early 1932, the Atlanta Life Insurance Company explained that "due to the present economic depression, we have been out of the loan market for the past sixty days," while offering hopes that "some Negro Corporation there in Alabama . . . can handle the matter for you." With collections on its existing loans increasingly difficult, the company subsequently declared it was foregoing investment in real estate securities "for an indefinite period," a policy that remained in effect as late as 1939.<sup>30</sup> Meanwhile, Atlanta Life and other Black-owned insurance companies were having to adapt by granting some of their borrowers forbearance, reducing principal and interest charges, and implementing amortization payments. In addition, like many mainstream life insurance companies, Atlanta Life unloaded as many of its delinquent mortgages as possible onto the federal government's Home Owners Loan Corporation in exchange for its bonds.<sup>31</sup> Atlanta Life was not yet participating in the long-distance secondary market either, as revealed by its response to an inquiry from a town in Georgia's far southwestern corner: "We regret to inform you that such loans as are made by this Company are confined to Atlanta where appraisal can be made personally by our Loan Committee." The company would maintain its cautious stance even as the market improved after 1935, politely declining sales offers of FHA-insured Title II mortgages from realtors and correspondents with mortgage companies and building and loans as far afield as New York, Florida, Texas, and Indiana.<sup>32</sup> And even though Atlanta Life during the 1920s had not invested in mortgages as aggressively as some Black-owned companies like North Carolina Mutual had, it nevertheless wound up with over \$100,000 in foreclosed properties that it was unable to fully digest before the 1970s.<sup>33</sup>

A study of African American life insurance companies' investments from the Depression into the early postwar period additionally reveals that compared to the industry on the whole, they had less of their funds invested in mortgages and bonds, and more in real estate and stocks while maintaining consistently larger portions of cash on hand. Even so, the study observed, "A considerable number of mortgage loans had been made on property habitated by Negro persons," an apparent reference to mortgages these companies had originated directly to their own policyholders before World War II.<sup>34</sup> Again underlining their community-mindedness, African American life insurance companies exhibited a tendency to purchase stock in Black-owned banks, savings and loans, and insurance companies, as well as bonds issued by Black churches and schools. Across the board, the seven companies studied had seen losses on real estate and mortgages, but profits on stocks and bonds during the period under study. In 1930, the mainstream life insurance industry held an average of 40 percent of its assets in mortgages as compared to just 20 percent among Black-owned life companies. Yet by 1945 mainstream companies had reduced their holdings to just 15 percent, whereas Black-owned companies' portion stood at 14 percent, indicating both the incapacity of African American communities to absorb this debt overhang internally as well as the extent of white investors' disdain toward "property habitated by Negro persons." Even prior to the Crash, widespread assumptions held that "The most formidable stumbling-block in the way of home owning by Negroes is the unsaleability of their mortgages. Except in a limited field these loans have no market."<sup>35</sup>

Not all Black-owned insurance companies felt as burned as Atlanta Life by their Depression-era experience with mortgage loans, as some actually entered the World War II years on a note of cautious optimism. In 1938, North Carolina Mutual Life's subsidiary the Mortgage Company of Durham was still issuing loans nearly a decade after its founding, and the following year its parent company was enthusiastic at the prospect of building houses for Black buyers through another affiliated firm, the Home Development Company. In its 1940 real estate department report, North Carolina Mutual stated it had "adopted a sound program of selling more property and taking our losses," with the recommendation to "develop a well directed sales effort with a view towards . . . [promoting] home ownership." As wartime earnings picked up, the company successfully sold off hundreds of the vacant lots it owned; North Carolina Mutual additionally reduced the proportion of its mortgage holdings from 41 percent in 1942, to just 23 percent in 1944.<sup>36</sup> Similarly, the Metropolitan Funeral System Association – precursor to the



Chicago Metropolitan Assurance Company – actually dramatically ramped up its mortgage loan program during the war, its holdings exploding from just \$6,000 when it started in 1938, to some \$281,000 by 1945. Historian Robert Weare explains that during the Depression, many Black-owned insurance companies not only felt a continuing obligation to lend to community members in need of financing; in addition, they were closed out from accessing the premium, high-quality industrial bonds that large white-owned firms often turned to, and hence had little option but to invest in less-attractive mortgages, real estate, and government bonds in the hopes of treading water. Most Black-owned insurance companies survived the Depression, with the result that there were nineteen legal reserve companies by 1940, and twenty-four by 1945. In fact, starting in 1940 – and continuing into the early postwar period – the assets of Black-owned insurance companies began to increase by 18 percent per annum, compared to the growth rate for the industry as a whole which averaged just 7.5 percent. Furthermore, despite their reduction of mortgage investments as they shifted toward war bonds during the conflict, Black-owned insurance companies saw yields on their mortgage holdings rise to a median of 5.2 percent by 1945, compared to just 2.5 percent for bonds. These developments explain why North Carolina Mutual and indeed the Black-owned insurance industry on the whole could face the coming postwar period with a moderately optimistic outlook.<sup>37</sup>

### **Black-owned Insurance Companies in the Postwar Housing and Mortgage Markets**

With the reconversion of the defense economy to consumer-oriented production and considering the built-up wartime savings of Black Americans as well as white, there was at least some justification for the hope that postwar prosperity – and homeownership in particular – might be distributed more broadly and equitably. The wartime “Double V” antidiscrimination campaign had raised expectations, and the Truman Administration’s advocacy in support of racial fairness at least partially offset the unfolding Red Scare that would soon shatter the interracial, left-led, pro-civil rights coalition from the Depression and war years. By helping to institutionalize the long-term, low-interest, self-amortizing mortgage, the federal government’s New Deal interventions in the housing market now had a chance to both increase access to homeownership and reassure lenders concerned about the safety of their investments. However, evidence had already emerged that the Federal Housing Administration’s (FHA) programs, in particular, were being administered on a racially unequal basis.<sup>38</sup> Meanwhile, court challenges

to racist deed restrictions and covenants were winding their way through the courts, which would soon culminate in the Supreme Court's landmark *Shelley v. Kraemer* decision (1948) that deemed these legal devices unenforceable; ever since its debut in 1934, the FHA had required such restrictions to supposedly maintain white neighborhood "stability," as a condition of eligibility for its loan insurance.<sup>39</sup> African Americans and particularly the aspiring Black middle class, then, stood at an uncertain crossroads; the Black-owned insurance companies holding their policies also confronted the postwar landscape with questions regarding the role they might play in facilitating Black homeownership while maintaining profitable investment strategies.

More generally, the mainstream life insurance industry pivoted after the war to reinvest in mortgages during the Truman years, particularly FHA-insured mortgages and those guaranteed by the Veterans Administration (VA) through the 1944 G.I. Bill (Servicemen's Readjustment Act). Aided by increased policy sales as the postwar "baby boom" took off, these companies liquidated their government securities to meet the increasing demand for mortgage credit and take advantage of other lucrative investment opportunities. Establishing relationships with a new, postwar crop of mortgage companies, life firms generally relied on these correspondents who originated and serviced the loans that went into their portfolios, in exchange for a small fee. Typically, after specifying minimum standards for the mortgages they would purchase, large insurance companies would buy all conforming loans on offer until they reached their investment quota for a given quarter or year (known as making "advance commitments"). Also, they tended to prefer large single-family residential projects or apartment buildings, especially during the 1946-1950 interval when FHA's overly generous Section 608 program subsidizing multifamily construction was in effect. Prioritizing large projects kept risks and administrative costs down, and the post-1929 shift toward self-amortizing debt payments additionally bolstered lenders' liquidity. By the end of Truman's term in 1952, residential mortgages comprised fully 77 percent of mainstream life insurance companies' nonfarm loans. With the inflow of policyholders' premiums keeping their costs of acquiring money down, life insurance companies were able to buy up home loans at lower base rates of interest than other lenders, and soon regained their place as the largest players on the secondary mortgage market. Nonetheless, they were increasingly joined there by other institutional actors like mutual savings banks, commercial banks, and pension and trust funds which also entered the postwar field.<sup>40</sup>

In a dramatic shift from earlier decades, and even as they maintained more than half their holdings in higher interest, “conventional” (uninsured) loans, life insurance companies in the immediate postwar era ramped up their purchases of FHA-insured, and to a lesser extent VA-guaranteed mortgages. Not only were these safe investments where the government mitigated the accompanying risk; mainstream life companies because of their large scale and lower money costs were in a better position to turn profits on these low-interest debt instruments, at least until the Federal Reserve shifted to counter inflation by raising interest rates. Furthermore, they could now buy and sell FHA-VA mortgages when market conditions were optimal through the intermediary of the Federal National Mortgage Association (“Fannie Mae”), whose ability to serve this function was further enhanced after successful lobbying to separate out and privatize its secondary market operations under the terms of the 1954 Housing Act. “The shift to FHA and GI loans in recent years has changed the complexion of insurance company mortgage portfolios,” noted Henry Hoagland, a former New Deal policymaker serving on the Federal Home Loan Bank Board. While the market for conventional loans continued to be larger, around half of all home loans had either FHA or VA backing as of 1948, up from just one-fifth in 1940. Some 500 institutions, many of them insurance companies, held FHA loan portfolios valued at over \$1 million by 1950, together accounting for 70 percent of all FHA-insured mortgages; more than 8,500 small mortgagees held the remainder, most of them owning FHA loan portfolios of less than \$100,000. Even after an early 1951 change in monetary policy reduced yields, life insurance companies followed through on their previous commitments to purchase FHA and VA-backed mortgages. As one analysis summarized the situation in 1955: “[I]nsured and guaranteed loans provide insurance companies with protection which they previously did not have and also permits them to move their funds more expediently throughout the nation. Moreover the cost of the money which life insurance companies lend on mortgage loans, namely premiums, is sufficiently low to allow insurance companies to engage profitably in FHA and VA lending.”<sup>41</sup>

Life insurance companies thus provided a substantial portion of the capital for postwar suburbanization, which with its what are now recognized to be racist dimensions served to further exacerbate the existing Black-white homeownership gap. During this era, federal housing agencies continued to countenance discriminatory practices, thereby earning vocal condemnations as early as 1948 from civil rights advocates like Robert Weaver, formerly with

the FHA and one of the few African Americans with policymaking influence under the New Deal.<sup>42</sup> In the aftermath of the *Shelley* ruling, the FHA ceased requiring racial restrictions and removed explicitly racist language from its *Underwriting Manual*; through the 1950s, however, the agency provided mortgage insurance to developers who discriminated and it continued its policy of promoting segregated “minority housing” developments in marginal locations that were less likely to catalyze white opposition. In other words, despite an increased sensitivity to the issue of racial discrimination in housing, the FHA and VA did nothing to compel lenders to actually extend financing, or developers to build housing for African Americans.<sup>43</sup> By 1960, the FHA had insured over \$67 billion in home loans, while the VA had guaranteed around \$50 billion’s worth. Yet of the 6 million single-family homes with FHA-insured mortgages, only some 108,000 – comprising about 2 percent – were occupied by nonwhites; of the nearly 3 million with VA guarantees, around 87,000 were, approximately 3 percent of the total.<sup>44</sup> Perhaps ironically, the FHA and VA had together backed some 40 percent of the new housing construction for African American families in the decade leading up to 1960 – much of it in the form of apartment buildings – even as favorable FHA and VA-backed loans on single-family houses remained disproportionately out of reach for aspiring Black buyers like F. D. Wharton, illustrating what historian N. D. B. Connolly has called “the suppleness of Jim Crow.”<sup>45</sup>

Considering the racialized U.S. postwar housing market, African American life insurance companies adapted their mortgage purchasing activities as best as they could, seeking to promote Black homeownership even in ways that could sometimes contribute to the further entrenchment of racial segregation. By 1952, the number of Black legal reserve insurance companies had increased to twenty-nine, twice as many as had existed at the start of the Depression in 1930. Meanwhile, the value of these companies’ assets had grown to \$161 million, from \$22 million at the start of World War II – a 632 percent increase – with North Carolina Mutual and Atlanta Life at the head of the pack.<sup>46</sup> But to reemphasize, these companies had quite limited funds compared to the largest life insurance firms. Putting this in perspective, African American legal reserve life companies combined held just \$11 million in mortgages in 1946, compared to \$7 billion by the industry as a whole (see **Table 2**). By 1960, Black companies’ mortgage portfolios had grown impressively to \$86 million; this represented a significantly faster rate of growth than the industry average, although in that year the Black-controlled share of the \$42 billion market still

**Table 2. Mortgages Held by Black Legal Reserve Companies versus the Life Insurance Industry as a Whole, 1946-1960**

Year	<u>Black Companies</u>		<u>Industry as a Whole</u>	
	Amount	Percent of Assets	Amount	Percent of Assets
1946	\$11,255,000	15.4	\$7,155,000,000	14.8
1947	\$12,341,000	14.5	\$8,675,000,000	16.8
1948	\$16,523,000	16.5	\$10,833,000,000	19.5
1949	\$20,319,000	18.4	\$12,906,000,000	21.6
1950	\$25,873,000	20.4	\$16,102,000,000	25.1
1951	\$32,558,000	22.7	\$19,314,000,000	28.3
1952	\$39,573,000	24.5	\$21,251,000,000	29.0
1953	\$46,787,000	26.0	\$23,322,000,000	29.7
1954	\$53,581,000	27.0	\$25,976,000,000	30.7
1955	\$61,042,000	27.9	\$29,445,000,000	32.6
1956	\$67,342,000	28.5	\$32,989,000,000	34.4
1957	\$70,362,000	27.9	\$35,236,000,000	34.8
1958	\$74,352,000	27.9	\$37,062,000,000	34.4
1959	\$81,242,000	28.4	\$39,197,000,000	34.5
1960	\$85,835,000	28.7	\$41,771,000,000	34.9

*Source:* David Abner III, “Some Aspects of the Growth of Negro Legal Reserve Life Insurance Companies, 1930-1960,” D.B.A dissertation (Indiana University, 1962), 193.

constituted only 0.2 percent of the total. Furthermore, African American life insurance companies lagged mainstream ones in terms of the ratio of their assets invested in mortgages, at 29 percent as compared to 35 percent; perhaps as a result of their Depression experience, Black firms clearly tended to prefer bonds (See **Table 3**). Black life companies additionally had a considerably lower uptake of FHA and especially VA mortgages relative to conventional ones, partly due to the lesser extent of Black homebuyer access to these loans (see **Table 4**). Despite the Housing and Home Finance Administration’s description of Black-owned life companies’ FHA holdings as “impressive” in a 1955 report, historian Preston Smith II explains further that they favored more profitable (but riskier) conventional mortgages because “as small firms they needed a higher return on their investment to build their small capital base, unless they could

**Table 3. Selected Assets of Ten Largest Black Life Insurance Companies, 1957**

Company Name	Total Assets	Mortgages %	Bonds %	Stocks %
North Carolina Mutual Life	\$57,507,290	26.4	60.9	2.3
Atlanta Life	\$45,333,708	11.0	75.8	4.6
Supreme Liberty Life	\$19,178,685	38.5	44.2	3.4
Universal Life	\$15,597,108	43.2	41.4	1.7
Chicago Metropolitan Assurance	\$11,289,641	42.8	49.0	0.5
Pilgrim Health and Life	\$9,747,100	13.7	69.3	6.5
Afro-American Life	\$9,249,832	19.8	54.8	5.0
Mammoth Life and Accident	\$7,648,889	32.2	56.0	1.3
Great Lakes Mutual Life	\$6,324,594	14.5	75.2	0.7
Domestic Life and Accident	\$6,184,063	13.9	28.8	52.1

*Source:* Racial Relations Service (HHFA), “Selected Assets of 31 Negro-Owned Life Insurance Companies as of December 31, 1957,” October 1958, in North Carolina Mutual Life Insurance Company Archives, Box 32, “Mortgage loans, 1952, 1957-1959” folder.

increase their volume.” Yet even as they ramped up their mortgage lending, Black-owned companies continued their preference for conventional loans – as did the mainstream life insurance industry, for that matter. While Atlanta Life’s total mortgage holdings quadrupled from 1949 to 1956 to around \$4.1 million, in the latter year \$2.1 million of these were in conventional loans, as compared to \$1.0 million in FHA loans and just \$826,000 in VA loans. Predictably, the 1956 return on its investments was 5.7 percent for conventional mortgages, compared to 4.2 and 4.6 percent for its FHA and VA loans, respectively.<sup>47</sup>

Notwithstanding their limited resources, Black insurance companies were deluged in the early postwar decades with requests for investment in mortgages whether conventional, FHA-insured, or VA-guaranteed – bringing home why loan originators were traditionally known in the industry as “correspondents.” Dozens of such letters in the Atlanta Life Insurance Company’s records give a sense of the scope here. For the most part these inquiries came from mortgage and investment companies, savings and loans, building contractors, real estate and insurance agents, lawyers, and business associations – both Black and white. Those coming from African American correspondents speak to the particular challenges they faced, and especially their

**Table 4. Percentages of FHA, VA, and Conventional Mortgages Held by Black Legal Reserve Companies versus the Life Insurance Industry as a Whole, 1947-1960**

Year	<u>Black Companies</u>			<u>Industry as a Whole</u>		
	FHA	VA	Conventional	FHA	VA	Conventional
1947	12.1	1.1	86.8	16.1	9.7	74.2
1948	8.2	3.5	88.3	22.0	10.2	67.8
1949	6.7	3.7	89.6	26.8	9.5	63.8
1950	10.1	5.0	84.9	28.4	12.6	59.0
1951	13.6	6.7	79.7	27.2	16.2	56.6
1952	14.6	8.1	77.3	26.7	15.7	57.5
1953	17.4	6.5	76.1	25.8	15.3	59.0
1954	16.4	6.8	76.8	23.5	17.9	58.6
1955	15.4	8.6	76.0	22.2	20.6	57.2
1956	14.1	11.8	74.1	20.7	22.1	57.2
1957	13.4	12.1	74.6	19.8	21.9	58.3
1958	13.7	11.9	74.4	20.7	20.0	59.2
1959	15.6	10.8	73.6	21.7	18.1	60.2
1960	15.9	9.8	74.3	22.2	16.5	61.2

*Source:* David Abner III, “Some Aspects of the Growth of Negro Legal Reserve Life Insurance Companies, 1930-1960,” D.B.A dissertation (Indiana University, 1962), 198, 199.

difficulties in securing financing. A letter from the Dallas Negro Chamber of Commerce, seeking backing for a subdivision then under negotiation with city officials, reported: “We cannot escape being asked if the insurance companies of our race . . . will be interested in these mortgages.” A Black business club in Macon, Georgia sent a photograph of the initial house it had built in a planned development with the explanation: “We have lots of buyers, but the down payment supplied by several Loan Companies here is too high. So we would appreciate it to the highest if you would grant us a loan.” An African American builder in Houston noted: “The white banks of Houston, frankly are reluctant – they refuse to finance such housing for Negroes. I need [not] tell you that the element of race prejudice, the decadent philosophy of the ‘Old South’ has not quite died. For this reason . . . the field of financing is open to Negro capital [sic] alone to take over completely. They [whites] will of course follow, as they do not, I find, deem

it advisable to lose a dollar after they find such a venture profitable.” And the president of another Black-owned company, Central Life Insurance based in Tampa Bay, wrote to ask whether Atlanta Life would be interested to purchase some preapproved FHA mortgages for a subdivision it was building. “Very likely you have been approached by a number of our sister companies as well as white lending agencies throughout the country which discloses the fact that it is becoming more difficult to find money to finance Negro home building,” he noted. Finally, some of the inquiries were internal, continuing an earlier tradition of direct loans. For example, a cashier from Atlanta Life’s Corpus Christi, Texas office wrote in 1949: “We have so many inquiries from our policy holders that the following inquiry is very necessary. Does our company offer any type of Home Loan? Is our company in a position to take or offer FHA loans?”<sup>48</sup>

Equally interesting, and actually far more numerous, were the many inquiries from white correspondents.<sup>49</sup> Most of them referenced race; in other words, they were aware that Atlanta Life was a Black-owned insurance company and sought to persuade on that basis. For example, a Detroit mortgage company offering \$250,000 of FHA Title II loans actually enclosed a recommendation letter from the local NAACP branch that testified “the Michigan Mortgage Corporation has been outstanding in this area in accepting colored loans on the same basis as any other loans. Their attitude and fair business practices have meant a great deal to the Negro community when other lending institutions refused to extend loans on the basis of color.” A Dayton, Ohio mortgage broker emphasized the “great need . . . for popular priced homes . . . for the particular use of colored people,” claiming “The Federal Housing Administration is willing and anxious to insure mortgages on these properties[.]” “I don’t think it is necessary to sell a bill of goods on the safety and attractiveness of FHA and/or GI loans,” he added. “This is not a lot selling scheme, but a proposition to provide better homes for the ever increasing colored population of Houston and for many of those displaced by the building of new factories and the ‘Super Highway,’” wrote another. Some of the inquiries were quite patronizing. “Unfortunately, none of the white insurance companies have been taking colored G.I. Loans or F.H.A. Would you be interested in making these loans here direct[ly] to your people[?]” a Daytona Beach attorney inquired, while a Kentucky mortgage officer sought financing for an FHA-approved Louisville development by suggesting “this property would offer a good investment and would also be excellent from the standpoint of public relations in this area for



your company.” “If you are familiar with Dallas you will know that . . . the colored [people] over here can afford nice places to live and they will buy the houses and rent the nice apartments,” a representative from the Trinity Mortgage Company wrote. Conversely some of the correspondents, who wrote from as far away as Yakima, Washington, made no mention of race whatsoever. One particularly tone-deaf inquiry, written four years after the *Shelley* decision, offered mortgages on Murfreesboro, Tennessee properties “in the best residential sections covered by zoning laws and also protected by restrictive covenants in the deeds.”<sup>50</sup>

Unfortunately, much of the Atlanta Life Insurance Company’s return correspondence, and in particular the records relating to the projects and properties it chose to underwrite, remains closed to researchers. In mid-1951 the company turned down an offer of Texas FHA-VA loans with its typical explanation, that “After considering our maturing current commitments as well as others that will fall due in the near future . . . we would not be in [a] position to purchase these loans at the present time.” Later that same year, however, Fannie Mae noted that Atlanta Life had invested in just over 600 FHA-insured mortgages up to that point. In a further hint at the company’s activities, one of the FHA’s Racial Relations advisers wrote offering mortgages on individual homes in Fort Worth, a follow-up on prior company instructions to pass along properties “If you should run across a block ([of] FHA mortgages) that you think is good.”<sup>51</sup> Lacking an inside perspective on how Atlanta Life made its mortgage investment decisions, some aggregate statistics help to sketch the overall picture. From 1949 to 1956, the company’s mortgage portfolio skyrocketed, from just under \$100,000 to around \$4 million. In 1949, mortgage loans represented just 1 percent of Atlanta Life’s assets, as compared to some 86 percent (over \$18 million) it had invested in bonds. But by 1955 the company had increased its mortgage holdings to a still-modest 8 percent of total assets, underlining Atlanta Life’s relatively cautious investment strategy compared to other Black-owned life insurance companies.<sup>52</sup> Caution on the part of its investment managers was additionally evident in Atlanta Life’s initial postwar mix of mortgage products, with safe FHA-insured loans representing by far the largest portion (the company also started buying VA-guaranteed loans in 1950). It would take until 1953 for Atlanta Life to conform to the typical pattern of holding a greater proportion of its mortgage portfolio in more profitable conventional loans – one that held even as FHA “minority loan applications” were increasing dramatically by mid-decade.<sup>53</sup>

By contrast, North Carolina Mutual Life pursued a far more aggressive strategy of acquiring mortgages. Already by 1951 the company's portfolio – which contained mortgages on properties in fourteen different states – was valued at \$7.8 million, representing 23 percent of its overall assets, of which nearly \$2.2 million were in FHA-VA loans. Indeed, the company was trying to meet a target of placing one-quarter of its entire holdings in mortgages, as recommended by Moody's Investors Service. Furthermore, it was discontinuing any further investment in mortgages on institutions including churches, and was aiming to place 75 percent of its holdings in federally-insured paper, more in line with mainstream industry norms. Around this time North Carolina Mutual was itself servicing all the conventional loans in its portfolio, along with the "purchase money" (owner-financed) mortgages it made to buyers of its surplus real estate. In 1953, the company sought to acquire \$500,000 of mortgages in New Jersey, with a focus on the Newark area where it was hoped "there will be some immediate relief in many avenues where discrimination is in evidence and does exist, especially when it comes to financing." In preparation for that move, the company conducted a detailed study of income levels in Newark's Black community as well as of the city's demographic shifts, plus looked for a trustworthy loan correspondent. Despite its overall goal of increasing Black Newarkers' financing access and its particular focus on "members of various professional classes and workers in industrial plants that are the chief beneficiaries of the social revolution," the company exhibited several accommodations to the unfortunate realities of profitmaking in a deeply unequal, racially-structured housing market. For one, it identified "some heavily populated areas in which we will definitely not want loans," even making a map which indicated "the undesirable sections as well as the desirable sections" for mortgage investment (in other words, the company "redlined"). In addition, North Carolina Mutual sought ways to maintain its profit margins, since the going interest rate on conventional loans in Newark was up to a point and a half lower than its standard base rate of 6 percent. "[B]ecause of the present difficulty of placing Negro loans it is our opinion that we will be able to follow our general policy," the company's report ventured, while acknowledging that to avoid "the impression that we are taking advantage of an unfortunate situation" it would have to "consider favorably" requests for loans at 5 percent interest. Finally, North Carolina Mutual decided that its conventional loans would cover no more than 60 percent of a home's value, fully aware that this meant most mortgagors would need to resort to higher-interest, second liens as a way to cover the shortfall.<sup>54</sup>

Black-owned insurance companies supplied some of the mortgage financing for so-called “Negro housing” (later termed “minority housing”) built with FHA supports. Though understudied, this approach toward increasing the available housing supply for African Americans and other people of color defined the agency’s focus from the 1938 establishment of its Racial Relations Service (RRS) through the 1950s, and essentially involved negotiating for “acceptable” development sites that were less likely to generate white opposition. Many of the peripheral areas utilized had locational disadvantages; not surprisingly, the approach drew criticism soon after the war.<sup>55</sup> While cognizant of the segregationist implications here, the FHA’s RRS Advisers (who were Black, with each assigned to a single FHA Region) helped facilitate the construction of hundreds of private apartment complexes and single-family home developments, the majority of which were located in the South.<sup>56</sup> As early as 1948, then-head of the RRS Frank Smith Horne and his deputy Booker T. McGraw had approached North Carolina Mutual’s Asa T. Spaulding with the idea of Black insurance companies “pooling part of their investment funds to underwrite FHA-insured mortgages on developments to accommodate Negroes and other minorities.” Although this particular plan never came to fruition, individual Black-owned life insurance companies went on to underwrite projects that were regularly featured in the FHA’s magazine *Insured Mortgage Portfolio*. In a 1953 article, one RRS Adviser reported that “Life insurance companies under Negro control . . . have all found that such financing is good, profitable business.” He went on to name North Carolina Mutual, Atlanta Life, Universal Life, and Pilgrim Health & Life, along with the specific subdivisions in Memphis, Atlanta, Fort Worth, and Augusta, Georgia that had received financial backing from these companies. To give one example, North Carolina Mutual, Atlanta Life, and Memphis’s Universal Life joined together to finance that city’s Elliston Heights, a subdivision of over 200 homes “located in a very desirable section” with the project described as “one of the best of its kind in the South.” North Carolina Mutual purchased \$800,000 worth of the project’s FHA/VA-backed mortgages, while Atlanta Life committed to \$350,000.<sup>57</sup> While more research will be required to determine how many federally-supported “minority housing” projects were financed by Black insurance companies, the vast majority were actually backed by white firms. Prominent among these backers were insurance companies; for example, Prudential and New York Life underwrote the FHA-insured mortgages for Pontchartrain Park, a modern subdivision in New Orleans that included a private golf course.<sup>58</sup>

## **Eisenhower's Minority Housing Policy and the Voluntary Home Mortgage Credit Program**

Whereas President Harry Truman had been open to the idea of using the federal government's power to promote fairer housing access, his successor Dwight Eisenhower instead pursued an approach of attempting to persuade business leaders in the construction and home finance industries to voluntarily build more housing for people of color. In a December 1946 executive order, Truman had established the President's Committee on Civil Rights, which went on to issue a report that strongly condemned housing discrimination and particularly restrictive covenants as segregationist. In an early 1948 special message, Truman had urged Congress to pass new legislation strengthening civil rights protections, and his Office of the Solicitor General filed an unprecedented *amicus curiae* brief for the plaintiffs in the *Shelley* case. Notwithstanding that ruling, however, recalcitrant officials at the FHA dragged their feet in revising its regulations regarding "protective" covenants, and balked at using the agency's police power to enforce nondiscrimination. Then, with Eisenhower's 1953 appointment of conservative former Kansas Congressman Albert M. Cole as head of the Housing and Home Finance Agency (HHFA) that oversaw FHA, all talk of denying FHA mortgage insurance to developers who discriminated ended. Cole, who considered it impossible to "legislate the acceptance of an idea," privately characterized requiring open occupancy (i.e., without regard to race) as "extremism." When RRS staffers Frank S. Horne and Corienne Morrow insisted in the wake of the Supreme Court's *Brown v. Board of Education* decision, on an end to the FHA's "separate but equal" approach, Cole attempted to transfer them out of the RRS, then fired them when they resisted. Even after a federal court's 1955 decision that the FHA would be within its legal authority to withhold mortgage insurance in the face of noncompliance with state or federal civil rights statutes, Cole remained adamant; the following year he even tried, unsuccessfully, to eliminate the hamstrung RRS altogether. While Cole's successor Norman P. Mason, upon taking over in 1959, took steps to restore the RRS and implement more proactive federal housing policies – like authorizing more FHA-backed open-occupancy projects – in historian Robert Burk's assessment he likewise "shared the administration's philosophical opposition to either legislation or executive action guaranteeing open occupancy in federally assisted housing."<sup>59</sup>

Not only did Cole and Mason use their positions to carry out the Eisenhower administration's trepidatious approach to the issue of fair housing access, as they refused to enforce nondiscrimination on numerous occasions in the face of growing criticism from civil

rights groups like the NAACP and Urban League. These men simultaneously promoted the administration's business-friendly emphasis through outreach to the construction and home finance industries. After taking office in 1953, Eisenhower charged an Advisory Committee on Government Housing Policies and Programs with drawing up recommendations, its members heavily recruited from the private sector.<sup>60</sup> Tellingly, the committee's massive report, issued that December, made barely a mention of race except for a one-page section on "Housing for Minority Groups" and an acknowledgement of Black families' "greater inability to secure standard private housing within their means." Its chief recommendation for improving racial minorities' housing situation, in fact, was to make FHA rehabilitation (Section 203) loans more readily available – thus not to facilitate Black and other nonwhite aspiring homeowners' moves into the new suburban housing to which white Americans were gaining access, but rather to make renovation of the secondhand housing in which they already lived easier. Meanwhile, the report recommended replacing Fannie Mae with an alternative secondary market facility to be called the "National Mortgage Marketing Corporation," and expounded at length on the need for greater flexibility in setting and adjusting interest rates on FHA and VA loans. In perhaps its most ambitious effort to tackle the "problem" as Cole saw it, the HHFA in December 1954 sponsored a "Minority Housing Conference" where life insurance companies pledged to help improve mortgage access and the National Association of Home Builders (NAHB) declared itself ready to set aside 10 percent of all new housing for nonwhite occupancy – so long as "suitable" sites could be found, that is. Even before the December conference and continuing thereafter, federal housing officials networked with the NAHB, Mortgage Bankers Association of America, and U.S. Savings and Loan League to discuss ways of promoting new (but segregated) housing along these lines, as well as easing nonwhite borrowers' access to home financing credit.<sup>61</sup>

Equally striking was the new administration's attitude toward African American financial interests, and Black life insurance companies in particular. While this sort of outreach had begun under Truman, housing officials like RRS head Frank S. Horne recognized that Black firms' comparatively small size and scarce capital meant they could not solve the issue of financing on their own, but would instead play more of a "pump-priming" role. Under Eisenhower, greater pressure was placed on the Black financial industry to undertake a "self help" program, with Joseph R. Ray, Horne's replacement as head of the RRS, designated to lead the charge. A

former board member of the Black-led National Association of Real Estate Brokers as well as a loyal Republican, Ray's position on "minority housing" was that "half [a] loaf" was better than "no bread at all." With more than twice the number of minority applicants seeking FHA-insured mortgages in 1953 compared to the previous year, Cole and other federal housing officials assumed that Black life insurance companies would be the likeliest candidates to purchase these loans on the secondary market – thereby not only underwriting, but ostensibly legitimizing the FHA's approach of accommodating racial segregation. In May 1955, Cole hosted a second, smaller "Short Sleeve" conference on minority housing with attendees from sixteen leading Black financial institutions. Cole's approach was curious, as the HHFA press release announcing the event openly leveled accusations that Black lenders were shirking their "responsibility" by failing to purchase enough FHA-insured loans, and when they did, offering these with more stipulations than white lenders. Black attendees defended themselves in the face of this criticism, asserting that their firms' performance was more than adequate considering their smaller size. National Negro Insurance Association president C. L. Townes Jr., for one, pointed out that the 26 percent of their assets that Black life insurance companies had in mortgages lagged the industry by less than 4 percent (recall **Table 2**). Furthermore, the HHFA's own data showed that Black life companies' FHA-insured holdings had grown substantially since 1951, and actually surpassed those of comparably-sized white firms by 1954. As historian Preston Smith II explains, Black financial interests understood Cole's expectation they could "help themselves" to be unrealistic because in a racially discriminatory housing market – that Eisenhower's FHA refused to police – they could neither generate enough business, nor accumulate enough capital to successfully compete with white firms. As already seen, they additionally felt the need to charge higher rates in order to remain viable.<sup>62</sup>

But the centerpiece of the Eisenhower administration's plan to improve the housing situation of minority buyers was the Voluntary Home Mortgage Credit Program (VHMCP), fittingly titled to make clear its overall emphasis on noncoercive measures acceptable to business interests. The VHMCP was established as a provision of the 1954 Housing Act, an omnibus housing bill that grew out of the President's Advisory Committee's recommendations that is mostly remembered for having initiated the federal government's urban renewal program. However, the legislation also aimed to increase the flow of home mortgage credit through not a replacement, but rather a rechartering of Fannie Mae. In this compromise, funding for Fannie's

special assistance programs was separated out and its secondary market operations privatized, in order to increase its capitalization by private industry and improve its performance as a facility for FHA-insured and VA-guaranteed mortgages. As a further support, the act established the VHMCP as a “clearinghouse” to connect applicants seeking FHA- or VA-backed mortgages with lenders, with the goal of helping minority borrowers – as well as applicants without regard to race in small towns and remote areas having lesser access to credit. Individuals like F. D. Wharton who had twice been refused home financing loans could seek assistance through their local VHMCP office, one of which was located in each of the FHA’s sixteen regions. These offices maintained a file of lenders who had expressed willingness to make loans to minority and rural borrowers, which they consulted in attempting to successfully place the loans. Yet as Preston Smith II has emphasized, “there were no disincentives or penalties for nonparticipation.” Each FHA region had a VHMCP committee composed of members from private lending and real estate interests, Black as well as mainstream and including secondary market players like life insurance companies. In addition, there was a national VHMCP committee, although it did not initially include any Black members, that is until North Carolina Mutual’s Asa T. Spaulding was appointed to serve on it in late 1956.<sup>63</sup>

Both the government as well as the construction and home finance industries heavily promoted the VHMCP as a solution to the difficulties nonwhite borrowers faced in securing home financing. In a late 1954 editorial, National Association of Home Builders president Richard G. Hughes wrote that “The time has come for us to stop talking about minority housing and to act – to produce!” He went on to express his hopes that “those private lenders who sponsored the creation of the Voluntary Home Mortgage Credit Program will provide adequate funds at reasonable rates.” The VHMCP had actually been established largely at the life insurance industry’s behest – and not just as a way to address calls for more wider access to mortgage credit, but as a means of preempting calls for an expanded program of direct loans to underserved locations (in 1950, the Veterans Administration had begun lending directly to veterans living in rural areas). In the hearings leading up to the passage of the 1954 act, Prudential’s president Carrol M. Shanks had made clear that the main push to liquidate Fannie Mae was coming from the life insurance industry, even as he promised that “a voluntary but well organized effort under the direction of [the] HHFA Administrator would undertake to see that Government insured and guaranteed mortgage credit will be available to the maximum extent

possible to all good credit risks for residential loans in every community of the United States.” From the government’s side, HHFA deputy RRS adviser Booker T. McGraw wrote reassuringly, in a summary explaining the significance of the 1954 Housing Act that appeared in the NAACP’s quarterly journal *Phylon*: “[T]he new voluntary home credit extension program should enable the average citizen seeking to borrow money for a home from a local lender to be much more likely to get it – wherever he may live or whatever may be his race.”<sup>64</sup>

However, the VHMCP never lived up to expectations, demonstrating the shortcomings of the Eisenhower administration’s strictly voluntary approach to expanding housing access for African Americans and other racial minorities. When 1955 statistics showed that African American applicants had vastly underutilized the program in its first year, McGraw’s boss Joseph Ray assigned him to remedy this “lack of awareness” by working more closely with the VHMCP’s national secretary. Although the HHFA subsequently reported an increase in the number of applications, George S. Harris, president of the Black-led National Association of Real Estate Brokers stated at a Congressional hearing that “It is clearly evident that the VHMCP has hardly scratched the surface insofar as the nonwhite housing market is concerned,” even expressing his worry that the program might be “operating under the so-called gentlemen’s agreement,” in other words the racially discriminatory approach common in private industry. Further criticism of VHMCP reached Cole when two Michigan senators wrote to complain about the paltry number of loans approved, as well as the unfavorable terms offered to Detroit-area Black brokers trying to place loans through the program and a builder seeking financing for his open-occupancy development. Despite these failures, HHFA continued to insist on the VHMCP’s efficacy; both Cole and his successor Norman Mason dismissed calls for the (revamped) Fannie Mae to be used to directly originate FHA and VA loans promoting minority occupancy. Ultimately, from the launching of the program until the end of Eisenhower’s term, the VHMCP successfully facilitated around 47,000 mortgages, with only 10,000 of these secured by minority borrowers in metropolitan areas. While not very effective by any measure, the program clearly served rural whites better than African Americans, likely confirming suspicions, according to former RRS head Frank Horne, that “FHA was not for them or their clients.” Instead, Black homebuyers continued to instead rely disproportionately on more expensive conventional loans, or worse, highly exploitative installment land contracts.<sup>65</sup>



A look at Asa Spaulding's experience serving on first a regional, and then the national VHMCP committee provides some insights into the position of Black life insurance companies here, as well as the mainstream industry's involvement in the program and the Eisenhower administration's "minority housing" approach more generally. Federal housing officials approached Spaulding early, holding a March 1954 meeting at North Carolina Mutual's headquarters even as the House of Representatives' Committee on Banking and Currency hearings on the omnibus housing bill that in August would pass as the Housing Act were still in progress. Spaulding was recognized to be the country's topmost Black financial leader, and as a potential candidate for the National VHMCP already at the time of his July appointment to the North Carolina Regional VHMCP. Once in place, administration officials tapped Spaulding for recommendations of other Black candidates to advocate for minority housing as "watchmen on the walls," appointing thirteen more to VHMCP committees by December.<sup>66</sup> Surprisingly – considering cases like F. D. Wharton's – Spaulding toward the first year of the program reported that "minorities in my particular area are not experiencing too much difficulty with their financing problems insofar as I have been able to determine." Indeed, as late as 1957 the only access issue he raised seemingly concerned *white* applicants, judging by his inquiry "to find out what could be done to place veterans' loans in the five [largest] North Carolina cities ineligible for VHMCP and VA assistance." Recall that while racial minorities regardless of location could seek VHMCP aid, only rural white applicants could apply; thus Black veterans living in cities would have been eligible. North Carolina Mutual prominently participated in the "Dan River Development Project" through VHMCP as early as 1955, and as of 1961 the company's participation in the program was judged by HHFA to have been "active."<sup>67</sup>

More interestingly, Spaulding's involvement further illuminates how Eisenhower officials administered the VHMC, as well as the program's significance for the mainstream life insurance industry. Tellingly, in a 1954 speech to the Mortgage Bankers Association (MBA), FHA Minority Group Housing Advisor George W. Snowden disavowed any governmental culpability for segregated housing patterns or responsibility to intervene, calling it a "sad commentary" that "quality locations have been preempted and are available for white occupancy only," with the result that "nonwhites are bottled up in the slum and deteriorating sections." Surprisingly, however, Snowden candidly acknowledged that the FHA's minority housing approach was open to "potential challenge on civil rights grounds." This would suggest that

Eisenhower officials knew they were willfully acting in contravention of recent Supreme Court rulings like *Shelley* and *Brown*. In another revealing example, RRS head Joseph Ray responded to criticism in the *Baltimore Afro-American* by claiming the situation under Republican leadership was actually improving, and that he expected “a significant increase in the volume of new and reconditioned housing available to minorities in 1955-56.” If anything, the RRS under Ray dismissed the disappointing early results of VHMCP by staking its ultimate success not on what the government would do, but on Black financial and real estate interests’ “active cooperation.” And in a speech at the dedication of an all-Black Memphis subdivision in 1955, Ray further defended the government’s “half a loaf” mentality and derided growing civil rights criticism as a “‘sit down strike’ . . . for a program of total integration” that “would deprive thousands of Negroes, sorely in need of modern new homes, of bettering their living conditions by purchasing new structures available that are, for the moment, looked upon as segregated areas.”<sup>68</sup>

One reason for the government’s nonchalance was an assumption that with rising Black middle class fortunes during the 1950s, access to financing would inevitably improve. Snowden in his speech to the MBA had mentioned awareness among the building industry of “the vast improvement . . . in the employment and earning status among nonwhite[s],” despite acknowledging that “until very recently the facts on incomes and paying capacity of nonwhites were believed to be generally insufficient to warrant serious consideration by the mortgage fraternity.” Furthermore, he cited the “universally good [recent] experience” of “many lenders” with nonwhite borrowers, which was supposedly encouraging a “uniform single-standard lending policy” that “places the prospective nonwhite mortgagor on the same basis and terms as white.” Along similar lines and with a dig at his Democratic predecessors, Ray had opined that “Not until lately has private enterprise been told with authority that the housing market among Negroes is fertile, undeveloped, and sound.” To overcome its residual “reluctance” to build, the construction industry was “entitled to more information, more facts and figures, more intelligent persuasion and much more encouragement,” he ventured. Of course, these optimistic renditions not only took for granted that new housing developments would be built only in segregated, peripheral locations; they also used anecdotal examples as evidence of progress amid the widespread, continuing reality of lending discrimination on the basis of race. In a 1957 address at Dartmouth’s business school, the VHMCP’s national executive secretary Fred B. Morrison

similarly cited the example of a “Negro housing development” in New Jersey, as well as one life insurance company adding “new correspondents and new territories in California” to justify his belief that competition for profitable investment opportunities would force companies to pay more attention to the nonwhite housing market. Morrison called on private industry to voluntarily “set aside a part of your future mortgage disbursements,” so as to preempt “economic demagogues” and “special interest groups” who would “stampede Congress into unnecessary tinkering with the free enterprise system.” “If we fail at this task, we have no one but ourselves to blame if the Government provides a traffic cop to direct mortgage funds down the empty avenues that exist today,” he warned.<sup>69</sup>

Such pronouncements echoed private industry’s sentiments toward the VHMCP. In a private circular to mortgage officers affiliated with his organization, American Bankers Association (ABA) executive Cowles Andrus emphasized that although “[t]he number of mortgages sought by people in smaller communities, remote areas, and among minority groups is not large . . . the importance of making home financing opportunities available to them is great.” Citing the ABA’s record of support for VHMCP, he expressed his organization’s position that “mortgage financing needs in these areas can best be met by private industry, without intervention by government.” Indeed, the VHMCP’s organizers understood it from the outset as “legislation sponsored by private enterprise” that explicitly sought to preempt any further “use of public funds” for mortgages originated directly by either the Veterans Administration or Fannie Mae, whose activities it perceived not just as market distortions but as unfair competition due to their generous terms and low interest rates. Life insurance companies were the most prominent sponsors of VHMCP – and also its largest users over the duration of the program, accounting for over 80 percent of the total loans placed. As its shortcomings became increasingly apparent over the course of its existence, the VHMCP’s defenders pivoted to blame “competition from direct Government lending activities” for having “curtailed lender participation and retarded the program’s effectiveness.” When he addressed a National VHMCP meeting in early 1960, James J. O’Leary, a Ph.D. economist with the Life Insurance Association of America, made clear the viewpoint of secondary mortgage market players that “it was never the intention . . . that the VHMCP would be a giveaway program” and that it “couldn’t be expected to operate on other than a market basis.” Explaining that the program had been conceived mainly as a way to encourage the flow of mortgage funds to remote areas, O’Leary expressed the industry’s position

that “When life insurance companies have plenty of other places to put their money, 40-year loans are very unattractive investmentwise.”<sup>70</sup>

The Eisenhower administration’s approach and indeed the VHMCP itself would appear to have been doomed by the financial industry’s failure to secure some adjustments it sought in response to shifting monetary policy, as well as by the program’s focus primarily on VA-guaranteed mortgages. Whenever the Federal Reserve raised interest rates to tame inflation in the fast-growing postwar economy, the remedy invariably proposed by the financial industry – readily apparent in the President’s Advisory Committee recommendations and the leadup to the 1954 Housing Act – was that interest rates on FHA and VA loans be raised in order to bring them more in line with the yields on conventional mortgages. Taking into consideration that Eisenhower’s time in office coincided with a generally contractionary monetary policy (i.e., rising interest rates), excepting the brief recession from late 1957 to early 1958, helps to contextualize O’Leary’s negative assessment of the VHMCP.<sup>71</sup> Indeed, a series of 1956 articles in the Mortgage Bankers Association of America’s monthly magazine, including one by O’Leary himself, make clear the industry’s expectations of the government-regulated, post-New Deal mortgage market despite its essentially allowing them to socialize their losses. These included relatively conciliatory pleas to “take the fixing of FHA and VA interest rates ‘out of politics’” by allowing for adjustments relative to the federal funds rate, as well as O’Leary’s position that while “frequently the yields on FHA and VA mortgages have not been competitive,” “[w]e all desire a balanced and regular growth without inflationary excesses.” However, a more boldly jaundiced view was expressed by Miles Colean, a former FHA administrator turned consultant who opined that “no form of economic activity in this country” was as “beset with government restraints, directives, and incentives” as mortgage lending. Blaming low FHA and VA interest rates for depressing yields in the mortgage market as a whole, Colean accused federal housing policy advocates of attempting to create “an ideal society” in the mistaken belief “that government should and could, by grant and subsidy, give every family in the nation a good home[.]” In another article, a Chicago mortgage banker similarly complained that “Each annual housing bill sees new efforts made . . . to make the advancement of mortgage credit a matter of government determination rather than of private decisions,” before proposing that FHA and VA interest rates be allowed to float freely like those on conventional mortgages.<sup>72</sup>

Industry criticism of VA-backed loans was especially rife, considering that these carried an even lower rate than FHA, were available to veterans for no money down, and came with only partial guarantees (unlike FHA-backed loans which were fully insured). Noting that “the major portion of VHMCP business was in the VA field,” the program’s executive secretary Fred B. Morrison reported in early 1957, after Congress refused to raise the interest rate on VA loans from 4½ to 5 percent, that secondary market players considered any further purchases of VA loans “next to impossible.” The VHMCP thus faced the “dual problems of whether it could operate in the VA direct loan field at a 2 per cent discount and whether it could [continue to] operate in the VA field at all.” Incidentally, the VHMCP’s early decision to rely heavily on “the existing backlog of VA direct loan applications” had reduced its effectiveness for African American borrowers, since by its own admission this backlog “comprise[d] very few Negroes.” The VHMCP subsequently tilted its emphasis more toward the market in FHA loans where the interest rate stood at 5¼ percent, and in June 1957 it began turning away VA direct loan applicants altogether. For its part, the life insurance industry reportedly “thought well of the Program [VHMCP] in principle,” pledging in mid-1958 to continue buying FHA-insured loans at current rates and adding that it would consider future uptake of VA-guaranteed loans if these became “competitive” and “were allowed to function within the framework of market forces.”<sup>73</sup>

Despite these shortcomings and the fact that the VHMCP would only help only some 10,000 of the country’s more than 1.9 million nonwhite homeowners as of 1960, Eisenhower officials continued to tout the program’s efficacy, even to members of the Black real estate and financial industries. As late as 1958, executive director Joseph B. Graves called the program “an effective program instrument through which the rising needs of minority families can be met,” even though the program had only definitely placed some 6,000 loans to borrowers of color by that point; Graves actually implied that this estimate might be low, adding that “many loans had been made to minorities in small communities, but no distinction was made between minorities and non-minorities in the rural areas.” In early 1959, Graves addressed the National Association of Real Estate Brokers (NAREB), a Black-led organization, where he called VHMCP “a practical mortgage financing aid” and offered a couple examples of projects financed through the program. Graves did admit “the total number of individual applications from members of minority groups is smaller than originally anticipated,” despite “every effort . . . to inform those interested in the services of VHMCP[.]” Nevertheless, he placed the onus for the program’s

success on the Black brokers themselves, concluding: “The VHMCP is your Program. . . . You should make every attempt to take advantage of its services, for it gives you the tool for tackling the difficult problem of locating the necessary financing for your clients.” And to the U.S. Commission on Civil Rights later that year, Graves repeated his optimistic claims while clinging to the belief that VHMCP had promoted among mainstream lenders a “growing acceptance of the fact that loans to minorities are safe investments.” However, the government’s implication that the real responsibility for expanding African American access to home finance credit lay with the community continued. Toward the end of the program Graves would emphasize its “working liaison” with the NAREB, the National Urban League, and Black insurance companies, reporting that the president of the all-Black National Insurance Association had sent letters to its member companies “urging [increased] participation in the VHCMP.”<sup>74</sup>

Historian Preston H. Smith II has neatly summarized the predicament that Black life insurance companies and other financial interests run by African Americans faced in a post-World War II housing field remade by New Deal era market interventions: “There is no reason to believe that the black real estate industry was not equally satisfied with this arrangement of socialized costs and private profits. What they were not happy with, though, was the fact that they could not fully participate in the government-subsidized, private housing market in the way that white firms could.”<sup>75</sup> Despite Black firms’ small size compared to the giant life insurance companies that dominated the U.S. secondary mortgage market in the 1950s, they accepted its logic and sought to participate as best as they could – meanwhile retaining a commitment to serve in the traditional role they had always played as credit reserves for aspiring African American homeowners, and notwithstanding their accommodation to segregationist approaches that were demanded by the federal government itself, as well as their utilization of some questionable profitmaking practices they felt were justified amid the continuing reality of racially-structured, unequal access to housing. Black-owned insurance companies would endure, despite their diminishing importance following the 1964 Civil Rights Act and the financial ups and downs of the 1970s and 1980s; the successor companies to the largest two, North Carolina Mutual Life and Atlanta Life, survive to this very day in fact. Perhaps more troubling is that racially unequal access to mortgage credit and its repercussions – although perhaps not as blatantly obvious as when F. D. Wharton applied for an ostensibly race-neutral FHA-insured

loan in 1954 – also remains with us, as a new generation of aspiring Black middle-class homeowners painfully found out when the Great Recession crested in 2008.

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<sup>1</sup> On post-World War II suburbanization’s racially unequal dimensions, see especially Lizabeth Cohen, *A Consumer’s Republic: The Politics of Mass Consumption in Postwar America* (New York, 2004) and David M. P. Freund, *Colored Property: State Policy and White Racial Politics in Suburban America* (Chicago, 2007); still relevant is the classic Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York, 1985).

<sup>2</sup> F. D. Wharton to “Dear Sir,” September 25, 1954, Box AO-131, “Voluntary Home Mortgage Credit Program, 1954-June 1955” folder, Asa and Elna Spaulding Papers, Duke University Special Collections (Durham, NC).

<sup>3</sup> Wharton’s description of the applicants’ qualifications exactly matches his and those of his daughter and her husband, as well as their biographies; see “Mrs. Juanita Taylor, Teacher of Year Honored by Kiwanis Club,” *Carolina Times* [Durham, NC], May 1, 1971; and Laura Douglass, “At Penick, New Building Marks a Broken Barrier,” October 1, 2018, [https://www.thepilot.com/business/at-penick-new-building-marks-a-broken-barrier/article\\_1d04e022-c590-11e8-84dd-8b6dbedbbe9d.html](https://www.thepilot.com/business/at-penick-new-building-marks-a-broken-barrier/article_1d04e022-c590-11e8-84dd-8b6dbedbbe9d.html). Wharton was still listed as an employee of North Carolina A&T College the year before he wrote the letter; *Hill’s Raleigh City Directory 1953* (Richmond, VA, 1953), 668.

<sup>4</sup> F. D. Wharton to “Dear Sir,” September 28, 1954, Box AO-131, “Voluntary Home Mortgage Credit Program, 1954-June 1955” folder, Spaulding Papers.

<sup>5</sup> Albert E. Johnson to F. D. Wharton, October 12, 1954, and F. D. Wharton to Albert E. Johnson, October 27, 1954, both in *ibid.*

<sup>6</sup> F. D. Wharton to Asa T. Spaulding, October 27, 1954, and A. T. Spaulding to F. D. Wharton, October 28, 1954, both in *ibid.* Asa Spaulding’s recently-deceased cousin was C. C. (Charles Clinton) Spaulding, who had served as the company’s president since 1923.

<sup>7</sup> G. B. Ferguson to J. D. Wharton, October 6, 1954, and F. D. Wharton to G. B. Ferguson, October 20, 1954, both in *ibid.*

<sup>8</sup> F. D. Wharton to A. T. Spaulding, May 6, 1955, and A. T. Spaulding to F. D. Wharton, May 9, 1955, both in *ibid.*

<sup>9</sup> Quoted in Joseph R. Houchins, *Causes of Negro Insurance Company Failures*, Negro Statistical Bulletin #15 (Washington, DC, 1937), 5.

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<sup>10</sup> For organizational histories, see Walter B. Weare, *Black Business in the New South: A Social History of the North Carolina Mutual Life Insurance Company* (Urbana, IL, 1973); Robert C. Puth, *Supreme Life: The History of a Negro Life Insurance Company* (New York, 1976); and Alexa Benson Henderson, *Atlanta Life Insurance Company: Guardian of Black Economic Dignity* (Tuscaloosa, AL, 1990). For an early analysis of Black-owned life insurance companies' economic significance, see Joseph A. Pierce, *Negro Business and Business Education: Their Present and Prospective Development* (New York, 1947), 110-49.

<sup>11</sup> For statistical summaries of Black insurance companies' investments in bonds, mortgages, stock, and real estate, see David Abner III, "Some Aspects of the Growth of Negro Legal Reserve Life Insurance Companies, 1930-1960," D.B.A. dissertation (Indiana University, 1962), 170-209; perhaps the only dedicated study on the topic is Adam Shirley Arnold, Jr., "The Investments of Seven Negro Life Insurance Companies," Ph.D. dissertation (University of Wisconsin-Madison, 1951).

<sup>12</sup> For an explanation of life insurance companies' overall investment strategy and why mortgages historically suited their needs, see Karen Orren, *Corporate Power and Social Change: The Politics of the Life Insurance Industry* (Baltimore, 1974), 86-88, 99-106.

<sup>13</sup> Oliver Jones and Leo Grebler, *The Secondary Mortgage Market: Its Purpose, Performance, and Potential* (Los Angeles, 1961), 1-2, 4-5. For their definition of what a hypothetical "perfect" secondary mortgage market would look like, see *ibid.*, 14-26; useful, earlier context is Paul M. Gregory, "Imperfect Competition in the Mortgage Market," *Southern Economic Journal* 10 (April 1944): 275-91.

<sup>14</sup> Lance E. Davis, "The Investment Market 1870-1914: The Evolution of a National Market," *Journal of Economic History* 25 (September 1965): 355-99; George K. Holmes and John S. Lord, *Report on Real Estate Mortgages in the United States at the Eleventh Census* (Washington, DC, 1895); E. Michael Rosser and Diane M. Sanders, *A History of Mortgage Banking in the West: Financing America's Dreams* (Boulder, CO, 2017); Kenneth A. Snowden, "The Evolution of Interregional Mortgage Lending Channels, 1870-1940: The Life Insurance-Mortgage Company Connection," in *Coordination and Information: Historical Perspectives on the Organization of Enterprise*, ed. Naomi Lamoreaux and Daniel M. G. Raff (Chicago, 1995), 209-56 (quote from 234).

<sup>15</sup> Jones and Grebler, *Secondary Mortgage Market*, 90. For a snapshot of the overall national picture at the time, see D. M. Frederickson, "Mortgage Banking in America," *Journal of Political Economy* 2 (March 1894): 203-34; for an investor's perspective, see Edward N. Darrow, *A Treatise on Mortgage Instruments* (Minneapolis, 1892). On mortgage investments by insurance companies specifically, see Lester W. Zartman, *The Investments of Life Insurance Companies* (New York, 1906), esp. 25-33; and Morton Keller, *The Life Insurance Enterprise, 1885-1910: A Study in the Limits of Corporate Power* (Cambridge, MA, 1963), 125-84.

<sup>16</sup> Davis, "Investment Market," 383; Haughton Bell and Harold G. Fraine, "Legal Framework, Trends, and Developments in Investment Practices of Life Insurance Companies," *Law and Contemporary Problems* 17 (Winter 1952): 47; Snowden, "Evolution," 230, 235; H. Roger



Grant, *Insurance Reform: Consumer Action in the Progressive Era* (Ames, IA, 1988); Kenneth J. Meier, *The Political Economy of Regulation: The Case of Insurance* (Albany, NY, 1988), 61-62; Philip L. Merkel, "Going National: The Life Insurance Industry's Campaign for Federal Regulation after the Civil War," *Business History Review* 65 (Autumn 1991): 528-53. For a contemporary defense of the industry, see Robert Lynn Cox, *The Geographical Distribution of the Investments of Life Insurance Companies* (New York, 1909); for evidence that some areas were indeed disadvantaged, see B. Michael Pritchett, "Northern Institutions in Southern Financial History: A Note on Insurance Investments," *Journal of Southern History* 41 (August 1975): 391-96.

<sup>17</sup> Frederick H. Ecker, "Investment Tendencies of Life Insurance Companies," *Annals of the American Association of Political and Social Science* 130 (March 1927): 22; Bell and Fraine, "Legal Framework," 48; Kenneth A. Snowden, "Mortgage Lending and American Urbanization, 1880-1890," *Journal of Economic History* 48 (June 1988): 273-85; Kenneth A. Snowden, "Mortgage Banking in the United States, 1870-1940" (special report), Research Institute for Housing America, September 10, 2014, pp. 52, 56-58, 68-70.

<sup>18</sup> Charles H. Schmidt and Eleanor J. Stockwell, "The Changing Importance of Institutional Investors in the American Capital Market," *Law and Contemporary Problems* 17 (Winter 1952), 17; Snowden, "Mortgage Banking," 59-63, 64, 70 (quote from 60); Ernest M. Fisher, "Changing Institutional Patterns of Mortgage Lending," *Journal of Finance* 5 (December 1950): 308; Raymond J. Saulnier, "Insurance Company Urban Mortgage Lending and the Business Cycle," *Journal of Finance* 5 (December 1950): 295-306; Ecker, "Investment Tendencies," 25. On NAREB, see "Real Estate Mortgages as Investments for Life Insurance Companies," in *Real Estate Finance: Proceedings and Reports of Mortgage and Finance Divisions* (Chicago, 1923), 25-42.

<sup>19</sup> R. Carlyle Buley, *The American Life Convention, 1905-1952: A Study of the History of Life Insurance*, vol. 2 (New York, 1953), 724-25, 877; William A. Law, "Tendencies in Life Insurance Investment," *Annals of the American Association of Political and Social Science* 161 (May 1932): 7; Bell and Fraine, "Legal Framework," 49; Snowden, "Evolution," 242; Snowden, "Mortgage Banking," 75-76, 84. On how insurance companies' mortgage portfolios fluctuated between 1929 and 1945, see Wolfgang Stolper, "Mortgage Debt in the Money Market," *Weltwirtschaftliches Archiv* 79 (1957): 307-16.

<sup>20</sup> "Investments in Mortgages by Life Insurance Companies," *Federal Home Loan Bank Review* 3 (August 1937): 368-69; Spurgeon Bell, "Shifts in the Sources of Funds for Home Financing, 1930-1937," *Law and Contemporary Problems* 5 (Autumn 1938): 513-14; Snowden, "Mortgage Banking," 86-87, 89, 90; Frank J. Travers, "Some Life Insurance Investment Problems," *Journal of the American Association of University Teachers of Insurance* 6 (March 1939): 57; Fergus J. McDiarmid, "Current Trends in Institutional Investments," *Journal of Finance* 4 (June 1949): 121; R. B. Patrick, "The Life Insurance Portfolio," *The Analysts Journal* 10 (June 1954): 57.

<sup>21</sup> Snowden, "Mortgage Banking," 78, 82; Jones and Grebler, *Secondary Mortgage Market*, 115-18. For an overview of the revamped secondary market with early indications of federal programs' impact, see Gregory, "Imperfect Competition."

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<sup>22</sup> James B. Browning, “The Beginnings of Insurance Enterprise among Negroes,” *Journal of Negro History* 22 (October 1937), 417-18; Christy Ford Chapin, “‘Going Behind with That Fifteen Cent Policy’: Black-Owned Insurance Companies and the State,” *Journal of Policy History* 24 (October 2012), 646-47; Abner, “Some Aspects,” 28-30, 35, 37. The publication of *Race Traits and Tendencies of the American Negro* (New York, 1896), a racist tract by Prudential statistician Frederick L. Hoffman, led that company to stop writing policies for African Americans entirely.

<sup>23</sup> Robert C. Puth, “The Origins, Development, and Current Situation of the Negro Life Insurance Industry,” *Papers of the Annual Meeting of the Business History Conference* 15 (February 1968): 134-37. For a contemporary overview of “industrial” insurance, see Charles R. Henderson, *Industrial Insurance in the United States* (Chicago, 1909).

<sup>24</sup> Puth, “Origins,” 134; Abner, “Some Aspects,” 49-51; Douglas Flamming, *Bound for Freedom: Black Los Angeles in Jim Crow America* (Berkeley, CA, 2005), 254-57; Chapin, “‘Going Behind,’” 647. For the individual histories of North Carolina Mutual and Atlanta Life, see Weare, *Black Business* (which covers only the period through World War II), and Henderson, *Atlanta Life*.

<sup>25</sup> William J. Collins and Robert A. Margo, “Race and Homeownership: A Century-Long View,” *Explorations in Economic History* 38 (January 2001): 68-92; William J. Collins and Robert A. Margo, “Race and Home Ownership from the End of the Civil War to the Present,” *American Economic Review* 101 (May 2011): 355-59.

<sup>26</sup> On African Americans’ difficulties securing mortgage financing through mainstream channels at the time, see Chicago Commission on Race Relations, *The Negro in Chicago: A Study of Race Relations and a Race Riot* (Chicago, 1922), 220-24; T. J. Woofter, Jr., *Negro Problems in Cities* (New York, 1938), 146-47; and President’s Conference on Home Building and Home Ownership, *Tentative Report of the Committee on Negro Housing* (Washington, DC, 1931), 78-82. On the importance of Black-owned “thrifths,” see David L. Mason, “Homeownership Is Colorblind: The Role of African American Savings and Loans in Home Finance, 1880-1980,” *Business and Economic History On-Line* 8 (2010): 1-8, available at <https://thebhc.org/beh-online>.

<sup>27</sup> “North Carolina Mutual Life Insurance Company” (ad), *The Crisis* 27 (January 1924), 139; “Mortgage Loans – Process Adjustment – Past Due,” [late 1920s], Box 32, “Mortgage loans, 1952, 1957-1959, and undated” folder, North Carolina Mutual Life Insurance Company Archives, Duke University Special Collections; Henderson, *Atlanta Life*, 97. In the 1920s, Chicago-based Supreme Liberty Life’s mortgages were also still mostly local; see Robert Christian Puth, “Supreme Life: The History of a Negro Life Insurance Company,” Ph.D. dissertation (University of Chicago, 1967), 88.

<sup>28</sup> Weare, *Black Business*, 123, 124.

<sup>29</sup> For an overview see Houchins, *Causes*.

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<sup>30</sup> W. H. Smith to A. Sam Williams, Jr., March 3, 1932, Series 1H, Box 50, folder 18; W. H. Smith to J. H. Kendall, December 4, 1933, Box 50, folder 14; and W. H. Smith to “Dear Sir” [P. Parkinson], October 29, 1939, Box 50, folder 23, all in Series 1H, Atlanta Life Insurance Company Records, Auburn Avenue Research Library (Atlanta, GA).

<sup>31</sup> W. H. Smith to George W. Benton, March 6, 1934, Box 50, folder 12; W. H. Smith to Will Wright, September 3, 1934, Box 50, folder 22; and W. H. Smith to H. E. Oglesby, March 4, 1935, Box 50, folder 10, all in Series 1H, *ibid.* On the Home Owners’ Loan Corporation’s significance as a bailout for creditors, see Todd M. Michney and LaDale Winling, “New Perspectives on New Deal Housing Policy: Explicating and Mapping HOLC Loans to African Americans,” *Journal of Urban History* 46 (January 2020): 150-80.

<sup>32</sup> “Cashier” [W. H. Smith] to H.S. Dixon, September 8, 1932, Box 50, folder 15; J. A. Market to “Gentlemen,” December 4, 1935, Box 50, folder 12; H. M. McConnell to “Gentlemen,” September 9, 1936, and H. M. Hargrove to “Gentlemen,” June 17, 1936, Box 50, folder 11; L. R. Cary to “Gentlemen,” March 30, 1937, W. M. DeWitt to “Gentlemen,” October 30, 1936, and W. H. Smith to “Dear Sirs,” April 2, 1937, Box 50, folder 25, all in Series 1H, Atlanta Life Insurance Company Records.

<sup>33</sup> Henderson, *Atlanta Life*, 135-37.

<sup>34</sup> Adam Shirley Arnold, Jr., “The Investments of Seven Negro Life Insurance Companies,” *Journal of Finance* 9 (March 1954): 55-57 (quote from 57). On pre-World War II (direct) policyholder loans more generally, see Edward Berman, “Borrowing on Life Insurance Policies,” *Annals of the American Academy of Political and Social Science* 196 (March 1938): 176-80. For a sense of how these typically worked, see Jesse Edward Gloster, “North Carolina Mutual Life Insurance Company: Its Historical Development and Current Operations,” Ph.D. dissertation (University of Pittsburgh, 1955), 121.

<sup>35</sup> Arnold, “Investments,” 55-57; Abner, “Some Aspects,” 192-93; Chicago Commission on Race Relations, *Negro in Chicago*, 220.

<sup>36</sup> “Assets and Liabilities as of April 30, 1938,” Box AO-51, “Mortgage Company of Durham, 1938-1941” folder, Spaulding Papers; “1939 Report, Real Estate Department,” “1940 Report, Real Estate Department,” and “1943 Report, Real Estate Department,” all in Box NCM-56, “Reports of the Real Estate Dept., 1939-41” folder, in *ibid.*; W. J. Kennedy, Jr., “Supplement No. 1 to Historical Sketch, North Carolina Mutual Life Insurance Company,” [ca. 1944], Box 32, “NCM Historical Sketch and Supplements 1930-1961” folder, North Carolina Mutual Life Insurance Company Archives.

<sup>37</sup> Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington, IN, 1996), 23-24; Weare, *Black Business*, 158-61; O. Bryson Jr., “Recent Developments Affecting Negro Legal Reserve Life Insurance Companies,” *Review of Insurance Studies* 1 (February 1954): 1, 2; Pierce, *Negro Business*, 130.

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<sup>38</sup> See especially Arnold R. Hirsch, “‘Containment’ on the Home Front: Race and Federal Housing Policy from the New Deal to the Cold War,” *Journal of Urban History* 26 (January 2000): 158-89.

<sup>39</sup> Freund, *Colored Property*, 129-30, 155-62. In justifying this mentality, the FHLBB related that “Such experienced and large-scale mortgage investors as the insurance companies report that the changing character of neighborhoods constitutes a major risk factor in their considerations.” “Neighborhood Standards as they Affect Investment Risk,” *Federal Home Loan Bank Review* 1 (August 1935): 404.

<sup>40</sup> Thomas W. Hanchett, “Financing Suburbia: Prudential Life Insurance and the Post-World War II Transformation of the American City,” *Journal of Urban History* 26 (March 2000): 315, 316, 318; James J. O’Leary, “The Effects of Recent Credit and Debt Management Policies upon Life Insurance Company Investments,” *Journal of Finance* 7 (May 1952): 309; Jones and Grebler, *Secondary Mortgage Market*, 29-44; George W. McKinney, Jr., “Residential Mortgage Lenders,” *Journal of Finance* 7 (March 1952): 34; Henry E. Hoagland, *Real Estate Finance* (Homewood, IL), 238-39, 242-43; Leo Grebler, David M. Blank, and Louis Winnick, *Capital Formation in Residential Real Estate* (Princeton, NJ, 1956), 201. On postwar mortgage companies’ operations, see especially Saul B. Klamon, *The Postwar Residential Mortgage Market* (Princeton, NJ, 1961), 243-80.

<sup>41</sup> L. Douglas Meredith, “Liquidity: A Growing Attribute of Mortgage Loan Portfolios,” *Journal of Finance* 5 (December 1950): 322; Jones and Grebler, *Secondary Mortgage Market*, 33, 75; Hoagland, *Real Estate Finance*, 238; B. H. Beckhart et al., “Discussion,” *Journal of Finance* 5 (December 1950): 330, 331; Schmidt and Stockwell, “Changing Importance,” 21-22; James Gillies and Clayton Curtis, “The Structure of Local Mortgage Markets and Government Housing Finance,” *Journal of Finance* 10 (September 1955): 365.

<sup>42</sup> Robert C. Weaver, *The Negro Ghetto* (New York, 1948); for context see Wendell E. Pritchett, *Robert Clifton Weaver and the American City: The Life and Times of an Urban Reformer* (Chicago, 2008). Other early critics included Charles Abrams; see “Bias in the Use of Governmental Regulatory Powers,” *University of Chicago Law Review* 20 (Spring 1953): 414-25, and A. Scott Henderson, *Housing and the Democratic Ideal: The Life and Thought of Charles Abrams* (New York, 2000).

<sup>43</sup> Robert Frederick Burk, *The Eisenhower Administration and Black Civil Rights* (Knoxville, TN, 1984), 116-17; Davis McEntire, *Residence and Race* (Berkeley, CA, 1960), 63; Freund, *Colored Property*, 177-78.

<sup>44</sup> Arnold R. Hirsch, “Choosing Segregation: Federal Housing Policy Between *Shelley* and *Brown*,” in *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth-Century America*, ed. John F. Bauman, Roger Biles, and Kristin M. Szylvian (University Park, PA, 2000), 206-25; U.S. Commission on Civil Rights, *Housing: 1961 Report*, vol. 4 (Washington, DC, 1961), 61, 63, 68, 69. For the effects of FHA-VA housing supports with implications for the racial homeownership gap, see George F. Break, *The Economic Impact of Federal Loan Insurance* (Washington, DC, 1961); Daniel K. Fetter, “How Do Mortgage

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Subsidies Affect Home Ownership? Evidence from the Mid-Century GI Bills,” *American Economic Journal* 5 (May 2013): 111-47; and Collins and Margo, “Race and Homeownership.”

<sup>45</sup> Andrew Wiese, *Places of Their Own: African American Suburbanization in the Twentieth Century* (Chicago, 2004), 140; McEntire, *Residence and Race*, 218-37; David H. Onkst, “‘First a Negro . . . Incidentally a Veteran’: Black World War Two Veterans and the G.I. Bill of Rights in the Deep South, 1944-1948,” *Journal of Social History* 31 (Spring 1998): 517-43; Louis Lee Woods II, “‘Almost ‘No Negro Veteran . . . Could Get a Loan’: African Americans, the G.I. Bill, and the NAACP Campaign Against Residential Segregation, 1917-1960,” *Journal of African American History* 98 (Summer 2013): 392-417; N. D. B. Connolly, *A World More Concrete: Real Estate and the Remaking of Jim Crow South Florida* (Chicago, 2014), 181. For a contrarian take, see Judge Glock, “How the Federal Housing Administration Tried to Save America’s Cities, 1934-1960,” *Journal of Policy History* 28 (April 2016): 290-316.

<sup>46</sup> Winfred O. Bryson, Jr., “Recent Developments Affecting Negro Legal Reserve Life Insurance Companies,” *Review of Insurance Studies* 1 (February 1954): 1-5.

<sup>47</sup> Preston H. Smith II, *Racial Democracy and the Black Metropolis* (Minneapolis, 2012), 199-200, 259-60, 269-75, 279, 290 (quote); “Mortgage Loans on Real Estate” (spreadsheet), [1956], Box 34, folder 6, Series 1A, Atlanta Life Insurance Company Records. Even despite their comparatively small size, financing from African American-owned life insurance companies could have a significant impact on local urban housing markets; see Egbert Frederick Schietinger, “Real Estate Transfers During Negro Invasion: A Case Study,” M. A. thesis (University of Chicago, 1948), 47-64.

<sup>48</sup> J.W. Rice to Eugene Martin, April 22, 1948, Box 51, folder 4; James W. Duhart to N.B. Hernden [sic], October 11, 1953, Box 52, folder 5; J.A. Walker, Jr. to N.B. Hearndon [sic], March 24, 1954, Box 52, folder 10; G.D. Rogers to E.M. Martin, February 4, 1949, Box 51, folder 3; Bessie M. Johnson to F.A. Toomer, April 21, 1949, Box 51, folder 3, all in Series 1H, Atlanta Life Insurance Company Records. On the continuing difficulties African Americans had accessing mortgage financing, see McEntire, *Residence and Race*, 218-37.

<sup>49</sup> Much of the new postwar housing built for African Americans, with or without FHA backing, was financed by white-owned companies; for examples see E.A. Mattison, “The FHA Record of Bank of America,” *Insured Mortgage Portfolio* 14 (4<sup>th</sup> Quarter, 1949), 13-14; Robert R. Taylor, “Making Loans to Minority Groups,” *Savings and Loan News* (January 1953): 45-47; “What Builders Are Doing About Minority Housing,” *House & Home* (April 1955): 146-47; and “A Banker Relates Experience in Financing Nonwhite Housing,” *Journal of Housing* 13 (April 1956): 13-14.

<sup>50</sup> Edward M. Swan to E.M. Martin, Jr., March 19, 1948, Box 51, folder 4; Elmer L. Moyer to “Gentlemen,” May 23, 1949, Box 51, folder 1; H. L. Hodell, Jr. to “Gentlemen,” May 20, 1949, Box 51, folder 2; Joseph Ginsberg to “Gentlemen,” May 18, 1948, Box 51, folder 4; Carl N. Stewart Jr. to W. H. Smith, July 28, 1959, Box 51, folder 11; Paul T. Walls to “Gentlemen,” May 8, 1950, Box 51, folder 1; Ewing Smith to “Gentlemen,” August 6, 1952, Box 52, folder 10, all in Series 1H, Atlanta Life Insurance Company Records.

<sup>51</sup> W.H. Smith to A. J. Florida, June 15, 1951, Box 50, folder 3; Frank H. Greer to “Gentlemen,” August 10, 1951, Box 52, folder 17; A. Maceo Smith to Walter H. Smith, October 16, 1951, Box 53, folder 3, all in Series 1H, Atlanta Life Insurance Company Records. This last letter additionally confirms that black-owned insurance companies were assumed to serve a catalyzing role despite their relatively limited resources: “[T]he Little Rock area has been neglected so long – largely because mortgage companies have been unable to place the permanent loans. You would be doing the people of Little Rock a ‘pump priming’ service to purchase this small mortgage.”

<sup>52</sup> “Mortgage Loans on Real Estate” (spreadsheet); Henderson, *Atlanta Life*, 136 (table). Note that the figures given in these two sources (Henderson cites *Best’s Life Insurance Reports*) diverge slightly.

<sup>53</sup> “Mortgage Loans” (spreadsheet); Smith, *Racial Democracy*, 276-77.

<sup>54</sup> Gloster, “North Carolina Mutual Life,” 120; “Analysis of Mortgage Loan Portfolio,” February 13, 1952, Box 30, “Mortgage loans, 1944, 1950-1956” folder; W. J. Kennedy, Jr. to Mortgage Loan Correspondents, March 27, 1952, Box 32, “Mortgage loans, 1952, 1957-1959” folder; “Report on Newark, New Jersey Assignment,” January 22, 1953, Box 30, “Mortgage loans, 1944, 1950-1956” folder, all in North Carolina Mutual Life Insurance Company Archives. Apparently the 60 percent loan-to-value ratio had recently been lowered from 66 percent, due to “inflation of real estate values”; Gloster, “North Carolina Mutual Life,” 119. Supreme Life apparently had the exact same safeguard; see Puth, “Supreme Life,” 185.

<sup>55</sup> Wiese, *Places of Their Own*, esp. 138-40; Freund, *Colored Property*, 186-88; Weaver, *Negro Ghetto*, 150-56, 217-22; Norman Williams, Jr., “Discrimination and Segregation in Minority Housing,” *American Journal of Economics and Sociology* 9 (October 1949): 85-102. On the Racial Relations Service, see especially Arnold Hirsch, “Searching for a ‘Sound Negro Policy’: A Racial Agenda for the Housing Acts of 1949 and 1954,” *Housing Policy Debate* 11, no. 2 (2000): 393-441.

<sup>56</sup> For examples, see “A Title VI Negro Housing Project,” *Insured Mortgage Portfolio* 7 (3<sup>rd</sup> Quarter 1942): 10-12, 29-41; “Creating Housing for Negro Veterans,” *Insured Mortgage Portfolio* 11 (1<sup>st</sup> Quarter 1947): 13-15, 36; “Another Successful Negro Project,” *Insured Mortgage Portfolio* 12 (3<sup>rd</sup> Quarter 1947): 11-12, 27-28; “Savannah Creates a New Community,” *Insured Mortgage Portfolio* 13 (3<sup>rd</sup> Quarter 1948): 7-8, 34-35; Margaret Kane, “Opportunities in a Neglected Market,” *Insured Mortgage Portfolio* 13 (4<sup>th</sup> Quarter 1948): 6-8, 32-33; Margaret Kane, “A Wider Field for Mortgage Lending,” *Insured Mortgage Portfolio* 14 (4<sup>th</sup> quarter 1949): 15-18; Donald W. Wyatt, “Better Homes for Negro Families in the South,” *Social Forces* 28 (March 1950): 297-393; and Roland Sawyer, “FHA Program Aids Minorities,” *Insured Mortgage Portfolio* 16 (4<sup>th</sup> Quarter 1951): 6-9.

<sup>57</sup> Smith, *Racial Democracy*, 270-71; Albert L. Thompson, “Negro Mortgagees and Builders in the South,” *Insured Mortgage Portfolio* 18 (Fall 1953): 9-11 (quote from 9); Wiese, *Places of Their Own*, 139; W. H. Smith to J. E. Walker, April 3, 1951, Andrew J. Florida to W. H. Smith, March 21, 1951, and J. E. Walker to W. H. Smith, March 22, 1951, all in Box 50, folder 3, Series 1H, Atlanta Life Insurance Company Records.

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<sup>58</sup> Charles R. Van Anden, “New York Life and the Housing of Minority Groups,” *Insured Mortgage Portfolio* 18 (Winter 1953-54): 5-8; “What Builders Are Doing About Minority Housing”; Farrah D. Gafford, “‘It Was a Real Village’: Community Identity among Black Middle-Class Residents in Pontchartrain Park,” *Journal of Urban History* 39 (January 2013): 36-58. On the record of “success” in 71 such developments, see William Goldner, *New Housing for Negroes: Recent Experience*, Research Report #12, Real Estate Research Program (University of California-Berkeley, 1958).

<sup>59</sup> Charles M. Lamb and Adam W. Nye, “Do Presidents Control Bureaucracy? The Federal Housing Administration during the Truman-Eisenhower Era,” *Political Science Quarterly* 127 (Fall 2012): 445-67; Hirsch, “‘Containment,’” 164-75 (quote from 173); Burk, *Eisenhower Administration*, 111-17 (quote from 116).

<sup>60</sup> Arnold R. Hirsch, “‘The Last and Most Difficult Barrier’: Segregation and Federal Housing Policy in the Eisenhower Administration, 1953-1960,” Report submitted to the Poverty & Race Research Action Council (March 2005), esp. 8-9, 25-26; Burk, *Eisenhower Administration*, 111, 113-14. Twenty-one of the 23 Housing Advisory Committee members came from the private sector, notably mortgage banking including Miles Colean, James Rouse and Aksel Nielsen (the latter a close personal friend of the President); Richard M. Flanagan, “The Housing Act of 1954: The Sea Change in National Urban Policy,” *Urban Affairs Review* 33 (November 1997): 272.

<sup>61</sup> President’s Advisory Committee on Government Housing Policies and Programs, *Government Housing Policies and Programs: A Report* (Washington, DC, 1953), 62-63, 303 (quote); Smith, *Racial Democracy*, 242-51.

<sup>62</sup> Smith, *Racial Democracy*, 270-72, 277-82, 403n68; Burk, *Eisenhower Administration*, 114, 116; Hirsch, “‘Last and Most Difficult Barrier,’” 7.

<sup>63</sup> Burk, *Eisenhower Administration*, 118-19; Flanagan, “Housing Act of 1954,” 272-74; Housing and Home Finance Agency, *Brief Summary of the Housing Act of 1954* (Washington, DC, 1954); John J. Vax, “Home Financing Assistance by the Voluntary Home Mortgage Credit Program,” *Phylon* 19 (1<sup>st</sup> Quarter 1958): 81-82; Smith, *Racial Democracy*, 264, 283 (quote).

<sup>64</sup> Smith, *Racial Democracy*, 283-85; Richard G. Hughes, “Minorities Need Housing – Now Is Time to Act,” *NAHB Correlator* 8 (December 1954): 3; *Housing Act of 1954: Hearing before the Committee on Banking and Currency, House of Representatives, Eighty-Third Congress, Second Session on H.R. 7839* (Washington, DC, 1954), 475-80 (quote from 478); B. T. McGraw, “The Housing Act of 1954 and Implications for Minorities,” *Phylon* 16 (2<sup>nd</sup> Quarter 1955): 175.

<sup>65</sup> Smith, *Racial Democracy*, 284-88, 294-95; *Investigation of Housing, 1955: Hearings before the Subcommittee on Housing of the Committee on Banking and Currency, House of Representatives, Eighty-Fourth Congress, First Session, Part 3*; Chicago, Illinois (Washington, DC, 1955), 262; Hirsch, “‘Last and Most Difficult Barrier,’” 47; Burk, *Eisenhower Administration*, 118-19.

<sup>66</sup> George W. Snowden to W. J. Kennedy, March 16, 1954, Box AO-131, "Voluntary Home Mortgage Credit Program, 1954-June 1955" folder, Spaulding Papers; Memo, George W. Snowden to Norman P. Mason, July 20, 1954, in *ibid.*; Arthur W. Viner to Asa T. Spaulding, October 16, 1954, in *ibid.*; "For Immediate Release," HHFA-OA-No. 779, December 23, 1954, in *ibid.*; B. T. McGraw to Asa T. Spaulding, April 29, 1955, in *ibid.* Eisenhower administration officials continued to solicit personnel recommendations from Spaulding; see Joseph B. Graves to A. T. Spaulding, May 10, 1961, Box AO-131, "Voluntary Home Mortgage Credit Program, 1961-1964" folder, in *ibid.*

<sup>67</sup> A. T. Spaulding to B. T. McGraw, July 19, 1955, Box AO-131, "Voluntary Home Mortgage Credit Program, July 1955-1956" folder, in *ibid.*; Fred B. Morrison, "National Committee Meeting" (minutes), April 12, 1957, Box AO-131, "Voluntary Home Mortgage Credit Program, January-June 1957" folder, in *ibid.*; A. T. Spaulding to Fred B. Morrison, June 27, 1955, Box AO-131, "Voluntary Home Mortgage Credit Program, 1954-June 1955" folder, in *ibid.*; Robert C. Weaver to McNeill Smith, October 30, 1961, Box AO-131, "Voluntary Home Mortgage Credit Program, 1961-1964" folder, in *ibid.*

<sup>68</sup> "Statement by George W. Snowden," September 29, 1954, pp. 3, 7, Box AO-131, "Voluntary Home Mortgage Credit Program, 1954-June 1955" folder, in *ibid.*; Joseph R. Ray to Carl Murphy, April 14, 1955, in *ibid.*; "Preliminary Report of Requested Follow-Up on VHMCP Operations and Results," July 19, 1955, Box AO-131, "Voluntary Home Mortgage Credit Program, July 1955-1956" folder, in *ibid.*; "Build As We Fight," ca. September 4, 1955, in *ibid.*

<sup>69</sup> "Statement by George W. Snowden," 5, 8; "Build as We Fight"; "Address by Fred B. Morrison," September 11, 1957, pp. 5, 7, 8, 9, Box AO-131, "Voluntary Mortgage Credit Program, August-December 1957, Spaulding Papers.

<sup>70</sup> Cowles Andrus to "Mortgage Officers," October 25, 1957, in *ibid.*; "The Voluntary Home Mortgage Credit Program: Background Statement," ca. September 24, 1954, Box AO-131, "Voluntary Home Mortgage Credit Program, 1954-June 1955" folder, in *ibid.*; "National Committee Meeting" (minutes), February 16, 1962, Box AO-131, "Voluntary Home Mortgage Credit Program, 1961-1964" folder; "Report of the National Committee of the Voluntary Home Mortgage Credit Program on the Future of the Program," January 25, 1957, Box AO-131, "Voluntary Home Mortgage Credit Program, January-June 1957" folder, in *ibid.*; "National Committee Meeting" (minutes), April 22, 1960, pp. 9, 10, Box AO-131, "Voluntary Home Mortgage Credit Program, 1959-1960" folder, in *ibid.*

<sup>71</sup> For a contemporary analysis, see Albert H. Schaaf, "Federal Mortgage Interest Rate Policy and the Supply of FHA-VA Credit," *Review of Economics and Statistics* 40 (November 1958): 384-89. Schaaf noted that "Although higher rates on insured and guaranteed loans would have improved the situation somewhat, it is important to recognize that the credit shortages would not have disappeared." *Ibid.*, 386.

<sup>72</sup> J. Maxwell Pringle, "Stability Can Be Achieved through Mandatory Flexibility of FHA and VA Interest Rates," *Mortgage Banker* (February 1956): 34-37 (quote from 34); James J. O'Leary, "The Remarkable Record of the Life Companies in Mortgages," *Mortgage Banker*



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(August 1956): 18-22 (quote from 22); Miles L. Colean, "The Government and the Mortgage Loan Business," *Mortgage Banker* (September 1956): 25-28 (quote from 26); Lindell Peterson, "The Case for a Free Market in FHA and VA Interest Rates," *Mortgage Banker* (November 1956): 36-37 (quote from 36). Colean had been a harsh critic of FHA at least since 1953; see "A Review of Federal Mortgage Lending and Insuring Practices," *Journal of Finance* 8 (May 1953): 249-60.

<sup>73</sup> "National Committee Meeting" (minutes), April 12, 1957, Box AO-131, "Voluntary Home Mortgage Credit Program, January-June 1957" folder, Spaulding Papers; "Preliminary Report of Requested Follow-Up on VHMCP Operations and Results"; "9<sup>th</sup> Regional Committee Meeting" (minutes), February 28, 1958, Box AO-131, "Voluntary Home Mortgage Credit Program, January-November 1958" folder, Spaulding Papers; "National Committee Meeting" (minutes), January 16, 1959, Box AO-131, "Voluntary Home Mortgage Credit Program, 1959-1960" folder, in *ibid.*; "National Committee Meeting" (minutes), May 23, 1958, Box AO-131, "Voluntary Home Mortgage Credit Program, January-November 1958" folder, in *ibid.*

<sup>74</sup> Edwin D. Goldfield, prep., *Statistical Abstract of the United States 1963*, 84<sup>th</sup> ed. (Washington, DC), 759; "National Committee Meeting" (minutes), May 23, 1958; "Remarks of Joseph B. Graves," February 21, 1959," Box AO-131, "Voluntary Home Mortgage Credit Program, 1959-1960," Spaulding Papers; "Statement of Joseph B. Graves," June 10, 1959, in *ibid.*; "National Committee Meeting" (minutes), February 16, 1962, Box AO-131, "Voluntary Home Mortgage Credit Program, 1961-1964" folder, in *ibid.*

<sup>75</sup> Smith, *Racial Democracy*, 256.